
BANK ALJAZIRA

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEPTEMBER 2024**



PricewaterhouseCoopers
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Kingdom of Saudi Arabia
License No. 25



**Building a better
working world**

**Ernst & Young Professional Services
(Professional LLC)**
**Paid-Up Capital (SR 5,500,000 - Five Million Five
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Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bank AlJazira (the "Bank") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2024, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-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

1 Jumada Al-Ula 1446H
(03 November 2024G)

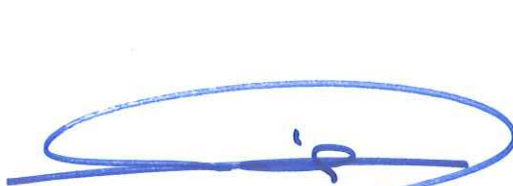


Bank AlJazira

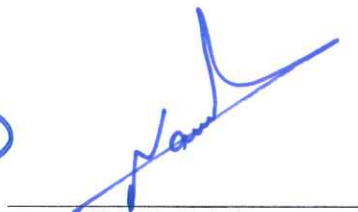
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 September 2023 (Unaudited) SR'000
	Notes			
ASSETS				
Cash and balances with Saudi Central Bank (SAMA)	15	5,850,678	5,840,693	5,840,684
Due from banks and other financial institutions, net		7,459,706	5,691,774	3,986,777
Investments, net	5	36,060,147	34,442,290	36,483,280
Positive fair value of Shari'ah compliant derivatives	9	167,795	222,508	433,670
Financing, net	6	92,709,624	80,780,901	79,414,709
Other assets		1,280,628	719,449	1,265,279
Investment in an associate	7	320,654	243,011	238,609
Other real estate, net		140,628	498,986	498,249
Property, equipment, software and right of use assets, net		1,202,160	1,111,165	1,093,457
Total assets		145,192,020	129,550,777	129,254,714
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		20,153,653	14,985,733	18,192,538
Customers' deposits	8	103,348,680	94,054,401	90,646,853
Negative fair value of Shari'ah compliant derivatives	9	234,313	147,061	178,312
Subordinated Sukuk	10	2,045,149	2,004,346	2,041,868
Other liabilities		2,024,136	1,943,742	1,863,838
Total liabilities		127,805,931	113,135,283	112,923,409
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	(725,776)	(844,399)	(742,193)
Retained earnings		2,587,328	1,735,356	1,803,953
Equity attributable to shareholders of the Bank		13,511,089	12,540,494	12,456,305
Tier 1 Sukuk	13	3,875,000	3,875,000	3,875,000
Total equity		17,386,089	16,415,494	16,331,305
Total liabilities and equity		145,192,020	129,550,777	129,254,714



Tarek Al-Kasabi
Chairman



Naif Al Abdulkareem
CEO and Managing Director



Hani Noori
Chief Financial Officer

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

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Bank AlJazira

(A Saudi Joint Stock Company)

