
BANK ALJAZIRA
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE-MONTH ENDED 31 MARCH 2024**



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License No. 25



Building a better
working world

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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 31 March 2024, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-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'), that is 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*", that is 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, that is endorsed in the Kingdom of Saudi Arabia.

Other regulatory matter

As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 18 to the accompanying interim condensed consolidated financial information. As part of our review, we compared the information in note 18 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

for PricewaterhouseCoopers

Waleed A. Alhidiri
Certified Public Accountant
License Number 559



for Ernst & Young Professional Services

Rashid S. Roshod
Certified Public Accountant
License Number 366

1 Dhul Qadah 1445H
(9 May 2024)



Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	31 March 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	31 March 2023 (Unaudited) SR'000
ASSETS				
Cash and balances with Saudi Central Bank (SAMA)	15	7,183,360	5,840,693	6,149,739
Due from banks and other financial institutions, net		7,548,121	5,691,774	2,487,232
Investments, net	5	33,972,420	34,442,290	36,040,154
Positive fair value of Shari'ah compliant derivatives	9	187,629	222,508	272,725
Financing, net	6	84,116,257	80,780,901	72,030,089
Other assets		882,852	719,449	670,458
Investment in an associate	7	244,748	243,011	218,909
Other real estate, net		488,506	498,986	498,249
Property, equipment and right of use assets, net		1,197,273	1,111,165	1,062,365
Total assets		135,821,166	129,550,777	119,429,920
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		17,995,649	14,985,733	14,468,109
Customers' deposits	8	97,267,737	94,054,401	86,867,225
Negative fair value of Shari'ah compliant derivatives	9	170,548	147,061	235,645
Subordinated Sukuk	10	2,043,767	2,004,346	2,039,900
Other liabilities		1,905,982	1,943,742	1,851,538
Total liabilities		119,383,683	113,135,283	105,462,417
EQUITY				
Share capital	11	8,200,000	8,200,000	8,200,000
Statutory reserve		3,449,537	3,449,537	3,194,545
Other reserves	12	(1,122,851)	(844,399)	(600,870)
Retained earnings		2,035,797	1,735,356	1,298,828
Equity attributable to shareholders of the Bank		12,562,483	12,540,494	12,092,503
Tier 1 Sukuk	13	3,875,000	3,875,000	1,875,000
Total equity		16,437,483	16,415,494	13,967,503
Total liabilities and equity		135,821,166	129,550,777	119,429,920



Tarek Al-Kasabi
Chairman



Naif Al Abdulkareem
CEO and Managing Director



Hani Noori
Chief Financial Officer

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

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Bank AlJazira

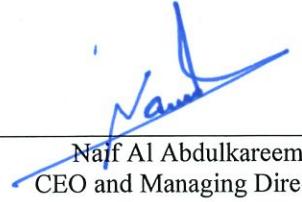
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024

Notes	For the three-month period ended	
	31 March 2024 SR'000	31 March 2023 SR'000
Income from investments and financing	1,840,938	1,332,840
Return on deposits and financial liabilities	(1,220,859)	(774,308)
	<u>620,079</u>	<u>558,532</u>
Net financing and investment income		
Fees from banking services - income	280,793	229,310
Fees from banking services - expense	(124,535)	(99,915)
Fees from banking services, net	<u>156,258</u>	<u>129,395</u>
Exchange income, net	48,896	50,353
Net gain / (loss) on fair value through statement of income (FVIS) financial instruments	13,865	(14,489)
Dividend income	45,233	38,175
Net (loss) / gain on de-recognition of financial assets at fair value through other comprehensive income (FVOCI) – debt	(433)	4,690
Other operating income	4,399	17,212
Total operating income	<u>888,297</u>	<u>783,868</u>
Salaries and employee-related expenses	264,645	257,901
Rent and premises-related expenses	13,881	13,926
Depreciation and amortisation	46,658	45,940
Other general and administrative expenses	163,916	153,338
Other operating expenses	2,742	3,866
Total operating expenses before impairment charge	<u>491,842</u>	<u>474,971</u>
Impairment charge for financing and other financial assets, net	6 (b)	
	<u>55,378</u>	<u>59,999</u>
Total operating expenses	<u>547,220</u>	<u>534,970</u>
Net operating income	<u>341,077</u>	<u>248,898</u>
Share in net income of an associate	6,186	1,075
Net income for the period before zakat and income tax	<u>347,263</u>	<u>249,973</u>
Zakat and income tax		
Zakat	(44,371)	(44,541)
Income tax	(2,451)	(1,397)
Net income for the period	<u>300,441</u>	<u>204,035</u>
Basic and diluted earnings per share for the period (expressed in SR per share) – (re-stated)	11	0.29
		0.20



Tarek Al-Kasabi
Chairman



Naif Al Abdulkareem
CEO and Managing Director



Hani Noori
Chief Financial Officer

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

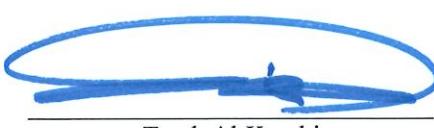
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Bank AlJazira

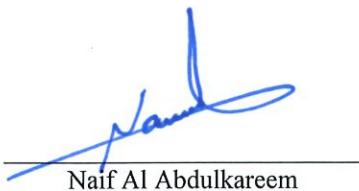
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024

