
BANK ALJAZIRA

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE
2024**

Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bank AlJazira (the "Bank") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2024, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2024, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and other explanatory notes (the "interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ('IAS 34'), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia 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 information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

for PricewaterhouseCoopers

for Ernst & Young Professional Services



Waleed A. Alhidiri
Certified Public Accountant
License Number 559



Hussain Saleh Asiri
Certified Public Accountant
License Number 414

7 Safar 1446H
(11 August 2024)

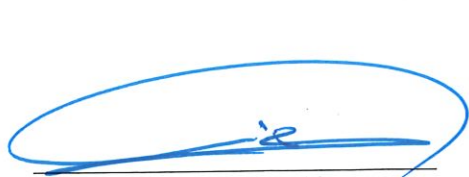


Bank AlJazira

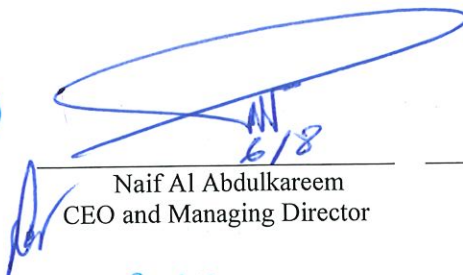
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 June 2023 (Unaudited) SR'000
	Notes			
ASSETS				
Cash and balances with Saudi Central Bank (SAMA)	15	6,089,651	5,840,693	6,560,359
Due from banks and other financial institutions, net		6,965,794	5,691,774	3,543,943
Investments, net	5	34,619,498	34,442,290	36,339,567
Positive fair value of Shari'ah compliant derivatives	9	176,979	222,508	385,886
Financing, net	6	87,207,667	80,780,901	74,941,711
Other assets		891,623	719,449	871,813
Investment in an associate	7	324,292	243,011	234,089
Other real estate, net		531,077	498,986	498,249
Property, equipment and right of use assets, net		1,194,794	1,111,165	1,068,121
Total assets		138,001,375	129,550,777	124,443,738
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		18,817,587	14,985,733	12,096,869
Customers' deposits	8	98,553,170	94,054,401	92,081,539
Negative fair value of Shari'ah compliant derivatives	9	150,386	147,061	218,987
Subordinated Sukuk	10	2,005,233	2,004,346	2,003,527
Other liabilities		1,800,562	1,943,742	1,774,979
Total liabilities		121,326,938	113,135,283	108,175,901
EQUITY				
Share capital	11	10,250,000	8,200,000	8,200,000
Statutory reserve		1,399,537	3,449,537	3,194,545
Other reserves	12	(1,104,707)	(844,399)	(519,010)
Retained earnings		2,254,607	1,735,356	1,517,302
Equity attributable to shareholders of the Bank		12,799,437	12,540,494	12,392,837
Tier 1 Sukuk	13	3,875,000	3,875,000	3,875,000
Net equity		16,674,437	16,415,494	16,267,837
Total liabilities and net equity		138,001,375	129,550,777	124,443,738



Tarek Al-Kasabi
Chairman



Naif Al Abdulkareem
CEO and Managing Director

Sami Al Mehaid
Group Head
Corporate & Institutional Banking Group



Hani Noori
Chief Financial Officer

AAA
NY

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

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED) FOR THE THREE MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2024

	For the three-month period ended		For the six-month period ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	SR'000	SR'000	SR'000	SR'000
Notes				
Income from investments and financing	1,924,675	1,500,491	3,765,613	2,833,331
Return on deposits and financial liabilities	(1,295,270)	(934,871)	(2,516,129)	(1,709,179)
Net financing and investment income	629,405	565,620	1,249,484	1,124,152
Fees from banking services - income	270,082	237,333	550,875	466,643
Fees from banking services - expense	(117,598)	(106,998)	(242,133)	(206,913)
Fees from banking services, net	152,484	130,335	308,742	259,730
Exchange income, net	47,439	54,167	96,335	104,520
Net gain / (loss) on fair value through statement of income (FVIS) financial instrument	22,153	6,490	36,018	(7,999)
Dividend income	47,829	40,415	93,062	78,590
Net (loss) / gain on de-recognition of financial assets at fair value through other comprehensive income (FVOCI) – debt	(294)	(365)	(727)	4,325
Net (loss) / gain on de-recognition of financial assets at amortised cost	(6,464)	8,160	(6,464)	8,160
Other operating income	10,508	2,908	14,907	20,120
Total operating income	903,060	807,730	1,791,357	1,591,598
Salaries and employee-related expenses	272,742	254,255	537,387	512,156
Rent and premises-related expenses	13,543	13,406	27,424	27,332
Depreciation and amortisation	50,415	46,707	97,073	92,647
Other general and administrative expenses	166,959	145,611	330,875	298,949
Other operating expenses	4,501	3,272	7,243	7,138
Total operating expenses before impairment charge	508,160	463,251	1,000,002	938,222
Impairment charge for financing and other financial assets, net	6 (b) 82,778	52,177	138,156	112,176
Impairment reversal for other real estate	(42,571)	-	(42,571)	-
Total operating expenses	548,367	515,428	1,095,587	1,050,398
Net operating income	354,693	292,302	695,770	541,200
Share in net income of an associate	3,588	5,549	9,774	6,624
Net income for the period before zakat and income tax	358,281	297,851	705,544	547,824
Zakat and income tax				
Zakat	(39,223)	(35,506)	(83,594)	(80,047)
Income tax	(1,508)	(1,740)	(3,959)	(3,137)
Net income for the period	317,550	260,605	617,991	464,640
Basic and diluted earnings per share for the period (expressed in SR per share) – (re- stated)	11 0.21	0.22	0.51	0.42

Tarek Al-Kasabi
Chairman

Naif Al Abdulkareem
CEO and Managing Director

Hani Noori
Chief Financial Officer

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Bank AlJazira

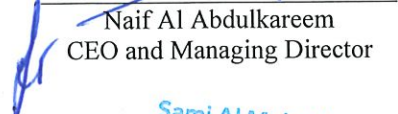
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2024

	<u>Notes</u>	<u>For the three-month period ended</u>		<u>For the six-month period ended</u>	
		<u>30 June 2024</u>	<u>30 June 2023</u>	<u>30 June 2024</u>	<u>30 June 2023</u>
		<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Net income for the period		<u>317,550</u>	<u>260,605</u>	<u>617,991</u>	<u>464,640</u>
Other comprehensive income / (loss):					
<i>Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>					
Cash flow hedges:					
- Effective portion of change in the fair value	12	27,899	103,694	75,777	47,836
- Net amount transferred to interim condensed consolidated statement of income	12	(2,586)	(1,762)	(144)	(3,526)
Net changes in fair value of investments classified as at FVOCI- debt	12	(8,516)	(37,897)	(326,267)	179,453
<i>Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods</i>					
Net changes in fair value of investments classified as at FVOCI- equity	12	1,490	7,992	(10,515)	2,691
Share in other comprehensive income of an associate	12	-	9,833	984	9,833
Total other comprehensive income / (loss) for the period		<u>18,287</u>	<u>81,860</u>	<u>(260,165)</u>	<u>236,287</u>
Total comprehensive income for the period		<u>335,837</u>	<u>342,465</u>	<u>357,826</u>	<u>700,927</u>


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Bank AlJazira

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

Notes	Share capital SR'000	Statutory reserve SR'000	Other reserves SR'000	Retained earnings SR'000	Total shareholders' equity SR'000	Tier 1 Sukuk SR'000	Total equity SR'000
Balance at 1 January 2024 (audited)	8,200,000	3,449,537	(844,399)	1,735,356	12,540,494	3,875,000	16,415,494
Net income for the period	-	-	-	617,991	617,991	-	617,991
Other comprehensive loss	-	-	(260,165)	-	(260,165)	-	(260,165)
Transfers to retained earnings on disposal of FVOCI equity investments	-	-	(143)	143	-	-	-
Total comprehensive income for the period	-	-	(260,308)	618,134	357,826	-	357,826
Issue of bonus shares	2,050,000	(2,050,000)	-	-	-	-	-
Tier 1 Sukuk related costs	-	-	-	(98,883)	(98,883)	-	(98,883)
Balance at 30 June 2024 (unaudited)	10,250,000	1,399,537	(1,104,707)	2,254,607	12,799,437	3,875,000	16,674,437
Balance at 1 January 2023 (audited)	8,200,000	3,194,545	(755,297)	1,094,793	11,734,041	1,875,000	13,609,041
Net income for the period	-	-	-	464,640	464,640	-	464,640
Other comprehensive income	-	-	236,287	-	236,287	-	236,287
Total comprehensive income for the period	-	-	236,287	464,640	700,927	-	700,927
Tier 1 Sukuk issued	-	-	-	-	-	2,000,000	2,000,000
Tier 1 Sukuk issuance costs	-	-	-	(3,248)	(3,248)	-	(3,248)
Tier 1 Sukuk related costs	-	-	-	(38,883)	(38,883)	-	(38,883)
Balance at 30 June 2023 (unaudited)	8,200,000	3,194,545	(519,010)	1,517,302	12,392,837	3,875,000	16,267,837

