
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

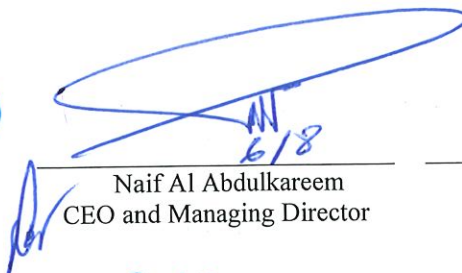
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 30 June 2024 (Unaudited) SR'000 | 31 December 2023 (Audited) SR'000 | 30 June 2023 (Unaudited) SR'000 |
|--|-------|--|--|--|
| 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

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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

| Notes | 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 |
| | 1,924,675 | 1,500,491 | 3,765,613 | 2,833,331 |
| | (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 |

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CEO and Managing Director

Hani Noori
Chief Financial Officer

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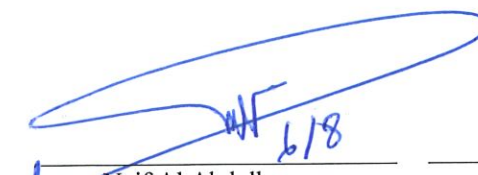
Bank AlJazira

(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

| | Notes | For the three-month period ended | | For the six-month period ended | |
|--|-------|----------------------------------|------------------------|--------------------------------|------------------------|
| | | 30 June 2024 SR'000 | 30 June 2023 SR'000 | 30 June 2024 SR'000 | 30 June 2023 SR'000 |
| Net income for the period | | 317,550 | 260,605 | 617,991 | 464,640 |
| 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 | | 18,287 | 81,860 | (260,165) | 236,287 |
| Total comprehensive income for the period | | 335,837 | 342,465 | 357,826 | 700,927 |


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Sami Al Mehaid
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Corporate & Institutional Banking Group

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(A Saudi Joint Stock Company)

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 Mehad
Group Head
Corporate & Institutional Banking Group

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Bank AlJazira

(A Saudi Joint Stock Company)

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

| | Notes | For the six month period ended | |
|---|-------|-----------------------------------|---------------------------|
| | | 30 June 2024 SR'000 | 30 June 2023 SR'000 |
| 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> |

(CONTINUED)

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

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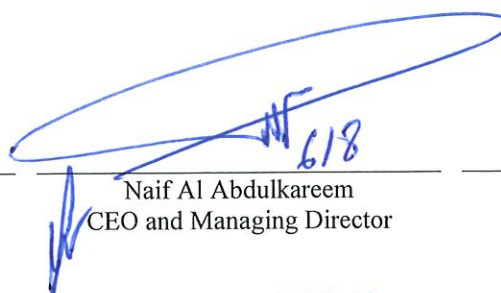
(A Saudi Joint Stock Company)

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

| | Notes | For the six month period ended | |
|---|-------|-----------------------------------|------------------|
| | | 30 June 2024 | 30 June 2023 |
| | | SR'000 | 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 |



Tarek Al-Kasabi
Chairman



Naif Al Abdulkareem
CEO and Managing Director



Hani Noori
Chief Financial Officer

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%)

- 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 30 June 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 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.

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)

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

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

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 (continued)

| | 30 June 2023 (Unaudited) | | Total |
|------------------------------|--------------------------|------------------|-------------------|
| | Domestic | International | |
| | | | SR'000 |
| 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 | | | | Total |
|---------------------------------|----------------|-------------------|-------------------|----------------|-------------------|
| | Credit cards | Consumer | Commercial | Others | |
| 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 | | | | |
|-----------------------------------|--------------|------------|-------------|---------|-------------|
| | Credit cards | Consumer | Commercial | Others | Total |
| 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 | | | | |
|---------------------------------|--------------|------------|-------------|---------|-------------|
| | Credit cards | Consumer | Commercial | Others | Total |
| 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 |
| | <u>138,156</u> | <u>112,176</u> |
| Impairment charge for financing and other financial assets, net | | |

- 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) | | | |
|---|----------------------------|--|------------------------------------|------------------|
| | 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 | 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 | 284,857 | 225,321 | 1,845,280 | 2,355,458 |
| | 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 | 256,078 | 250,907 | 2,285,547 | 2,792,532 |

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

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

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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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 (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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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> |
| Net income for the period attributable to ordinary shareholders (adjusted for Tier 1 sukuk related costs) | | Restated | | Restated |
| 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> | 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 | 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> | 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 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)

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 | <u>1,770,350</u> | <u>(30,756)</u> | <u>(23,150)</u> | <u>1,716,444</u> |
| Gross carrying amount as at 31 December 2023 | <u>13,187,483</u> | <u>48,116</u> | <u>519,682</u> | <u>13,755,281</u> |
| | 30 June 2023 (Unaudited) | | | |
| | (SR'000) | | | |
| | 12 month ECL | Life time ECL not credit impaired | Lifetime ECL credit impaired | Total |
| 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 | <u>1,077,851</u> | <u>(21,792)</u> | <u>(9,102)</u> | <u>1,046,957</u> |
| Gross carrying amount as at 30 June 2023 | <u>10,455,672</u> | <u>234,087</u> | <u>523,373</u> | <u>11,213,132</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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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 [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.

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 |
| | | (SR' 000) | |
| 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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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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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 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:

| | Carrying Value | 30 June 2024 (Unaudited) Fair Value (SR'000) | | | Total |
|--|-------------------|---|-------------------|---------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at fair value: | | | | | |
| 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 |
| Financial liabilities measured at fair value: | | | | | |
| Shari'ah compliant derivatives | 150,386 | - | 150,386 | - | 150,386 |

| | Carrying Value | 31 December 2023 (Audited) Fair value (SR'000) | | | Total |
|--|-------------------|---|-------------------|---------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at fair value: | | | | | |
| 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 |
| Financial liabilities measured at fair value: | | | | | |
| Shari'ah compliant derivatives | 147,061 | - | 147,061 | - | 147,061 |

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

| | Carrying Value | 30 June 2023 (Unaudited) Fair Value (SR'000) | | | Total |
|---|-------------------|---|-------------------|---------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | |
| <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 |
| <u>Financial assets:</u> | | |
| 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 |
| <u>Financial liabilities:</u> | | |
| 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 |
| 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 |

| | 30 June 2023 (Unaudited) (SR'000) | |
|--|--------------------------------------|-----------------------|
| | Amortised cost | Fair value Level 2 |
| Financial assets: | | |
| 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 |
| Financial liabilities: | | |
| 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: <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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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (CONTINUED)

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 | 30 June 2024 |
|---|-----------------------|---------------|
| | <u>SR' 000</u> | <u>SR'000</u> |
| 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 |
| <p>Other major shareholders represent shareholdings of more than 5% of the Bank's issued share capital.</p> | | |
| Mutual Funds under subsidiary's management | | |
| Investments | 1,691,193 | 1,115,955 |
| Customers' deposits | 340,512 | 372,915 |

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 | Period ended |
|--|-----------------------|----------------------|
| | 30 June | 30 June |
| | <u>SR' 000</u> | <u>SR'000</u> |
| 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 | Period ended |
|------------------------------|-----------------------|----------------------|
| | 30 June | 30 June |
| | <u>SR' 000</u> | <u>SR'000</u> |
| 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).