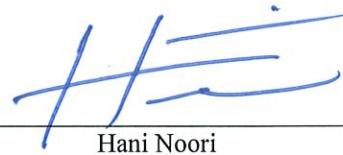
	Notes	For the three-month period ended	
		31 March 2024 <u>SR'000</u>	31 March 2023 <u>SR'000</u>
Net income for the period		<u>300,441</u>	<u>204,035</u>
Other comprehensive (loss) / income:			
<i>Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>			
Cash flow hedges:			
- Effective portion of change in the fair value	12	47,878	(55,858)
- Net amount transferred to interim condensed consolidated statement of income	12	2,442	(1,764)
Net changes in fair value of investments classified as at FVOCI-debt	12	(317,751)	217,350
<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	(12,005)	(5,301)
Share in other comprehensive income of an associate	12	984	-
Total other comprehensive (loss) / income for the period		<u>(278,452)</u>	<u>154,427</u>
Total comprehensive income for the period		<u>21,989</u>	<u>358,462</u>



Tarek Al-Kasabi
Chairman



Naif Al Abdulkareem
CEO and Managing Director



Hani Noori
Chief Financial Officer

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

AAA
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Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024

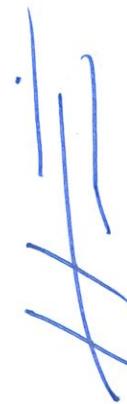
	Notes	Share capital SR'000	Statutory reserve SR'000	Other reserves SR'000	Retained earnings SR'000	Total shareholders' equity SR'000	Tier 1 Sukuk SR'000	Total equity SR'000
Balance at 1 January 2024 (audited)		8,200,000	3,449,537	(844,399)	1,735,356	12,540,494	3,875,000	16,415,494
Net income for the period		-	-	-	300,441	300,441	-	300,441
Other comprehensive loss	12	-	-	(278,452)	-	(278,452)	-	(278,452)
Total comprehensive income for the period		-	-	(278,452)	300,441	21,989	-	21,989
Balance at 31 March 2024 (unaudited)		<u>8,200,000</u>	<u>3,449,537</u>	<u>(1,122,851)</u>	<u>2,035,797</u>	<u>12,562,483</u>	<u>3,875,000</u>	<u>16,437,483</u>
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		-	-	-	204,035	204,035	-	204,035
Other comprehensive income	12	-	-	154,427	-	154,427	-	154,427
Total comprehensive income for the period		-	-	154,427	204,035	358,462	-	358,462
Balance at 31 March 2023 (unaudited)		<u>8,200,000</u>	<u>3,194,545</u>	<u>(600,870)</u>	<u>1,298,828</u>	<u>12,092,503</u>	<u>1,875,000</u>	<u>13,967,503</u>



Tarek Al-Kasabi
Chairman



Naif Al Abdulkareem
CEO and Managing Director



Hani Noori
Chief Financial Officer

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024

	For the three month period ended	
	31 March 2024	31 March 2023
<u>Notes</u>	<u>SR'000</u>	<u>SR'000</u>
Net income for the period before zakat and income tax	347,263	249,973
OPERATING ACTIVITIES		
Adjustments to reconcile net income to net cash generated from operating activities:		
Net gain on FVIS financial instruments	(15,637)	(2,301)
Loss / (gain) on investments held at amortised cost and FVOCI, net	433	(4,690)
Dividend income	(33,619)	(23,965)
Return on subordinated sukuk	39,420	36,975
Depreciation and amortization	46,658	45,940
Impairment charge for financing and other financial assets, net	6 (b) 55,378	59,999
Provision for end of service benefit obligations	12,358	10,363
Share in net income of an associate	(6,186)	(1,075)
	446,068	371,219
Net changes in operating assets:		
Statutory deposit with SAMA	103,853	157,262
Due from banks and other financial institutions maturing after ninety days from the date of acquisition	(1,372,490)	(144,502)
Investments held at FVIS	(64,777)	(181,396)
Positive fair value of Shari'ah compliant derivatives	34,879	39,917
Financing	(3,378,712)	(1,486,518)
Other real estate	10,480	7,536
Other assets	(163,403)	(89,418)
Net changes in operating liabilities:		
Due to banks and other financial institutions	3,009,916	2,351,422
Customers' deposits	3,213,336	844,386
Negative fair value of Shari'ah compliant derivatives	23,487	36,639
Other liabilities	(30,990)	(138,026)
	1,831,647	1,768,521
End of service benefits paid	(9,697)	(10,693)
Zakat and income tax paid	(2,405)	(2,300)
Net cash generated from operating activities	1,819,545	1,755,528
INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments held at amortised cost and FVOCI	1,004,163	268,017
Purchase of investments held at amortised cost and FVOCI	(785,139)	(1,274,128)
Dividend received	33,619	23,965
Acquisition of property and equipment	(113,970)	(33,915)
Net cash generated from / (used in) investing activities	138,673	(1,016,061)

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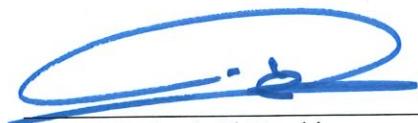
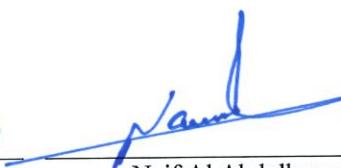
The accompanying notes 1 to 21 form integral part of this interim condensed consolidated financial information.