Sami Al Mehalid
Group Head
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Bank AlJazira

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

	<u>Notes</u>	<u>For the six month period ended</u>	
		<u>30 June 2024</u>	<u>30 June 2023</u>
		<u>SR'000</u>	<u>SR'000</u>
Net income for the period before zakat and income tax		705,544	547,824
OPERATING ACTIVITIES			
Adjustments to reconcile net income to net cash (used in)/ generated from operating activities:			
Net (gain) / loss on FVIS financial instruments		(36,817)	7,999
Loss / (gain) on investments held at amortised cost and FVOCI, net		7,191	(12,485)
Dividend income		(68,109)	(50,827)
Return on subordinated sukuk		78,856	74,495
Depreciation and amortization		97,073	92,647
Impairment charge for financing and other financial assets, net	6 (b)	138,156	112,176
Provision for end of service benefit obligations		25,493	20,999
Share in net income of an associate		(9,774)	(6,624)
Net loss on disposal / write off of property and equipment		25	24
Reversal of impairment charge for other real estate		(42,571)	-
		<u>895,067</u>	<u>786,228</u>
Net changes in operating assets:			
Statutory deposit with SAMA		(281,320)	(51,967)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(2,485,645)	(923,858)
Investments held at FVIS		(262,703)	(23,168)
Positive fair value of Shari'ah compliant derivatives		45,529	(73,244)
Financing		(6,548,290)	(4,452,637)
Other real estate		10,480	7,536
Other assets		(172,174)	(290,774)
Net changes in operating liabilities:			
Due to banks and other financial institutions		3,831,854	(19,818)
Customers' deposits		4,498,769	6,058,700
Negative fair value of Shari'ah compliant derivatives		3,325	19,981
Other liabilities		31,990	18,258
		<u>(433,118)</u>	<u>1,055,237</u>
End of service benefits paid		(13,678)	(20,961)
Zakat and income tax paid		(184,729)	(171,373)
Net cash (used in) / generated from operating activities		<u>(631,525)</u>	<u>862,903</u>
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments held at amortised cost and FVOCI		4,162,302	744,164
Purchase of investments held at amortised cost and FVOCI		(4,383,955)	(2,233,248)
Dividend received		68,109	50,827
Additional investment in an associate		(76,218)	-
Acquisition of property and equipment		(140,032)	(66,962)
Proceeds from sale of property and equipment		12	11
Net cash used in investing activities		<u>(369,782)</u>	<u>(1,505,208)</u>

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The accompanying notes 1 to 21 form integral part of this interim condensed consolidated financial information.

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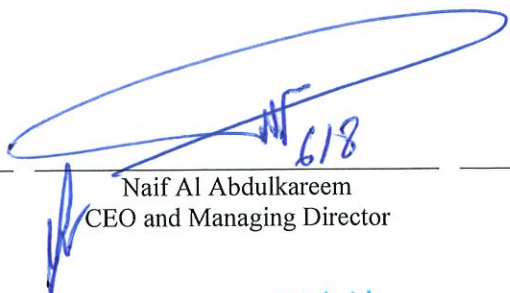
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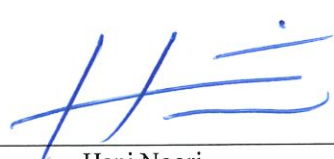
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (continued)

		For the six month period ended	
	Notes	30 June 2024 SR'000	30 June 2023 SR'000
FINANCING ACTIVITIES			
Issue of Tier 1 Sukuk		-	2,000,000
Payment of sukuk related issuance costs		-	(1,381)
Payment of return on Tier 1 and Tier 2 sukuks		(176,670)	(110,923)
Dividends paid		(3,425)	(60)
Payment for principal portion of lease liabilities		(63,209)	(43,187)
Net cash (used in) / generated from financing activities		(243,304)	1,844,449
Net change in cash and cash equivalents held		(1,244,611)	1,202,144
Cash and cash equivalents at the beginning of the period		2,722,860	2,337,820
Cash and cash equivalents at the end of the period	15	1,478,249	3,539,964
Income from investments and financing received during the period		3,538,418	2,486,484
Return on deposits and financial liabilities paid during the period		2,415,953	1,520,355
Supplemental non-cash information			
Right of use assets and Lease liabilities		40,706	27,467
Net changes in fair value of cash flow hedges and transfers to the interim condensed consolidated statement of income		75,633	44,310


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Chairman


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CEO and Managing Director


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Sami Al Mehaid
Group Head
Corporate & Institutional Banking Group

The accompanying notes 1 to 21 form integral part of this interim condensed consolidated financial information.

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Bank AlJazira

(A Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

1. GENERAL

This interim condensed consolidated financial information includes the financial information 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 under commercial registration number 4030010523 dated 29 Rajab 1396H (27 July 1976) issued in Jeddah. The Bank is regulated by the Saudi Central Bank (SAMA). The Bank operates through its 74 branches (31 December 2023: 75 branches and 30 June 2023: 82 branches) and 46 Fawri Remittance Centers (31 December 2023: 52 and 30 June 2023: 54 Fawri Remittance Centers) in the Kingdom of Saudi Arabia. The Bank’s Head Office is located at the following address:

Bank AlJazira
7724 King Abdulaziz Road - Al-Shatea District
Jeddah 23513 - 3551
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-interest based) banking products and services comprising of Murabaha, Istisna’a, Ijarah, Tawaraq, Musharaka, Wa’ad Fx and Sukuk which are approved and supervised by an independent Shari’ah Board established by the Bank. The Bank’s shares are listed on Saudi Exchange in the Kingdom of Saudi Arabia.

The details of the Bank’s subsidiaries are as follows:

	Country of incorporation	Nature of business	Ownership (direct and indirect) 30 June 2024	Ownership (direct and indirect) 31 December 2023	Ownership (direct and indirect) 30 June 2023
Subsidiaries					
AlJazira Capital Company (AJC)	Kingdom of Saudi Arabia	Brokerage, margin financing 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%
Aman Insurance Agency Company (under liquidation – note (a) below)	Kingdom of Saudi Arabia	Acting as an agent for bancassurance activities on behalf of the Bank	100%	100%	100%
AlJazira Securities Limited	Cayman Islands	Carryout Shari’ah compliant derivative and capital market transactions	100%	100%	100%
BAJ Sukuk Tier 1 Limited	Cayman Islands	Trustee for issuance of Tier 1 capital certificates	100%	100%	100%

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

1. GENERAL (continued)

The detail of the Bank's associate is as follows:

Associate	Country of incorporation	Nature of business	Ownership (direct and indirect) 30 June 2024	Ownership (direct and indirect) 31 December 2023	Ownership (direct and indirect) 30 June 2023
AlJazira Takaful Ta'awuni Company	Kingdom of Saudi Arabia	Fully Shari'ah compliant protection and saving products	33.08%*	26.03%	26.03%

*This includes the Bank's standalone shareholding of 29.36% (31 December 2023: 22.31% and 30 June 2023: 22.31%) and AJC's shareholding of 3.72% (31 December 2023: 3.72% and 30 June 2023: 3.72%)

- During financial year 2021, Aman Insurance Agency Company (the Company) applied for its license renewal from Saudi Central Bank ("SAMA"), however, it was not renewed, as SAMA had issued rules governing bancassurance activities during May 2020 which require the banks to carry out Bancassurance business directly. This, as a result, restricted the ability of the Company to carry out business activities and therefore, management of the Company decided to initiate the winding up procedures which are in process as at 30 June 2024.
- The Group invests in structured entities with the objective to resell the investment in a short period after the establishment. Structured entities are consolidated when the relationship between the Group and the structured entity indicates that the Group has power over the relevant activities of the structured entity, is exposed to variable returns, and can use that power to affect the variable return exposure. In other cases, the Group may sponsor or have exposure to such an entity but not consolidate the entities.

As at 30 June 2024, the Group has a substantial ownership in these entities amounting to SR 1,415.96 million (31 December 2023: SR 1,113.98 million and 30 June 2023: SR 905.63 million). For all these investments, the Group analyses whether and to what extent it controls the investee and any underlying entities. A material structured entity is consolidated into the Group's financial statements where the Group controls the structured entity, as per the determination above criteria. As at 30 June 2024, Group's investments in material structured entities do not meet the above criteria of control. Accordingly, such investments are recorded as fair value through statement of income (FVIS) into this interim condensed consolidated financial information.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group as at and for the period ended 30 June 2024, has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

This interim condensed consolidated financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023. The consolidated financial statements of the Group as at and for the year ended 31 December 2023, were prepared

Bank AlJazira

(A Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

2. BASIS OF PREPARATION (continued)

in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

The preparation of interim condensed consolidated financial information 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 this interim condensed consolidated financial information, significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation were consistent with those that were applied to the consolidated financial statements as at and for the year ended 31 December 2023, except for new amendments that are applicable from the period beginning 1 January 2024 as disclosed in note 4(a).

This interim condensed consolidated financial information is expressed in Saudi Arabian Riyals (SR) and is rounded off to the nearest thousands except where otherwise stated and the functional currency of the Bank is Saudi Riyal.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its by-laws for any changes to align the by-laws to the provisions of the Law. Consequently, the Bank shall present the amended by-laws to the shareholders in their Extraordinary / Annual General Assembly meeting for their ratification.

3. BASIS OF CONSOLIDATION

This interim condensed consolidated financial information comprises the interim condensed financial information of Bank AlJazira and its subsidiaries as set out in Note 1. The financial information of the subsidiaries is prepared for the same reporting period as that of the Bank.

The interim condensed consolidated financial information has been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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 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.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

3. BASIS OF CONSOLIDATION (continued)

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed 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 Group in its subsidiaries and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed 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 Group'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 Group entities, and any unrealized 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 information. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

d) Investment in an associate

Associates are entities 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 condensed 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 the latest available financial information) less impairment, if any.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'share in net income / (loss) of an associate' in the interim condensed consolidated statement of income.

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3. BASIS OF CONSOLIDATION (continued)

d) Investment in an associate (continued)

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

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

4. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND ASSUMPTIONS

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. Several amendments apply for the first time in 2024 but do not have impact on this interim condensed consolidated financial information of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

a) New standards, interpretations and amendments adopted by the Group

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these does not have any significant impact on the interim condensed consolidated financial information of the Group, unless otherwise stated below:

Standard, interpretation, amendments	Description	Effective date
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Accounting & Financial reporting standards

Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024

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4. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND ASSUMPTIONS (continued)

a) New standards, interpretations and amendments adopted by the Group (continued)

Standard, interpretation, amendments	Description	Effective date
Other Standards		
IFRS S1, 'General requirements for disclosure of sustainability-related financial information'	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement from SOCPA

b) Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments and revisions which are effective from periods on or after 1 January 2024. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	1 January 2025
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
IFRS 19 Subsidiaries without Public Accountability: Disclosures	IFRS 19 applies to eligible subsidiaries that elect to adopt the standard in their consolidated, separate or individual financial statements. Eligible subsidiaries are those that are not publicly accountable and whose ultimate or intermediate parent prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards.	1 January 2027
IFRS 18 – Presentation and disclosure in financial statements	IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information. The changes in presentation and disclosure required by IFRS 18 might require system and process changes for many entities.	1 January 2027

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

5. INVESTMENTS, NET

Investments are classified as follows:

30 June 2024 (Unaudited)			
SR'000			
	Domestic	International	Total
i) FVIS			
Mutual funds	406,103	1,329,100	1,735,203
Equities – quoted	24,208	-	24,208
Equities – unquoted	-	20,487	20,487
Convertible debt instrument	-	3,750	3,750
	430,311	1,353,337	1,783,648
ii) FVOCI			
Equities – unquoted	4,143	888	5,031
Sukuk investments – equities	2,502,126	203,227	2,705,353
Sukuk investments – debt	9,789,335	-	9,789,335
	12,295,604	204,115	12,499,719
Allowance for impairment	(1,721)	-	(1,721)
	12,293,883	204,115	12,497,998
iii) Amortised cost			
Sukuk investments	18,853,060	382,707	19,235,767
Wakala floating rate notes	1,112,048	-	1,112,048
	19,965,108	382,707	20,347,815
Allowance for impairment	(9,614)	(349)	(9,963)
	19,955,494	382,358	20,337,852
Total	32,679,688	1,939,810	34,619,498

31 December 2023 (Audited)			
SR'000			
	Domestic	International	Total
i) FVIS			
Mutual funds	63,560	1,400,081	1,463,641
Equities – unquoted	-	20,487	20,487
	63,560	1,420,568	1,484,128
ii) FVOCI			
Equities – unquoted	4,143	1,120	5,263
Sukuk investments - equities	2,441,792	197,080	2,638,872
Sukuk investments - debt	9,795,972	-	9,795,972
	12,241,907	198,200	12,440,107
Allowance for impairment	(1,624)	-	(1,624)
	12,240,283	198,200	12,438,483
iii) Amortised cost			
Sukuk investments	16,623,633	382,707	17,006,340
Wakala floating rate notes	3,523,409	-	3,523,409
	20,147,042	382,707	20,529,749
Allowance for impairment	(9,721)	(349)	(10,070)
	20,137,321	382,358	20,519,679
Total	32,441,164	2,001,126	34,442,290

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

5. INVESTMENTS, NET (continued)

	30 June 2023 (Unaudited)		
	SR'000		
	Domestic	International	Total
i) FVIS			
Mutual funds	61,003	1,096,146	1,157,149
Equities – unquoted	-	18,754	18,754
	61,003	1,114,900	1,175,903
ii) FVOCI			
Equities – quoted	170,226	-	170,226
Equities – unquoted	4,143	1,109	5,252
Sukuk investments - equities	1,914,596	197,868	2,112,464
Sukuk investments - debt	8,345,633	-	8,345,633
	10,434,598	198,977	10,633,575
Allowance for impairment	(3,130)	-	(3,130)
	10,431,468	198,977	10,630,445
iii) Amortised cost			
Sukuk investments	20,638,262	382,707	21,020,969
Wakala floating rate notes	3,521,964	-	3,521,964
	24,160,226	382,707	24,542,933
Allowance for impairment	(9,370)	(344)	(9,714)
	24,150,856	382,363	24,533,219
Total	34,643,327	1,696,240	36,339,567

6. FINANCING, NET

The financing is classified as at amortized cost as follows:

	SR'000				
	Credit cards	Consumer	Commercial	Others	Total
30 June 2024 (Unaudited)					
Performing financing	780,607	30,933,754	56,194,240	289,582	88,198,183
Non-performing financing	50,432	280,750	1,018,702	15,058	1,364,942
Gross financing	831,039	31,214,504	57,212,942	304,640	89,563,125
Allowance for impairment	(70,607)	(226,295)	(2,051,557)	(6,999)	(2,355,458)
Financing, net	760,432	30,988,209	55,161,385	297,641	87,207,667

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

6. FINANCING, NET (continued)

	SR'000				
	<u>Credit cards</u>	<u>Consumer</u>	<u>Commercial</u>	<u>Others</u>	<u>Total</u>
31 December 2023 (Audited)					
Performing financing	770,715	29,172,310	51,799,465	295,058	82,037,548
Non-performing financing	53,873	303,447	1,171,180	7,385	1,535,885
Gross financing	824,588	29,475,757	52,970,645	302,443	83,573,433
Allowance for impairment	(73,429)	(214,083)	(2,501,057)	(3,963)	(2,792,532)
Financing, net	751,159	29,261,674	50,469,588	298,480	80,780,901

	SR'000				
	<u>Credit cards</u>	<u>Consumer</u>	<u>Commercial</u>	<u>Others</u>	<u>Total</u>
30 June 2023 (Unaudited)					
Performing financing	781,328	28,746,649	46,629,785	281,970	76,439,732
Non-performing financing	57,230	328,327	908,643	8,541	1,302,741
Gross financing	838,558	29,074,976	47,538,428	290,511	77,742,473
Allowance for impairment	(75,467)	(218,414)	(2,502,373)	(4,508)	(2,800,762)
Financing, net	763,091	28,856,562	45,036,055	286,003	74,941,711

Financing, net represents Shari'ah compliant products in respect of Murabaha agreements, Ijarah, Istisnaat, Musharaka and Tawarruq.

a) Movement in allowance for impairment is as follows:

	30 June 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 June 2023 (Unaudited) SR'000
Balance at the beginning of the period / year	2,792,532	2,718,645	2,718,645
Impairment charge for financing	219,376	379,084	167,671
Bad debts written off	(574,476)	(192,107)	(37,948)
(Reversal) / (recoveries) of amounts previously provided	(81,974)	(113,090)	(47,606)
Balance at the end of the period / year	2,355,458	2,792,532	2,800,762

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

6. FINANCING, NET (continued)

- b) Net impairment charge for financing and other financial assets for the period in the interim condensed consolidated statement of income comprised of:

	30 June 2024 (Unaudited) SR'000	30 June 2023 (Unaudited) SR'000
Impairment charge for financing	219,376	167,671
(Reversal) of amounts previously provided	(81,974)	(47,606)
(Recoveries) from debts previously written off	(15,877)	(10,129)
Net impairment charge for ECL in respect of due from banks and other financial institutions	(624)	5,692
Net impairment reversal for ECL in respect of investments	(10)	(6,633)
Net impairment charge for ECL in respect of non-funded financing and credit related commitments	17,265	3,181
Impairment charge for financing and other financial assets, net	<u>138,156</u>	<u>112,176</u>

- c) The following table explains changes in gross carrying amount of the financing to help explain their significance to the changes in the loss allowance.