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Bank AlJazira
 (A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
 FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (continued)**

	<u>Notes</u>	For the three month period ended	
		31 March 2024	31 March 2023
		<u>SR'000</u>	<u>SR'000</u>
FINANCING ACTIVITIES			
Payment of sukuk related transaction costs		(1,669)	-
Dividends paid		(84)	(22)
Payment for principal portion of lease liabilities		(26,109)	(17,898)
Net cash used in financing activities		(27,862)	(17,920)
Net change in cash and cash equivalents held		1,930,356	721,547
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	4,653,216	3,059,367
Income from investments and financing received during the period		1,821,899	1,091,487
Return on deposits and financial liabilities paid during the period		1,046,679	667,404
Supplemental non-cash information			
Right of use assets and Lease liabilities		18,796	8,016
Net changes in fair value of cash flow hedges and transfers to the interim condensed consolidated statement of income		50,320	(57,622)


Tarek Al-Kasabi
Chairman

Naif Al Abdulkareem
CEO and Managing Director

Hani Noori
Chief Financial Officer

Bank AlJazira

(A Saudi Joint Stock Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 75 branches (31 December 2023: 75 branches and 31 March 2023: 82 branches) and 51 Fawri Remittance Centers (31 December 2023: 52 and 31 March 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:

Subsidiaries	Country of incorporation	Nature of business	Ownership (direct and indirect)		Ownership (direct and indirect) 31 March 2023
			31 March 2024	31 December 2023	
AlJazira Capital Company	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%

Bank AlJazira

(A Saudi Joint Stock Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 2024 (CONTINUED)

1. GENERAL (continued)

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

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

- a) 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 31 March 2024.
- b) 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 31 March 2024, the Group has a substantial ownership in these entities amounting to SR 1,156.47 million (31 December 2023: SR 1,113.98 million and 31 March 2023: SR 1,160.13 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 31 March 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 31 March 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 in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCBA.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 2024 (CONTINUED)

2. BASIS OF PREPARATION (continued)

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 statements 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 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.

Bank AlJazira

(A Saudi Joint Stock Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 2024 (CONTINUED)

3. BASIS OF CONSOLIDATION (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
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)

b) 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 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 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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5. INVESTMENTS, NET

Investments are classified as follows:

	31 March 2024 (Unaudited) SR'000		
	Domestic	International	Total
i) FVIS			
Mutual funds	134,880	1,383,937	1,518,817
Equities – quoted	25,238	-	25,238
Equities – unquoted	-	20,487	20,487
	160,118	1,404,424	1,564,542
ii) FVOCI			
Equities – unquoted	4,143	1,099	5,242
Sukuk investments – equities	2,502,740	200,175	2,702,915
Sukuk investments – debt	9,656,742	-	9,656,742
	12,163,625	201,274	12,364,899
Allowance for impairment	(1,838)	-	(1,838)
	12,161,787	201,274	12,363,061
iii) Amortised cost			
Sukuk investments	16,155,977	377,288	16,533,265
Wakala floating rate notes	3,522,479	-	3,522,479
	19,678,456	377,288	20,055,744
Allowance for impairment	(10,584)	(343)	(10,927)
	19,667,872	376,945	20,044,817
Total	31,989,777	1,982,643	33,972,420
	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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5. INVESTMENTS, NET (continued)

	31 March 2023 (Unaudited) SR'000		
	Domestic	International	Total
i) FVIS			
Mutual funds	24,269	1,319,853	1,344,122
Equities – quoted	309	-	309
	<u>24,578</u>	<u>1,319,853</u>	<u>1,344,431</u>
ii) FVOCI			
Equities – quoted	159,998	-	159,998
Equities – unquoted	4,143	1,108	5,251
Sukuk investments – equity	1,914,290	199,341	2,113,631
Sukuk investments – debt	8,219,460	-	8,219,460
	<u>10,297,891</u>	<u>200,449</u>	<u>10,498,340</u>
Allowance for impairment	(5,482)	-	(5,482)
	<u>10,292,409</u>	<u>200,449</u>	<u>10,492,858</u>
iii) Amortised cost			
Sukuk investments	20,320,002	377,288	20,697,290
Wakala floating rate notes	3,520,015	-	3,520,015
	<u>23,840,017</u>	<u>377,288</u>	<u>24,217,305</u>
Allowance for impairment	(13,257)	(1,183)	(14,440)
	<u>23,826,760</u>	<u>376,105</u>	<u>24,202,865</u>
Total	<u>34,143,747</u>	<u>1,896,407</u>	<u>36,040,154</u>

6. FINANCING, NET

The financing is classified as at amortized cost as follows:

	SR'000				
	Credit cards	Consumer	Commercial	Others	Total
31 March 2024 (Unaudited)					
Performing financing	756,520	29,920,133	54,076,595	296,273	85,049,521
Non-performing financing	54,591	297,892	993,410	11,842	1,357,735
Gross financing	811,111	30,218,025	55,070,005	308,115	86,407,256
Allowance for impairment	(74,559)	(225,345)	(1,985,327)	(5,768)	(2,290,999)
Financing, net	736,552	29,992,680	53,084,678	302,347	84,116,257

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6. FINANCING, NET (continued)