	30 June 2024 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2024	76,337,327	3,332,655	3,903,451	83,573,433
Transfer to 12-month ECL	924,765	(784,777)	(139,988)	-
Transfer to lifetime ECL not credit – Impaired	(375,911)	386,100	(10,189)	-
Transfer to lifetime ECL credit impaired	(45,611)	(665,109)	710,720	-
New financial assets originated	8,885,729	84,910	3,571	8,974,210
Financial assets that have been derecognized	(4,100,866)	(57,979)	(62,021)	(4,220,866)
Changes in financing income accrual	115,860	-	-	115,860
Other movements	1,794,343	9,949	(109,328)	1,694,964
Write-offs	-	-	(574,476)	(574,476)
Gross carrying amount as at 30 June 2024	<u>83,535,636</u>	<u>2,305,749</u>	<u>3,721,740</u>	<u>89,563,125</u>

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

6. FINANCING, NET (continued)

- c) The following table explains changes in gross carrying amount of the financing to help explain their significance to the changes in the loss allowance.(continued)

	31 December 2023 (Audited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2023	66,966,856	2,840,214	3,510,584	73,317,654
Transfer to 12-month ECL	118,568	(115,551)	(3,017)	-
Transfer to lifetime ECL not credit – Impaired	(925,722)	983,692	(57,970)	-
Transfer to lifetime ECL credit impaired	(249,853)	(637,837)	887,690	-
New financial assets originated	16,623,150	365,719	17,530	17,006,399
Financial assets that have been derecognized	(6,992,517)	(343,637)	(35,334)	(7,371,488)
Changes in financing income accrual	494,063	-	-	494,063
Other movements	302,782	240,055	(223,925)	318,912
Write-offs	-	-	(192,107)	(192,107)
Gross carrying amount as at 31 December 2023	<u>76,337,327</u>	<u>3,332,655</u>	<u>3,903,451</u>	<u>83,573,433</u>
	30 June 2023 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2023	66,966,856	2,840,214	3,510,584	73,317,654
Transfer to 12-month ECL	88,765	(80,262)	(8,503)	-
Transfer to lifetime ECL not credit – Impaired	(723,373)	729,552	(6,179)	-
Transfer to lifetime ECL credit impaired	(60,717)	(369,302)	430,019	-
New financial assets originated	8,549,192	25,380	2,028	8,576,600
Financial assets that have been derecognized	(3,711,934)	(75,466)	(24,076)	(3,811,476)
Changes in financing income accrual	295,802	-	-	295,802
Other movements	(638,280)	94,826	(54,705)	(598,159)
Write-offs	-	-	(37,948)	(37,948)
Gross carrying amount as at 30 June 2023	<u>70,766,311</u>	<u>3,164,942</u>	<u>3,811,220</u>	<u>77,742,473</u>

Other movements mainly represent changes in exposures for customers where there has been no change in the stage during the period.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

6. FINANCING, NET (continued)

d) An analysis of changes in ECL for financing is, as follows:

	30 June 2024 (Unaudited)			Total
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
	(SR'000)			
ECL as at 1 January 2024	256,078	250,907	2,285,547	2,792,532
Transfer to 12-month ECL	57,106	(39,961)	(17,145)	-
Transfer to lifetime ECL not credit – impaired	(1,723)	6,085	(4,362)	-
Transfer to lifetime ECL credit impaired	(282)	(33,097)	33,379	-
Net re-measurement of loss allowance	(55,647)	40,956	138,132	123,441
New financial assets originated	42,160	884	1,612	44,656
Financial assets that have been derecognized	(12,835)	(453)	(17,407)	(30,695)
Write-offs	-	-	(574,476)	(574,476)
ECL as at 30 June 2024	<u>284,857</u>	<u>225,321</u>	<u>1,845,280</u>	<u>2,355,458</u>
31 December 2023 (Audited)				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
ECL as at 1 January 2023	248,641	305,843	2,164,161	2,718,645
Transfer to 12-month ECL	2,922	(1,460)	(1,462)	-
Transfer to lifetime ECL not credit – impaired	(6,920)	12,428	(5,508)	-
Transfer to lifetime ECL credit impaired	(921)	(208,571)	209,492	-
Net re-measurement of loss allowance	(21,355)	149,851	111,555	240,051
New financial assets originated	59,261	1,156	7,568	67,985
Financial assets that have been derecognized	(25,550)	(8,340)	(8,152)	(42,042)
Write-offs	-	-	(192,107)	(192,107)
ECL as at 31 December 2023	<u>256,078</u>	<u>250,907</u>	<u>2,285,547</u>	<u>2,792,532</u>

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

6. FINANCING, NET (continued)

d) An analysis of changes in ECL for financing is, as follows: (continued)

	30 June 2023 (Unaudited)			Total
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
	(SR'000)			
ECL as at 1 January 2023	248,641	305,843	2,164,161	2,718,645
Transfer to 12-month ECL	4,928	(1,116)	(3,812)	-
Transfer to lifetime ECL not credit – impaired	(6,037)	8,811	(2,774)	-
Transfer to lifetime ECL credit impaired	(401)	(202,243)	202,644	-
Net re-measurement of loss allowance	(5,379)	53,923	66,029	114,573
New financial assets originated	30,533	377	1,054	31,964
Financial assets that have been derecognized	(14,597)	(4,059)	(7,816)	(26,472)
Write-offs	-	-	(37,948)	(37,948)
ECL as at 30 June 2023	<u>257,688</u>	<u>161,536</u>	<u>2,381,538</u>	<u>2,800,762</u>

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 33.08% (31 December 2023: 26.03% and 30 June 2023: 26.03%) 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 for the period ended 31 March 2024. ATT is listed with Saudi Stock Exchange (Tadawul) and the market value of the investment in ATT as of 30 June was SR 396.89 million (31 December 2023: SR 292.02 million and 30 June 2023: SR 268.83 million) based on Saudi Stock Exchange (Tadawul) market price.

During the current period, the Bank made an additional investment of SR 76.22 million in ATT, representing 7.05% of ATT's capital. This investment was executed through a private (off-market) transaction after obtaining non-objection from the Saudi Central Bank. Following this purchase, the ownership interest of BAJ Group in ATT increased to 33.08%. The additional investment has been recorded using the cost accumulation approach.

The increase in the carrying amount of the investment in the associate is reflected in the "Investment in an associate" on the Statement of Financial Position. The Group's share in the net income of the associate resulting from this additional investment will be recognized in the interim condensed consolidated statement of income in future periods.

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8. CUSTOMERS' DEPOSITS

	30 June 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 June 2023 (Unaudited) SR'000
Demand	32,970,791	33,411,088	35,462,762
Saving	5,255,091	2,045,058	796,871
Customers' time investments	57,896,790	56,491,816	53,540,918
Other	2,430,498	2,106,439	2,280,988
Total	<u>98,553,170</u>	<u>94,054,401</u>	<u>92,081,539</u>

Customers' time investments comprise deposits received on Shari'ah Compliant (non-commission based) Murabaha and Wakala products.

9. SHARIAH COMPLIANT DERIVATIVES

9.1 Nature/type of derivatives held

In the ordinary course of business, the Group utilizes the following Shari'ah compliant derivative financial instruments for both trading and strategic hedging purposes:

a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For profit rate swaps, counterparties generally exchange fixed and floating rate profit payments in a single currency without exchanging principal. For cross-currency profit rate swaps, principal, fixed and floating profit payments are exchanged in different currencies.

b) Options (Wa'ad Fx)

Foreign exchange options are transactions, whereby a client, in consideration for the payment of a fee agrees to enter into one or a series of trades in which one party (promisor) gives a commitment as a unilateral undertaking, to a second party (promisee).

An option can be a unilateral promise or combination of promises. The Group enters into the option depending on the client's risk profile, whereby the client may promise to buy, sell or buy and sell a currency with or without conditions for hedging its exposure.

9.2 Purpose of derivatives

a) Held for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting from, price differentials between markets or products.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

9. SHARIAH COMPLIANT DERIVATIVES (continued)

9.2 Purpose of derivatives (continued)

b) Held for hedging purposes

The Group uses Shari'ah compliant derivatives for hedging purposes in order to reduce its exposure to profit rate risk and foreign exchange risk.

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and profit rates to reduce its exposure to currency and profit rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by Saudi Central Bank.

As part of its financial asset and liability management, the Group uses Shari'ah compliant derivatives for hedging purposes in order to adjust its own exposure to currency and profit rate risk. This is generally achieved by hedging specific transactions.

Cash flow hedges

The Group is exposed to variability in future cash flows on non-trading assets and liabilities which bear profit at a variable rate. The Group uses profit rate swaps as cash flow hedges of these profit rate risks.

The gains on cash flow hedges reclassified to the interim condensed consolidated statement of income during the period are as follows:

	30 June 2024 (Unaudited) SR'000	30 June 2023 (Unaudited) SR'000
Income from investments and financing	14,328	6,392
Return on deposits and financial liabilities	(14,184)	(2,866)
Net gains on cash flow hedges reclassified to the interim condensed consolidated statement of income	144	3,526

The cash flow hedges of profit rate swap were highly effective in offsetting the variability of return on investments, deposits and other financial liabilities.

Fair value gain on cash flow hedges amounting to SR 75.78 million (30 June 2023: SR 47.84 million) included in the interim condensed consolidated statement of comprehensive income comprised of net unrealized loss of SR 45.64 million (30 June 2023: net unrealized gain of SR 35.71 million) and net realized gain of SR 121.42 million (30 June 2023: net realized gain of SR 12.13 million) on terminated hedge relationships.

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9. SHARIAH COMPLIANT DERIVATIVES (continued)

9.2 Purpose of derivatives (continued)

b) Held for hedging purposes (continued)

During the current and prior periods, the Group sold certain of its profit rate swaps used for cash flows hedges. However, the gain / (loss) would continue to be classified in interim condensed consolidated statement of comprehensive income as the related hedge items are still outstanding. In accordance with the IFRS requirements, the gain / (loss) will be reclassified to interim condensed consolidated statement of income in the period when the cash flows pertaining to hedged items will affect the interim condensed consolidated statement of income i.e. when profit receipts / payments impact the interim condensed consolidated statement of income which is over the remaining maturity of financial instrument / hedge items.

9.3 Details of shar'iah compliant derivatives

The table below summarize the positive and negative 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 2024 (Unaudited) SR'000		
	Positive fair value	Negative fair value	Notional amount
Held for trading:			
Options	31,578	31,578	1,191,405
Profit rate swaps	77,810	74,575	5,235,343
Cross currency profit rate swaps	411	7,087	1,875,000
Currency swaps	3,066	3,381	3,900,000
Currency forwards (Wa'ad)	20	94	55,689
Total	112,885	116,715	12,257,437
Held as cash flow hedge:			
Profit rate swaps	64,094	33,671	3,850,000
Total	176,979	150,386	16,107,437

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9. SHARIAH COMPLIANT DERIVATIVES (continued)

9.3 Details of shar'iah compliant derivatives (continued)

	31 December 2023 (Audited)		
	SR'000		
	Positive fair value	Negative fair value	Notional amount
Held for trading:			
Options	35,198	35,198	1,174,611
Profit rate swaps	79,968	78,710	6,631,381
Cross currency profit rate swaps	411	8,715	1,875,000
Currency swaps	2,134	3,134	3,063,044
Currency forwards (Wa'ad)	4	93	7,245
Total	117,715	125,850	12,751,281
Held as cash flow hedge:			
Profit rate swaps	104,793	21,211	3,600,000
Total	222,508	147,061	16,351,281

	30 June 2023 (Unaudited)		
	SR'000		
	Positive fair value	Negative fair value	Notional amount
Held for trading:			
Options	7,850	7,850	576,870
Profit rate swaps	147,519	129,587	5,172,492
Cross currency profit rate swaps	411	8,440	1,875,000
Currency swaps	8,865	2,236	3,099,449
Currency forwards (Wa'ad)	1,805	75	478,479
Total	166,450	148,188	11,202,290
Held as cash flow hedge:			
Profit rate swaps	219,436	70,799	6,850,000
Total	385,886	218,987	18,052,290

Held for trading profit rate swaps (positive fair value / negative fair value) include accrued receivable amounting to SR 12.27 million (31 December 2023: SR 11.29 million and 30 June 2023: SR 39.07 million) and accrued payable amounting to SR 11.50 million (31 December 2023: SR 11.30 million and 30 June 2023: SR 36.97 million). Held as cash flow hedge profit rate swaps (positive fair value / negative fair value) include accrued receivable amounting to SR 37 million (31 December 2023: SR 26.21 million and 30 June 2023: SR 49.57 million) and accrued payable amounting to SR 33.60 million (31 December 2023: SR 15.30 million and 30 June 2023: SR 40.63 million).

10. SUBORDINATED SUKUK

On 8 December 2021, 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 semi-annually in advance, plus a margin of 155 basis point per annum and payable semi-annually in arrears on 8 December and 8 June each year until 8 December 2031, on which date the Sukuk will expire. The Bank has a call option which can be exercised on or after 8 December 2026 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 offering circular. These Sukuk are registered with Saudi Exchange (Tadawul).

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

11. SHARE CAPITAL AND EARNINGS PER SHARE

The shareholders of the Bank in their Extra Ordinary General Assembly Meeting held on April 24, 2024 approved the increase in the Bank's share capital from SR 8.2 billion to SR 10.25 billion through the issuance of bonus shares to shareholders of the Bank in the ratio of one share for every four shares held. The legal formalities relating to the increase in share capital completed during second quarter of the year. Accordingly, the authorized, issued and fully paid share capital of the Bank consists of 1,025 million shares of SR 10 each (31 December 2023: 820 million shares of SR 10 each and 30 June 2023: 820 million shares of SR 10 each).

The weighted average number of shares have been retrospectively adjusted for prior period to reflect the effect of the changes in number of shares due to issue of bonus shares.

Basic earnings per share for the current and prior periods is calculated by dividing the net income for the period attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk related costs) by the weighted average number of ordinary shares outstanding, as follows:

	For the three month period ended		For the six month period ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
		Restated		Restated
Net income for the period attributable to ordinary shareholders (adjusted for Tier 1 sukuk related costs)				
For basic and diluted earnings per share	<u>218,667</u>	<u>221,722</u>	<u>519,108</u>	<u>425,757</u>
Weighted-average number of ordinary shares	<u>1,025,000,000</u>	<u>1,025,000,000</u>	<u>1,025,000,000</u>	<u>1,025,000,000</u>
For basic and diluted earnings per share	<u>0.21</u>	<u>0.22</u>	<u>0.51</u>	<u>0.42</u>

The calculations of basic and diluted earnings per share are same for the Bank.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

12. OTHER RESERVES

<u>30 June 2024</u> <u>(Unaudited)</u>	<u>Cash flow</u> <u>hedges</u> <u>SR' 000</u>	<u>Fair value</u> <u>reserve –</u> <u>FVOCI debt</u> <u>SR' 000</u>	<u>Fair value</u> <u>reserve –</u> <u>FVOCI</u> <u>equity</u> <u>SR' 000</u>	<u>Actuarial</u> <u>Gains</u> <u>SR' 000</u>	<u>Share in</u> <u>OCI of</u> <u>associate</u> <u>SR' 000</u>	<u>Total</u> <u>SR' 000</u>
Balance at beginning of the period	31,290	(859,574)	(75,324)	49,376	9,833	(844,399)
Net change in fair value	75,777	(326,267)	(10,515)	-	984	(260,021)
Transfers to retained earnings on disposal	-	-	(143)	-	-	(143)
Transfer to interim condensed consolidated statement of income (note 9.2(b))	(144)	-	-	-	-	(144)
Net movement during the period	75,633	(326,267)	(10,658)	-	984	(260,308)
Balance at end of the period	<u>106,923</u>	<u>(1,185,841)</u>	<u>(85,982)</u>	<u>49,376</u>	<u>10,817</u>	<u>(1,104,707)</u>
<u>31 December 2023</u> <u>(Audited)</u>	<u>Cash flow</u> <u>hedges</u> <u>SR' 000</u>	<u>Fair value</u> <u>reserve –</u> <u>FVOCI debt</u> <u>SR' 000</u>	<u>Fair value</u> <u>reserve –</u> <u>FVOCI</u> <u>equity</u> <u>SR' 000</u>	<u>Actuarial</u> <u>gains</u> <u>SR' 000</u>	<u>Share in</u> <u>OCI of</u> <u>associate</u> <u>SR' 000</u>	<u>Total</u> <u>SR' 000</u>
Balance at beginning of the year	73,235	(789,195)	(81,637)	42,300	-	(755,297)
Net change in fair value	(41,828)	(70,379)	22,474	-	9,833	(79,900)
Transfers to retained earnings on disposal	-	-	(16,161)	-	-	(16,161)
Transfer to consolidated statement of income	(117)	-	-	-	-	(117)
Actuarial gains on employee benefit obligation	-	-	-	7,076	-	7,076
Net movement during the year	(41,945)	(70,379)	6,313	7,076	9,833	(89,102)
Balance at end of the year	<u>31,290</u>	<u>(859,574)</u>	<u>(75,324)</u>	<u>49,376</u>	<u>9,833</u>	<u>(844,399)</u>