	SR'000				
	<u>Credit cards</u>	<u>Consumer</u>	<u>Commercial</u>	<u>Others</u>	<u>Total</u>
<u>31 December 2023 (Audited)</u>					
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
	=====	=====	=====	=====	=====
<u>31 March 2023 (Unaudited)</u>					
Performing financing	742,749	29,425,840	43,037,532	291,103	73,497,224
Non-performing financing	59,632	329,867	907,024	6,794	1,303,317
Gross financing	802,381	29,755,707	43,944,556	297,897	74,800,541
Allowance for impairment	(78,934)	(226,571)	(2,461,190)	(3,757)	(2,770,452)
Financing, net	723,447	29,529,136	41,483,366	294,140	72,030,089
	=====	=====	=====	=====	=====

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

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6. FINANCING, NET (continued)

- a) Movement in allowance for impairment is as follows:

	31 March 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	31 March 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	88,103	379,084	87,564
Bad debts written off	(559,252)	(192,107)	(12,084)
(Reversal) / (recoveries) of amounts previously provided	(30,384)	(113,090)	(23,673)
Balance at the end of the period / year	2,290,999	2,792,532	2,770,452

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

	31 March 2024 (Unaudited) SR'000	31 March 2023 (Unaudited) SR'000
Impairment charge for financing	88,103	87,564
(Reversal) / (recoveries) of amounts previously provided	(30,384)	(23,673)
(Recoveries) from debts previously written off	(14,364)	(8,453)
Net (reversal) / impairment charge for ECL in respect of due from banks and other financial institutions	(21)	3,841
Net impairment charge for ECL in respect of investments	1,071	445
Net impairment charge for ECL in respect of non-funded financing and credit related commitments	10,973	275
Impairment charge for financing and other financial assets, net	55,378	59,999

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 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.

	31 March 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	385,687	(370,145)	(15,542)	-
Transfer to lifetime ECL not credit – Impaired	(185,012)	188,173	(3,161)	-
Transfer to lifetime ECL credit impaired	(22,635)	(22,120)	44,755	-
New financial assets originated	4,342,672	25,098	1,698	4,369,468
Financial assets that have been derecognized	(2,662,401)	(39,013)	(24,158)	(2,725,572)
Changes in financing income accrual	16,061	-	-	16,061
Other movements	1,897,317	(109,778)	(54,421)	1,733,118
Write-offs	-	-	(559,252)	(559,252)
Gross carrying amount as at 31 March 2024	80,109,016	3,004,870	3,293,370	86,407,256
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	76,337,327	3,332,655	3,903,451	83,573,433

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6. FINANCING, NET (continued)

	31 March 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	87,948	(75,617)	(12,331)	-
Transfer to lifetime ECL not credit – Impaired	(672,734)	679,624	(6,890)	-
Transfer to lifetime ECL credit impaired	(33,025)	(94,262)	127,287	-
New financial assets originated	3,939,107	9,586	28	3,948,721
Financial assets that have been derecognized	(1,945,240)	(54,342)	(11,322)	(2,010,904)
Changes in profit accrual	234,940	-	-	234,940
Other movements	(808,436)	137,129	(6,479)	(677,786)
Write-offs	-	-	(12,084)	(12,084)
Gross carrying amount as at 31 March 2023	<u>67,769,416</u>	<u>3,442,332</u>	<u>3,588,793</u>	<u>74,800,541</u>

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

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

	31 March 2024 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
(SR'000)				
ECL as at 1 January 2024	256,078	250,907	2,285,547	2,792,532
Transfer to 12-month ECL	11,259	(4,551)	(6,708)	-
Transfer to lifetime ECL not credit – impaired	(762)	2,162	(1,400)	-
Transfer to lifetime ECL credit impaired	(117)	(416)	533	-
Net re-measurement of loss allowance	(36,851)	44,079	35,426	42,654
New financial assets originated	26,471	335	852	27,658
Financial assets that have been derecognized	(6,358)	(305)	(5,930)	(12,593)
Write-offs	-	-	(559,252)	(559,252)
ECL as at 31 March 2024	249,720	292,211	1,749,068	2,290,999

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 2024 (CONTINUED)

6. FINANCING, NET (continued)

	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>
	31 March 2023 (Unaudited)			
	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	6,327	(791)	(5,536)	-
Transfer to lifetime ECL not credit – impaired	(5,948)	8,902	(2,954)	-
Transfer to lifetime ECL credit impaired	(218)	(3,652)	3,870	-
Net re-measurement of loss allowance	(2,170)	11,279	56,237	65,346
New financial assets originated	15,306	229	88	15,623
Financial assets that have been derecognized	(5,782)	(3,902)	(7,394)	(17,078)
Write-offs	-	-	(12,084)	(12,084)
ECL as at 31 March 2023	<u>256,156</u>	<u>317,908</u>	<u>2,196,388</u>	<u>2,770,452</u>

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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 26.03% (31 December 2023: 26.03% and 31 March 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 December 2023. ATT is listed with Saudi Stock Exchange (Tadawul) and the market value of the investment in ATT as of 31 March 2024 was SR 318.82 million (31 December 2023: SR 292.02 million and 31 March 2023: SR 244.21 million) based on Saudi Stock Exchange (Tadawul) market price.

8. CUSTOMERS' DEPOSITS

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
	SR'000	SR'000	SR'000
Demand	36,264,221	33,411,088	37,446,127
Saving	2,355,269	2,045,058	713,353
Customers' time investments	56,129,369	56,491,816	46,721,465
Other	2,518,878	2,106,439	1,986,280
Total	97,267,737	94,054,401	86,867,225

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

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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.

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.

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9. SHARIAH COMPLIANT DERIVATIVES (continued)

9.2 Purpose of derivatives (continued)

b) Held for hedging purposes (continued)

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

	31 March 2024	31 March 2023
	(Unaudited)	(Unaudited)
	SR'000	SR'000
Income from investments and financing	1,511	3,197
Return on deposits and financial liabilities	(3,953)	(1,433)
Net (losses) / gains on cash flow hedges reclassified to the interim condensed consolidated statement of income	(2,442)	1,764

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 47.88 million (31 March 2023: loss of SR 55.86 million) included in the interim condensed consolidated statement of comprehensive income comprised of net unrealized loss of SR 49.95 million (31 March 2023: net unrealized loss of SR 67.99 million) and net realized gain of SR 97.82 million (31 March 2023: net realized gain of SR 12.13 million) on terminated hedge relationships.

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.

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9. SHARIAH COMPLIANT DERIVATIVES (continued)

	31 March 2024 (Unaudited) SR'000		
	Positive fair value	Negative fair value	Notional amount
Held for trading:			
Options	34,471	34,471	1,174,611
Profit rate swaps	73,422	71,051	5,106,871
Cross currency profit rate swaps	18,927	31,818	1,875,000
Currency swaps	1,552	1,388	3,399,434
Currency forwards (Wa'ad)	39	58	278,339
Total	128,411	138,786	11,834,255
Held as cash flow hedge:			
Profit rate swaps	59,218	31,762	3,300,000
Total	187,629	170,548	15,134,255
	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
	31 March 2023 (Unaudited) SR'000		
	Positive fair value	Negative fair value	Notional amount
Held for trading:			
Options	6,181	6,181	576,870
Profit rate swaps	133,022	131,550	4,898,127
Cross currency profit rate swaps	18,927	31,750	1,875,000
Currency swaps	16,453	8,911	6,035,947
Currency forwards (Wa'ad)	105	113	5,913
Total	174,688	178,505	13,391,857
Held as cash flow hedge:			
Profit rate swaps	98,037	57,140	4,600,000
Total	272,725	235,645	17,991,857

Held for trading profit rate swaps (positive fair value / negative fair value) include accrued receivable amounting to SR 31.15 million (31 December 2023: SR 11.29 million and 31 March 2023: SR 57.52 million) and accrued payable amounting to SR 33.14 million (31 December 2023: SR 11.03 million and 31 March 2023: SR 63.03 million). Held as cash flow hedge profit rate swaps (positive fair value / negative fair value) include accrued receivable amounting to SR 25.59 million (31 December 2023: SR 26.21 million and 31 March 2023: SR 29.43 million) and accrued payable amounting to SR 20.86 million (31 December 2023: SR 15.30 million and 31 March 2023: SR 24.53 million).

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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).

11. SHARE CAPITAL AND EARNINGS PER SHARE

The authorized, issued and fully paid share capital of the Bank consists of 820 million shares of SR 10 each (31 December 2023: 820 million shares of SR 10 each and 31 March 2023: 820 million shares of SR 10 each). The Board of Directors had proposed a bonus issue of 1 bonus shares for every 4 shares held by the shareholders which has been approved in the shareholders' Extra Ordinary General Assembly Meeting held on April 24, 2024 subsequent to the date of the condensed interim consolidated financial information. Consequently, the Bank's updated paid-up share capital will be 1,025 million shares of SR 10 each. These changes will be incorporated into the Group's condensed interim consolidated financial information in the subsequent quarter.

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

Basic earnings per share for the current and prior period 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	
	31 March 2024 (Unaudited) SR'000	31 March 2023 (Unaudited) SR'000
Net income for the period attributable to ordinary shareholders (adjusted for Tier 1 sukuk related costs)		
For basic and diluted earnings per share	300,441	204,035
	Shares	Shares Restated
Weighted-average number of ordinary shares		
For basic and diluted earnings per share	820,000,000	820,000,000
Effect of bonus shares issue approved by shareholders	205,000,000	205,000,000
	1,025,000,000	1,025,000,000
		Restated
Basic and diluted earnings per share (in SR)	0.29	0.20

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

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12. OTHER RESERVES

<u>31 March 2024</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	31,290	(859,574)	(75,324)	49,376	9,833	(844,399)
Net change in fair value	47,878	(317,751)	(12,005)	-	984	(280,894)
Transfer to interim condensed consolidated statement of income (note 9.2(b))	2,442	-	-	-	-	2,442
Net movement during the period	50,320	(317,751)	(12,005)	-	984	(278,452)
Balance at end of the period	<u>81,610</u>	<u>(1,177,325)</u>	<u>(87,329)</u>	<u>49,376</u>	<u>10,817</u>	<u>(1,122,851)</u>
<u>31 December 2023</u> <u>(Audited)</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 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 2024 (CONTINUED)

12. OTHER RESERVES (continued)

<u>31 March 2023</u> <u>(Unaudited)</u>	<u>Cash flow</u> <u>hedges</u> <u>SR' 000</u>	<u>Fair value</u> <u>reserve –</u> <u>FVOCI</u> <u>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>Total</u> <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	(55,858)	217,350	(5,301)	-	156,191
Transfer to interim condensed consolidated statement of income (note 9.2(b))	(1,764)	-	-	-	(1,764)
Net movement during the period	(57,622)	217,350	(5,301)	-	154,427
Balance at end of the period	<u>15,613</u>	<u>(571,845)</u>	<u>(86,938)</u>	<u>42,300</u>	<u>(600,870)</u>

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.