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

12. OTHER RESERVES (continued)

<u>30 June 2023</u> <u>(Unaudited)</u>	Cash flow hedges <u>SR' 000</u>	Fair value reserve – FVOCI debt <u>SR' 000</u>	Fair value reserve – FVOCI equity <u>SR' 000</u>	Actuarial gains <u>SR' 000</u>	Share in OCI of associate <u>SR' 000</u>	Total <u>SR' 000</u>
Balance at beginning of the period	73,235	(789,195)	(81,637)	42,300	-	(755,297)
Net change in fair value	47,836	179,453	2,691	-	9,833	229,980
Transfer to interim condensed consolidated statement of income (note 9.2(b))	(3,526)	-	-	-	-	(3,526)
Net movement during the period	44,310	179,453	2,691	-	9,833	236,287
Balance at end of the period	117,545	(609,742)	(78,946)	42,300	9,833	(519,010)

13. TIER 1 SUKUK

During the year 2021, the Bank issued cross border Tier 1 Sukuk (the “Sukuk”) through a Shari’ah compliant arrangement (“the arrangement”) amounting to SR 1.875 billion (denominated in US Dollars). This arrangement was approved by the regulatory authorities and the Board of Directors of the Bank. The applicable profit rate is 3.95% per annum from date of issue up to June 2026 and is subject to reset every 5 years.

In addition to the Tier 1 Sukuk issued above, during year 2023, the Bank completed the issuance of an SAR-denominated additional Tier 1 sukuk of SR 2 billion (which is part of additional Tier 1 Capital Sukuk Programme of SR 5 billion) by way of a private placement in Saudi Arabia. This arrangement was approved by the regulatory authorities and the Board of Directors of the Bank. The applicable profit rate is 6% per annum from date of issue up to June 2028 and is subject to reset every 5 years.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk agreement.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

13. TIER 1 SUKUK (continued)

The applicable profit on the Sukuks is payable semi-annual in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

14. COMMITMENTS AND CONTINGENCIES

a) The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as disclosed at 31 December 2023.

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

	30 June 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 June 2023 (Unaudited) SR'000
Letters of credit	2,911,245	3,008,148	2,721,581
Letters of guarantee	11,785,545	8,705,191	6,720,882
Acceptances	1,070,024	903,453	643,287
Irrevocable commitments to extend credit	902,077	1,138,489	1,127,382
Total	16,668,891	13,755,281	11,213,132
Allowance for impairment [b(ii)]	(347,076)	(329,811)	(332,587)
Net exposure	16,321,815	13,425,470	10,880,545

-b)(i) The following table explains changes in gross carrying amount of the credit related commitments and contingencies to help explain their significance to the changes in the credit loss allowance for the same portfolio

	30 June 2024 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2024	13,187,483	48,116	519,682	13,755,281
Transfer to 12-month ECL	38,930	(37,623)	(1,307)	-
Transfer to lifetime ECL not credit impaired	(25,063)	25,063	-	-
Transfer to lifetime ECL credit impaired	(26,991)	-	26,991	-
New financial assets originated	1,575,226	3,090	-	1,578,316
Financial assets derecognised during the period	(732,312)	(670)	(12,383)	(745,365)
Other movements	2,084,149	(1,920)	(1,570)	2,080,659
Gross carrying amount as at 30 June 2024	16,101,422	36,056	531,413	16,668,891

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

14. COMMITMENTS AND CONTINGENCIES (continued)

	31 December 2023 (Audited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2023	8,818,321	40,135	546,850	9,405,306
Transfer to 12-month ECL	4,331	(4,331)	-	-
Transfer to lifetime ECL not credit impaired	(29,973)	29,973	-	-
Transfer to lifetime ECL credit impaired	(6,681)	(5,367)	12,048	-
New financial assets originated	3,318,760	21,684	300	3,340,744
Financial assets derecognised during the year	(687,625)	(3,222)	(16,366)	(707,213)
Other movements	1,770,350	(30,756)	(23,150)	1,716,444
Gross carrying amount as at 31 December 2023	13,187,483	48,116	519,682	13,755,281
	30 June 2023 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2023	8,818,321	40,135	546,850	9,405,306
Transfer to 12-month ECL	2,038	(2,038)	-	-
Transfer to lifetime ECL not credit impaired	(9,891)	9,891	-	-
New financial assets originated	1,480,825	210,482	300	1,691,607
Financial assets derecognised during the period	(913,472)	(2,591)	(14,675)	(930,738)
Other movements	1,077,851	(21,792)	(9,102)	1,046,957
Gross carrying amount as at 30 June 2023	10,455,672	234,087	523,373	11,213,132

Other movements mainly represent changes in exposures for customers where there has been no change in the stage during the period.

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14. COMMITMENTS AND CONTINGENCIES (continued)

- b)(ii) An analysis of changes in allowance for ECL for credit related commitments and contingencies is as follows:

	30 June 2024 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
ECL as at 1 January 2024	44,753	301	284,757	329,811
Transfer to 12-month ECL	195	(157)	(38)	-
Transfer to lifetime ECL not credit impaired	(156)	156	-	-
Transfer to lifetime ECL credit impaired	(188)	-	188	-
Net re-measurement of loss allowance	8,151	1,154	11,166	20,471
New financial assets originated	6,074	5	-	6,079
Financial assets that have been derecognized	(1,155)	(26)	(8,104)	(9,285)
ECL as at 30 June 2024	57,674	1,433	287,969	347,076
	31 December 2023 (Audited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
ECL as at 1 January 2023	21,713	174	307,519	329,406
Transfer to 12-month ECL	17	(17)	-	-
Transfer to lifetime ECL not credit – impaired	(93)	93	-	-
Transfer to lifetime ECL credit – impaired	(24)	(7)	31	-
Net re-measurement of loss allowance	9,811	(36)	(14,865)	(5,090)
New financial assets originated	15,050	98	179	15,327
Financial assets that have been derecognized	(1,721)	(4)	(8,107)	(9,832)
ECL as at 31 December 2023	44,753	301	284,757	329,811
	30 June 2023 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
ECL as at 1 January 2023	21,713	174	307,519	329,406
Transfer to 12-month ECL	6	(6)	-	-
Transfer to lifetime ECL not credit impaired	(30)	30	-	-
Net re-measurement of loss allowance	7,186	21	822	8,029
New financial assets originated	4,629	497	174	5,300
Financial assets that have been derecognized	(3,229)	(2)	(6,917)	(10,148)
ECL as at 30 June 2023	30,275	714	301,598	332,587

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14. COMMITMENTS AND CONTINGENCIES (continued)

- c) During the year 2020, the Bank received VAT assessment for the years 2018 and 2019 with an additional VAT of SR 39.3 million and associated delay fines amounting to SR 63.9 million. The Bank objected to the imposition of additional VAT and associated delay fines with the Tax Violation and Dispute Resolution Committee [TVDRRC] as a result of which one of the assessment point was dropped by ZATCA which resulted in a reduction of the overall liability to approximately SR 37 million. The Bank lodged another objection against the decision rendered by TVDRRC with the Tax Violation and Dispute Appeal Committee [TVDAC] on the remaining assessment points and awaits for the decision. Subsequently, however, the Bank decided to settle the additional tax of SR 39.3 million “under protest” in order to avail the amnesty so that associated delay fines are waived.

During the year 2024, the Bank received Zakat assessment for the year 2019 with an additional Zakat of SAR 79.7 million. The Bank is in the process of objecting to the imposition of additional Zakat with ZATCA and is confident of a favorable resolution.

As of June 30, 2024, the Bank has filed its Zakat and Income Tax returns with the ZATCA and paid Zakat and Income Tax for the years up to and including the year 2023. Zakat assessments have been finalized through FY 2018, and Income Tax assessments have been concluded till FY 2017.