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.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 2024 (CONTINUED)

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:

	31 March 2024 (Unaudited) <u>SR'000</u>	31 December 2023 (Audited) <u>SR'000</u>	31 March 2023 (Unaudited) <u>SR'000</u>
Letters of credit	3,088,008	3,008,148	2,905,102
Letters of guarantee	11,646,869	8,705,191	5,652,382
Acceptances	799,397	903,453	799,760
Irrevocable commitments to extend credit	773,375	1,138,489	1,234,836
Total	16,307,649	13,755,281	10,592,080
Allowance for impairment [b(ii)]	(340,784)	(329,811)	(329,681)
Net exposure	15,966,865	13,425,470	10,262,399

- 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.

	31 March 2024 (Unaudited)		
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired
		(SR'000)	Total
Gross carrying amount as at 1 January 2024	13,187,483	48,116	519,682
Transfer to 12-month ECL	767	(750)	(17)
Transfer to lifetime ECL not credit – impaired	(2,926)	2,926	-
Transfer to lifetime ECL credit – impaired	(26,991)	-	26,991
New financial assets originated	867,482	43,836	-
Financial assets derecognised during the period	(460,449)	-	(460,449)
Other movements	2,080,188	2,881	18,430
Gross carrying amount as at 31 March 2024	15,645,554	97,009	565,086
		(SR'000)	16,307,649

	31 December 2023 (Audited)		
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired
		(SR'000)	Total
Gross carrying amount as at 1 January 2023	8,818,321	40,135	546,850
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
Financial assets derecognised during the year	(687,625)	(3,222)	(16,366)
Other movements	1,770,350	(30,756)	(23,150)
Gross carrying amount as at 31 December 2023	13,187,483	48,116	519,682
		(SR'000)	13,755,281

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 2024 (CONTINUED)

14. COMMITMENTS AND CONTINGENCIES (continued)

	31 March 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	(7,961)	7,961	-	-
Transfer to lifetime ECL credit – impaired	-	(9)	9	-
New financial assets originated	980,037	627	300	980,964
Financial assets derecognised during the period	(675,892)	(734)	(14,675)	(691,301)
Other movements	910,982	(4,770)	(9,101)	897,111
Gross carrying amount as at 31 March 2023	<u>10,027,525</u>	<u>41,172</u>	<u>523,383</u>	<u>10,592,080</u>

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

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

	31 March 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	5	(5)	-	-
Transfer to lifetime ECL not credit – Impaired	(12)	12	-	-
Transfer to lifetime ECL credit – impaired	(188)	-	188	-
Net re-measurement of loss allowance	1,966	(31)	6,071	8,006
New financial assets originated	3,551	17	-	3,568
Financial assets that have been derecognized	(601)	-	-	(601)
ECL as at 31 March 2024	49,474	294	291,016	340,784

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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)		
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	<u>44,753</u>	<u>301</u>	<u>284,757</u>	<u>329,811</u>
	31 March 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	(23)	23	-	-
Transfer to lifetime ECL credit – impaired	-	-	-	-
Net re-measurement of loss allowance	7,672	9	256	7,937
New financial assets originated	1,884	-	174	2,058
Financial assets that have been derecognized	(2,802)	(1)	(6,917)	(9,720)
ECL as at 31 March 2023	<u>28,450</u>	<u>199</u>	<u>301,032</u>	<u>329,681</u>

- c) To resolve outstanding Zakat liabilities for the years 2006 to 2017, the Bank entered into a Settlement Agreement (the “Agreement”) with the Zakat, Tax and Customs Authority (ZATCA) in 2018. This agreement complied with Royal Decree No. (26/M) dated 20 Rabi Al-Awaal 1440 H (28 November 2018) and the Ministerial Resolution No. 1260 dated 5 Rabi Al-Thani 1440 H (12 December 2018). All Zakat liabilities for those years were fully settled by December 1, 2023. The Agreement also established a framework for settling 2018 Zakat in accordance with the aforementioned regulations. Consequently, all Zakat-related disputes between the Bank and ZATCA for the period up to 2017 have been resolved. Furthermore, all Tax-related disputes between the Bank and the ZATCA for tax years up to 2018 also stand resolved.

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14. COMMITMENTS AND CONTINGENCIES (continued)

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 [TVDRC] 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 TVDRC 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.

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.

15. CASH AND CASH EQUIVALENTS

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

	31 March 2024 (Unaudited) <u>SR'000</u>	31 December 2023 (Audited) <u>SR'000</u>	31 March 2023 (Unaudited) <u>SR'000</u>
Cash and balances with SAMA, excluding statutory deposit	2,614,079	1,167,559	1,653,990
Due from banks and other financial institutions with an original maturity of 90 days or less from the date of acquisition	2,039,137	1,555,301	1,405,377
Total	4,653,216	2,722,860	3,059,367

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

	31 March 2024 (Unaudited) <u>SR'000</u>	31 December 2023 (Audited) <u>SR'000</u>	31 March 2023 (Unaudited) <u>SR'000</u>
Cash and cash equivalents as per statement of cash flows	4,653,216	2,722,860	3,059,367
Statutory deposit	4,569,281	4,673,134	4,495,749
Due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition	(2,039,137)	(1,555,301)	(1,405,377)
Cash and balances with SAMA	7,183,360	5,840,693	6,149,739

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 2024 (CONTINUED)

15. CASH AND CASH EQUIVALENTS (continued)

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

31 March 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 leased liability - principal	-	-	(26,109)
Dividend paid	-	(84)	-
Other changes			
Increase due to additions	-	-	18,796
Payment of leased liability - profit	-	-	(2,805)
Financing cost	38,985	-	2,805
Amortisation of transaction cost	435	-	-
Other adjustments	1	-	-
Balances as at 31 March 2024	2,043,767	66,526	190,060
31 March 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 leased liability - principal	-	-	(17,898)
Dividend paid	-	(22)	-
Other changes			
Increase due to additions	-	-	8,016
Payment of leased liability - profit	-	-	(2,228)
Financing cost	36,540	-	2,228
Amortisation of transaction cost	435	-	-
Other adjustments	106	-	-
Balances as at 31 March 2023	2,039,900	66,708	212,119

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.

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16. OPERATING SEGMENTS (continued)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2023.

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 31 March 2024 and 31 March 2023, its total operating income and expenses, and its net income for the three month periods then ended, by operating segment, are as follows:

(SR'000)	Personal <u>banking</u>	Corporate <u>banking</u>	<u>Brokerage and asset management</u>			<u>Others</u>	<u>Total</u>
			<u>Treasury</u>	<u>management</u>	<u>Others</u>		
<u>31 March 2024 (Unaudited)</u>							
Total assets	38,852,594	44,033,078	49,074,283	3,616,544	244,667	135,821,166	
Total liabilities	49,829,141	45,405,403	22,190,932	1,958,288	(81)	119,383,683	
Inter - segment income / (loss)	12,776	(566)	(10,422)		-	(1,788)	-
Total operating income	373,922	248,813	224,948	116,796	(76,182)	888,297	
Of which:							
- Net financing and investment income / (loss)	280,888	187,567	135,720	17,691	(1,787)	620,079	
- Fees from banking services, net	52,000	45,193	1	74,796	(15,732)	156,258	
- Net gain/ (loss) on FVIS financial instruments	-	-	3,655	14,797	(4,587)	13,865	
Total operating expenses	(345,307)	(101,687)	(44,572)	(55,925)	271	(547,220)	
Of which:							
- Impairment charge for financing and other financial assets, net	(20,648)	(33,680)	(1,050)		-	-	(55,378)
- Depreciation and amortization	(35,346)	(4,756)	(4,356)	(2,200)		-	(46,658)
Share in net income of an associate	-	-	-	884	5,302	6,186	
Net income / (loss) before zakat and income tax	28,615	147,126	180,376	61,755	(70,609)	347,263	

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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>
<u>31 December 2023</u>						
<u>(Audited)</u>						
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
<u>31 March 2023</u>						
<u>(Unaudited)</u>						
Total assets	35,644,012	35,191,916	45,117,131	3,258,033	218,828	119,429,920
Total liabilities	48,599,869	36,407,437	18,563,941	1,891,251	(81)	105,462,417
Inter - segment income / (loss)	75,514	34,770	(108,618)	-	(1,666)	-
Total operating income	408,447	210,155	154,188	79,657	(68,579)	783,868
Of which:						
- Net financing and investment income / (loss)	300,105	165,707	82,169	12,216	(1,665)	558,532
- Fees from banking services, net	54,821	32,383	(19)	56,512	(14,302)	129,395
- Net (loss) / gain on FVIS financial instruments	(3,808)	(963)	(7,551)	(2,167)	-	(14,489)
Total operating expenses	(337,378)	(104,217)	(46,860)	(46,559)	44	(534,970)
Of which:						
- Impairment charge for financing and other financial assets, net	(13,743)	(41,970)	(4,286)	-	-	(59,999)
- Depreciation and amortization	(35,299)	(4,727)	(4,144)	(1,771)	1	(45,940)
Share in net income of an associate	-	-	-	154	921	1,075
Net income / (loss) before zakat and income tax	71,069	105,938	107,328	33,252	(67,614)	249,973

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 2024 (CONTINUED)

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:

- a) in the accessible principal market for the asset or liability, or
- b) 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
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique include 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:

		<u>31 March 2024 (Unaudited)</u>				
		<u>Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value:</u>						
FVIS - Mutual funds	1,518,817		1,518,817	-	1,518,817	
FVIS – Equities	45,725	25,238		20,487	45,725	
FVOCI – Sukuk – equity	2,702,915	-	2,702,915	-	2,702,915	
FVOCI – Sukuk – debt	9,654,904	-	9,654,904	-	9,654,904	
Shari'ah compliant derivatives	187,629	-	187,629	-	187,629	
Total	14,109,990	25,238	14,064,265	20,487	14,109,990	
<u>Financial liabilities measured at fair value:</u>						
Shari'ah compliant derivatives	170,548	-	170,548	-	170,548	

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

		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
 <u>31 March 2023 (Unaudited)</u>					
<u>Fair Value (SR'000)</u>					
	Carrying Value	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value:</u>					
FVIS - Mutual funds	1,344,122	-	1,344,122	-	1,344,122
FVIS – Equities	309	309	-	-	309
FVOCI – Equities	159,998	159,998	-	-	159,998
FVOCI – Sukuk – equity	2,113,631	-	2,113,631	-	2,113,631
FVOCI – Sukuk – debt	8,213,978	-	8,213,978	-	8,213,978
Shari'ah compliant derivatives	272,725	-	272,725	-	272,725
Total	12,104,763	160,307	11,944,456	-	12,104,763
<u>Financial liabilities measured at fair value:</u>					
Shari'ah compliant derivatives	235,645	-	235,645	-	235,645

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 which have been valued using a valuation model.