15. CASH AND CASH EQUIVALENTS

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

	30 June 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 June 2023 (Unaudited) SR'000
Cash and balances with SAMA, excluding statutory deposit	1,135,197	1,167,559	1,855,381
Due from banks and other financial institutions with an original maturity of 90 days or less from the date of acquisition	343,052	1,555,301	1,684,583
Total	1,478,249	2,722,860	3,539,964

The reconciliation of cash and cash equivalents to cash and balances with Saudi Central Bank is as follows:

	30 June 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 June 2023 (Unaudited) SR'000
Cash and cash equivalents as per statement of cash flows	1,478,249	2,722,860	3,539,964
Statutory deposit	4,954,454	4,673,134	4,704,978
Due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition	(343,052)	(1,555,301)	(1,684,583)
Cash and balances with SAMA	6,089,651	5,840,693	6,560,359

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15. CASH AND CASH EQUIVALENTS (continued)

15.1 Below is a reconciliation of liabilities arising from financing activities:

30 June 2024 (Unaudited)	Subordinated Sukuk	Dividend Payable	lease liabilities against right of use assets
		(SR' 000)	
Balances as at 1 January 2024	2,004,346	66,610	197,373
Changes from financing cash flows			
Payment of return on Subordinate Sukuk	(77,970)	-	-
Payment of leased liability - principal	-	-	(63,209)
Dividend paid	-	(3,425)	-
Other changes			
Increase due to additions	-	-	40,706
Payment of leased liability - profit	-	-	(6,466)
Financing cost	77,986	-	6,466
Amortisation of transaction cost	870	-	-
Other adjustments	1	-	-
Balances as at 30 June 2024	2,005,233	63,185	174,870

30 June 2023 (Unaudited)	Subordinated Sukuk	Dividend Payable	lease liabilities against right of use assets
		(SR' 000)	
Balances as at 1 January 2023	2,002,819	66,730	222,001
Changes from financing cash flows			
Payment of return on Subordinate Sukuk	(73,892)	-	-
Payment of leased liability - principal	-	-	(43,187)
Dividend paid	-	(60)	-
Other changes			
Increase due to additions	-	-	27,467
Payment of leased liability - profit	-	-	(4,601)
Financing cost	73,624	-	4,601
Amortisation of transaction cost	870	-	-
Other adjustments	106	-	-
Balances as at 30 June 2023	2,003,527	66,670	206,281

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16. 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 interim condensed consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities.

In the second quarter of the current financial year, the Bank updated its Funds Transfer Pricing (FTP) policy, resulting in modifications to segment performance reporting. This new FTP policy was implemented in response to the current rate environment, future outlook, and to align with best practices. Consequently, prior year comparatives have been restated to ensure comparability.

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

Personal banking

Deposit, credit and investment products for individuals.

Corporate banking

Financing, 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

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

Others

Others include investment in associate, inter segment income and expense eliminations and gain on sale of other real estate.

The Group's total assets and liabilities at 30 June 2024 and 30 June 2023, its total operating income and expenses, and its net income for the six month period then ended, by operating segment, are as follows:

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

16. OPERATING SEGMENTS (continued)

(SR'000)	<u>Personal banking</u>	<u>Corporate banking</u>	<u>Treasury</u>	<u>Brokerage and asset management</u>	<u>Others</u>	<u>Total</u>
30 June 2024 (Unaudited)						
Total assets	40,088,114	46,064,346	47,463,810	4,060,894	324,211	138,001,375
Total liabilities	46,158,331	50,629,226	22,490,753	2,048,708	(80)	121,326,938
Inter - segment income / (loss)	309,832	25,654	(321,165)	-	(14,321)	-
Total operating income	1,011,540	506,323	191,870	230,078	(148,454)	1,791,357
Of which:						
- Net financing and investment income	817,229	385,757	27,290	33,529	(14,321)	1,249,484
- Fees from banking services, net	106,677	91,106	25	138,251	(27,317)	308,742
- Net gain/ (loss) on FVIS financial instruments	-	-	3,490	35,157	(2,629)	36,018
Total operating expenses	(733,007)	(178,915)	(71,786)	(112,438)	559	(1,095,587)
Of which:						
- Impairment charge for financing and other financial assets, net	(45,339)	(93,450)	633	-	-	(138,156)
- Impairment reversal for other real estate	-	42,571	-	-	-	42,571
- Depreciation and amortization	(76,492)	(8,807)	(7,463)	(4,310)	(1)	(97,073)
Share in net income of an associate	-	-	-	1,396	8,378	9,774
Net income / (loss) before zakat and income tax	278,533	327,408	120,084	119,036	(139,517)	705,544
31 December 2023 (Audited)						
Total assets	37,282,400	42,379,310	46,036,164	3,609,974	242,929	129,550,777
Total liabilities	44,402,369	48,153,639	18,516,718	2,062,638	(81)	113,135,283

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16. OPERATING SEGMENTS (continued)

(SR'000)	<u>Personal banking</u>	<u>Corporate banking</u>	<u>Treasury</u>	<u>Brokerage and asset management</u>	<u>Others</u>	<u>Total</u>
30 June 2023 (Unaudited)						
Total assets	36,120,042	37,770,192	47,015,376	3,304,120	234,008	124,443,738
Total liabilities	53,171,812	37,305,492	15,814,523	1,884,155	(81)	108,175,901
Inter - segment income / (loss)	374,773	18,621	(373,508)	21,979	(41,865)	-
Total operating income	932,722	434,460	223,596	158,701	(157,881)	1,591,598
Of which:						
- Net financing and investment income	721,799	352,118	45,250	24,872	(19,887)	1,124,152
- Fees from banking services, net	110,458	59,417	(1)	120,403	(30,547)	259,730
- Net (loss) / gain on FVIS financial instruments	(3,747)	(755)	9,851	(13,347)	(1)	(7,999)
Total operating expenses	(687,948)	(199,152)	(69,648)	(94,007)	357	(1,050,398)
Of which:						
- Impairment charge for financing and other financial assets, net	(27,667)	(85,450)	941	-	-	(112,176)
- Depreciation and amortization	(72,954)	(8,877)	(7,189)	(3,627)	-	(92,647)
Share in net income of an associate	-	-	-	946	5,678	6,624
Net income / (loss) before zakat and income tax	244,774	235,308	153,948	65,640	(151,846)	547,824

17. 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 value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability.

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 (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

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

		30 June 2024 (Unaudited)			
		Fair Value (SR'000)			
	Carrying Value	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value:</u>					
FVIS - Mutual funds	1,735,203	-	1,735,203	-	1,735,203
FVIS - Equities	44,695	24,208	-	20,487	44,695
FVIS - Convertible debt instrument	3,750	-	-	3,750	3,750
FVOCI - Sukuk - equity	2,705,353	-	2,705,353	-	2,705,353
FVOCI - Sukuk - debt	9,787,614	-	9,787,614	-	9,787,614
Shari'ah compliant derivatives	176,979	-	176,979	-	176,979
Total	14,453,594	24,208	14,405,149	24,237	14,453,594
<u>Financial liabilities measured at fair value:</u>					
Shari'ah compliant derivatives	150,386	-	150,386	-	150,386

		31 December 2023 (Audited)			
		Fair value (SR'000)			
	Carrying Value	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value:</u>					
FVIS - Mutual funds	1,463,641	-	1,463,641	-	1,463,641
FVIS - Equities	20,487	-	-	20,487	20,487
FVOCI - Sukuk - equity	2,638,872	-	2,638,872	-	2,638,872
FVOCI - Sukuk - debt	9,794,348	-	9,794,348	-	9,794,348
Shari'ah compliant derivatives	222,508	-	222,508	-	222,508
Total	14,139,856	-	14,119,369	20,487	14,139,856
<u>Financial liabilities measured at fair value:</u>					
Shari'ah compliant derivatives	147,061	-	147,061	-	147,061

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

		30 June 2023 (Unaudited)			
		Fair Value (SR'000)			
	Carrying Value	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value:</u>					
FVIS - Mutual funds	1,157,149	-	1,157,149	-	1,157,149
FVIS – Equities	18,754	-	-	18,754	18,754
FVOCI- Equities	170,226	170,226	-	-	170,226
FVOCI – Sukuk – equity	2,112,464	-	2,112,464	-	2,112,464
FVOCI – Sukuk – debt	8,342,503	-	8,342,503	-	8,342,503
Shari’ah compliant derivatives	385,886	-	385,886	-	385,886
Total	12,186,982	170,226	11,998,002	18,754	12,186,982
<u>Financial liabilities measured at fair value:</u>					
Shari’ah compliant derivatives	218,987	-	218,987	-	218,987

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

There were no changes in valuation techniques during the period.