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Investments amounting to SR 5.24 million (31 December 2023: SR 5.26 million and 31 March 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.

	31 March 2024 (Unaudited) (SR'000)	
	Amortised cost	Fair value Level 2
Financial assets:		
Due from banks and other financial institutions, net	7,548,121	7,542,481
Investment held at amortised cost, net	20,044,817	19,201,175
Financing, net	84,116,257	84,380,854
Total	111,709,195	111,124,510
Financial liabilities:		
Due to banks and other financial institutions	17,995,649	18,458,758
Customers' deposits	97,267,737	97,256,111
Subordinated Sukuk	2,043,767	2,043,767
Total	117,307,153	117,758,636
 31 December 2023 (Audited) (SR'000)		
	Amortised cost	Fair value Level 2
Financial assets:		
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
Financial liabilities:		
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

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	31 March 2023 (Unaudited) (SR'000)	
	Amortised cost	Fair value Level 2
<u>Financial assets:</u>		
Due from banks and other financial institutions, net	2,487,232	2,503,238
Investment held at amortised cost, net	24,202,865	23,941,222
Financing, net	72,030,089	72,526,109
Total	98,720,186	98,970,569
<u>Financial liabilities:</u>		
Due to banks and other financial institutions	14,468,109	14,948,987
Customers' deposits	86,867,225	87,162,211
Subordinated Sukuk	2,039,900	2,039,900
Total	103,375,234	104,151,098

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 31 March 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 31 March 2024, 31 December 2023 and 31 March 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: <ul style="list-style-type: none">• 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 period numbers are presented as per Basel IV regulation issued by SAMA (circular number 44047144) effective from January 01, 2023, while the prior period is based on Basel III regulations.

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

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Credit Risk RWA	96,151,554	88,909,068	79,451,354
Market Risk RWA	2,069,924	2,407,944	2,467,632
Operational Risk RWA	4,860,836	4,537,448	4,537,448
Total Pillar-I RWA	<u>103,082,314</u>	<u>95,854,460</u>	<u>86,456,434</u>
Common Equity Tier 1 (CET 1) Capital	12,480,873	12,721,256	12,288,943
Additional Tier 1 (AT1) Capital	3,875,000	3,875,000	1,875,000
Tier I Capital	16,355,873	16,596,256	14,163,943
Tier II Capital	2,537,288	2,501,906	2,567,680
Total Tier I and II Capital	<u>18,893,161</u>	<u>19,098,162</u>	<u>16,731,623</u>
Capital Adequacy Ratio (%)			
Common Equity Tier I Ratio	12.11%	13.27%	14.21%
Tier I ratio	15.87%	17.31%	16.38%
Total Tier I and II Capital	18.33%	19.92%	19.35%

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 March 31 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)

	31 March 2024 (Unaudited) <u>SR' 000</u>	31 March 2023 (Unaudited) <u>SR' 000</u>
Subsidiary companies		
Investments	501,480	501,480
Customer deposits	5,897	6,954
Due from banks and other financial institutions	1,801,682	1,765,846
Due to banks and other financial institutions	293,711	293,514
Receivables and other assets	285,179	225,920
Payables and liabilities	103,024	62,557
Commitments and contingencies	30,191	30,173
Notional values of outstanding shari'ah compliant contracts	3,597,082	5,818,955
Outstanding Sukuk liability	1,875,000	1,875,000
Associate and affiliate entities with significant influence		
Investments	244,748	218,909
Customer deposits	211,662	171,626
Contingencies and commitments	7,280	7,280
Sukuk liability	150,000	-
Directors, key management personnel, other major shareholders and their affiliates		
Financing	301,525	583,890
Customers' deposits	151,139	500,344
Contingencies and commitments	27,739	50,965
Other major shareholders represent shareholdings of more than 5% of the Bank's issued share capital.		
Mutual Funds under subsidiary's management		
Investments	1,432,596	1,303,233
Customers' deposits	130,159	121,557

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE THREE-THREE PERIOD ENDED 31 MARCH 2024 (CONTINUED)

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 31 March 2024	Period ended 31 March 2023
	SR' 000	SR'000
Income from investments and financing	80,726	69,595
Return on deposits and financial liabilities	72,750	85,830
Fees income	1	-
Fee expense	1,872	1,851
Exchange loss	-	427
Insurance premium	57,962	57,192
Claims received	6,222	13,072
Directors' remuneration	2,718	2,500
Income under shared service agreements	287	287
Operating expenses	-	4,648
Reimbursement of building related expense	751	676
Rent expense for branches	316	316

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

	Period ended 31 March 2024	Period ended 31 March 2023
	SR' 000	SR'000
Short-term employee benefits	32,190	29,925
Termination benefits	529	512

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

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.

21. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The condensed interim consolidated financial information was authorized for issue by the Board of Directors of the Bank on 1 May 2024 (corresponding to 22 Shawwal 1445H).