There were no transfers between levels 1 and 2 during the period. New investments acquired during the period are classified under the relevant levels. Level 3 includes investment in unquoted equities and convertible debt securities which have been valued using a valuation model.

Investments amounting to SR 5.03 million (31 December 2023: SR 5.26 million and 30 June 2023: SR 5.25 million) are carried at cost and, accordingly, are not fair valued.

- b) Following table represent fair values of financial assets and liabilities which are carried at amortised cost. There are no financial assets and liabilities where fair value is measurable as level 1 and level 3 fair value.

	30 June 2024 (Unaudited) (SR'000)	
	Amortised cost	Fair value Level 2
Financial assets:		
Due from banks and other financial institutions, net	6,965,794	6,959,377
Investment held at amortised cost, net	20,337,852	19,365,322
Financing, net	87,207,667	87,400,687
Total	114,511,313	113,725,386
Financial liabilities:		
Due to banks and other financial institutions	18,817,587	19,300,450
Customers' deposits	98,553,170	99,184,930
Subordinated Sukuk	2,005,233	2,005,233
Total	119,375,990	120,490,613

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	31 December 2023 (Audited) (SR'000)	
	Amortised cost	Fair value Level 2
<u>Financial assets:</u>		
Due from banks and other financial institutions, net	5,691,774	5,689,434
Investment held at amortised cost, net	20,519,679	19,945,499
Financing, net	80,780,901	81,443,392
Total	106,992,354	107,078,325
<u>Financial liabilities:</u>		
Due to banks and other financial institutions	14,985,733	15,425,259
Customers' deposits	94,054,401	94,043,569
Subordinated Sukuk	2,004,346	2,004,346
Total	111,044,480	111,473,174
	30 June 2023 (Unaudited) (SR'000)	
	Amortised cost	Fair value Level 2
<u>Financial assets:</u>		
Due from banks and other financial institutions, net	3,543,943	3,585,623
Investment held at amortised cost, net	24,533,219	24,217,223
Financing, net	74,941,711	75,053,796
Total	103,018,873	102,856,642
<u>Financial liabilities:</u>		
Due to banks and other financial institutions	12,096,869	12,578,138
Customers' deposits	92,081,539	92,497,125
Subordinated Sukuk	2,003,527	2,003,527
Total	106,181,935	107,078,790

The fair value of the cash and balances with Saudi Central Bank, other assets and other liabilities approximate to their carrying amount. The fair values of level 2 financial instruments are estimated as at 30 June 2024 at the current applicable yield curve taking into account the counterparty risks and applicable market rate.

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at 30 June 2024, 31 December 2023 and 30 June 2023, as well as the significant unobservable inputs used.

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Type	Accounting Classification	Valuation Technique	Significant unobservable Inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Mutual Fund units	FVIS	Fair valued using the net asset value determined by the fund manager. The fund manager deploys various techniques for the valuation of underlying assets classified under level 2 of the respective fund's fair value hierarchy	Not applicable	Not applicable
Equities	FVIS	Includes investment in unquoted equities which have been valued using a valuation model.	Risk Free Rate, Asset Volatility	Valuation is highly sensitive to changes in the asset volatility
Investment held at FVOCI – Sukuks (debt & equity)	FVOCI	Fair valued using the broker quoted prices or estimating present value by discounting cash flows using adjusted discount rate.	Not applicable	Not applicable
Forward exchange contracts (Wa'ad) and Profit rate swaps	FVIS	Forward exchange contracts (Wa'ad): Fair valued using discounted Notional techniques that use observable market data inputs for Foreign Exchange (FX) and yield curves Profit rate swaps: The fair value is determined by discounting the future cash flows using observable market data inputs for yield curves.	Not applicable	Not applicable
Due from banks and other financial institutions, Financing, Due to banks and other financial institutions, Customer Deposits	Amortised Cost	Market Data: Used observable market data inputs for yield curves. Fair value technique: The fair value is determined by discounting the future cash flows. A discounted cash flow is the product of: - The anticipated nominal magnitude and sign of a cash flow. - The accumulated discount over the amount of time remaining until the anticipated time of the cash flow, at a rate of discount. The fair value is determined only for the Customers' time investments.	Not applicable	Not applicable
Investment held at amortised cost - net	Amortised Cost	Fair valued using the quoted prices, where available or estimating present value by discounting cash flows using adjusted discount rate.	Not applicable	Not applicable

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18. 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 percentage.

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 interim condensed consolidated statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

The current and comparative period numbers are presented as per Basel IV regulation issued by SAMA (circular number 44047144) effective from January 01, 2023.

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

	30 June 2024 (Unaudited)	31 December 2023 (Audited)	30 June 2023 (Unaudited)
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Credit Risk RWA	97,513,325	88,909,068	82,936,540
Market Risk RWA	2,646,504	2,407,944	2,453,068
Operational Risk RWA	4,860,836	4,537,448	4,537,448
Total Pillar-I RWA	<u>105,020,665</u>	<u>95,854,460</u>	<u>89,927,056</u>
Common Equity Tier 1 (CET 1) Capital	12,692,513	12,721,256	12,487,345
Additional Tier 1 (AT1) Capital	3,875,000	3,875,000	3,875,000
Tier I Capital	16,567,513	16,596,256	16,362,345
Tier II Capital	2,505,970	2,501,906	2,413,275
Total Tier I and II Capital	<u>19,073,483</u>	<u>19,098,162</u>	<u>18,775,620</u>
Capital Adequacy Ratio (%)			
Common Equity Tier I Ratio	12.09%	13.27%	13.89%
Tier I ratio	15.78%	17.31%	18.20%
Total Tier I and II Capital	18.16%	19.92%	20.88%

19. RELATED PARTY BALANCES AND TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. The related party transactions are governed by the limits set by the Banking Control Law and regulations issued by Saudi Central Bank (SAMA).

The balances as at June 30 resulting from such transactions included in the interim condensed consolidated financial statements information are as follows:

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19. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	30 June 2024 SR' 000	30 June 2024 SR'000
Subsidiary companies		
Investments	501,480	501,480
Customer deposits	6,961	22,194
Due from banks and other financial institutions	1,896,751	1,739,543
Due to banks and other financial institutions	290,913	290,850
Receivables and other assets	267,507	208,264
Payables and liabilities	41,481	18,796
Commitments and contingencies	30,195	30,178
Notional values of outstanding shari'ah compliant contracts	3,409,582	5,976,602
Outstanding Sukuk liability	1,875,000	1,875,000
Associate and affiliate entities with significant influence		
Investments	324,292	234,089
Customer deposits	180,298	124,191
Contingencies and commitments	7,280	7,280
Sukuk liability	150,000	150,000
Directors, key management personnel, other major shareholders and their affiliates		
Financing	308,841	574,187
Customers' deposits	125,771	690,828
Contingencies and commitments	39,645	60,152
Other major shareholders represent shareholdings of more than 5% of the Bank's issued share capital.		
Mutual Funds under subsidiary's management		
Investments	1,691,193	1,115,955
Customers' deposits	340,512	372,915

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19. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Material income, expenses and other transactions with related parties included in the interim condensed consolidated financial statements information are as follows:

	Period ended 30 June SR' 000	Period ended 30 June SR'000
Income from investments and financing	137,804	137,377
Return on deposits and financial liabilities	122,112	162,608
Fees income	243	131
Fee expense	9,242	8,094
Exchange loss	-	2,125
Insurance premium	57,973	57,192
Claims received	13,898	20,338
Directors' remuneration	5,700	5,000
Income under shared service agreements	575	575
Operating expenses	-	12,061
Reimbursement of building related expense	1,571	1,472
Rent expense for branches	768	768
Investment in the sukuks issued by BAJ	-	150,000
Profit on the sukuks issued by BAJ	4,500	-
Purchase of shares of associate (ATT)	76,218	-

The total amount of compensation paid to directors and key management personnel during the period is as follows:

	Period ended 30 June SR' 000	Period ended 30 June SR'000
Short-term employee benefits	41,868	42,106
Termination benefits	1,056	1,017

Key management personnel are those persons, including executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

20. COMPARATIVE FIGURES

As stated in note 16 - Operating Segments, comparative period amounts have been restated to ensure comparability of information.

In addition, certain prior period amounts have been reclassified so as to align with the current period presentation. However, there was no impact of such reclassifications on the interim condensed consolidated statement of income and interim condensed consolidated statement of changes in equity.

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21. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was authorized for issue by the Board of Directors of the Bank on 29 July 2024 (corresponding to 23 Muharram 1446H).