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

	For the three-month period ended		For the nine-month period ended	
	30	30	30	30
	September 2024	September 2023	September 2024	September 2023
Notes	SR'000	SR'000	SR'000	SR'000
Income from investments and financing	2,053,701	1,670,989	5,819,314	4,504,320
Return on deposits and financial liabilities	(1,403,883)	(1,063,162)	(3,920,012)	(2,772,341)
Net financing and investment income	649,818	607,827	1,899,302	1,731,979
Fees from banking services - income	278,020	254,316	828,895	720,959
Fees from banking services - expense	(117,171)	(106,786)	(359,304)	(313,699)
Fees from banking services, net	160,849	147,530	469,591	407,260
Exchange income, net	65,800	52,869	162,135	157,389
Net gain / (loss) on fair value through statement of income (FVIS) financial instrument	27,724	(8,709)	63,742	(16,708)
Dividend income	46,132	36,335	139,194	114,925
Net gain / (loss) on de-recognition of financial assets at fair value through other comprehensive income (FVOCI) – debt	4,186	(973)	3,459	3,352
Net gain on de-recognition of financial assets at amortised cost	-	430	(6,464)	8,590
Other operating income	66,212	17,846	81,119	37,966
Total operating income	1,020,721	853,155	2,812,078	2,444,753
Salaries and employee-related expenses	291,799	264,462	829,186	776,618
Rent and premises-related expenses	15,594	13,246	43,018	40,578
Depreciation and amortisation	44,144	45,449	141,217	138,096
Other general and administrative expenses	203,581	161,328	534,456	460,277
Other operating expenses	1,847	3,298	9,090	10,436
Total operating expenses before impairment charge	556,965	487,783	1,556,967	1,426,005
Impairment charge for financing and other financial assets, net	6 (b) 87,589	48,767	225,745	160,943
Impairment reversal for other real estate	-	-	(42,571)	-
Total operating expenses	644,554	536,550	1,740,141	1,586,948
Net operating income	376,167	316,605	1,071,937	857,805
Share in net income of an associate	3,218	4,949	12,992	11,573
Net income for the period before zakat and income tax	379,385	321,554	1,084,929	869,378
Zakat and income tax				
Zakat	(44,119)	(43,009)	(127,713)	(123,056)
Income tax	(2,545)	(2,505)	(6,504)	(5,642)
Net income for the period	332,721	276,040	950,712	740,680
Basic and diluted earnings per share for the period (expressed in SR per share) – (re- stated)	11 0.32	0.27	0.83	0.68

Tarek Al-Kasabi
Chairman

Naif Al Abdulkareem
CEO and Managing Director

Hani Noori
Chief Financial Officer

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

Bank AlJazira

(A Saudi Joint Stock Company)

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

		For the three-month period ended		For the nine-month period ended	
		30 September 2024 <u>SR'000</u>	30 September 2023 <u>SR'000</u>	30 September 2024 <u>SR'000</u>	30 September 2023 <u>SR'000</u>
	<u>Notes</u>				
Net income for the period		332,721	276,040	950,712	740,680
Other comprehensive income / (loss):					
<i>Items that are or 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	(87,717)	77,705	(11,940)	125,541
- Net amount transferred to interim condensed consolidated statement of income	12	(3,539)	36	(3,683)	(3,490)
Net changes in fair value of investments classified as at FVOCI- debt	12	412,549	(274,172)	86,282	(94,719)
<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	57,638	(16,605)	47,123	(13,914)
Share in other comprehensive income of an associate	12	-	-	984	9,833
Total other comprehensive income / (loss) for the period		378,931	(213,036)	118,766	23,251
Total comprehensive income for the period		711,652	63,004	1,069,478	763,931



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Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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	-	-	-	950,712	950,712	-	950,712
Other comprehensive income	-	-	118,766	-	118,766	-	118,766
Transfers to retained earnings on disposal of FVOCI equity investments	-	-	(143)	143	-	-	-
Total comprehensive income for the period	-	-	118,623	950,855	1,069,478	-	1,069,478
Issue of bonus shares	2,050,000	(2,050,000)	-	-	-	-	-
Tier 1 Sukuk related costs	-	-	-	(98,883)	(98,883)	-	(98,883)
Balance at 30 September 2024 (unaudited)	10,250,000	1,399,537	(725,776)	2,587,328	13,511,089	3,875,000	17,386,089
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	-	-	-	740,680	740,680	-	740,680
Other comprehensive income	-	-	23,251	-	23,251	-	23,251
Transfers to retained earnings on disposal of FVOCI equity investments	-	-	(10,147)	10,147	-	-	-
Total comprehensive income for the period	-	-	13,104	750,827	763,931	-	763,931
Tier 1 Sukuk issued	-	-	-	-	-	2,000,000	2,000,000
Tier 1 Sukuk issuance costs	-	-	-	(2,784)	(2,784)	-	(2,784)
Tier 1 Sukuk related costs	-	-	-	(38,883)	(38,883)	-	(38,883)
Balance at 30 September 2023 (unaudited)	8,200,000	3,194,545	(742,193)	1,803,953	12,456,305	3,875,000	16,331,305

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Bank AlJazira

(A Saudi Joint Stock Company)

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

		For the nine month period ended	
		30 September 2024	30 September 2023
	Notes	SR'000	SR'000
Net income for the period before zakat and income tax		1,084,929	869,378
OPERATING ACTIVITIES			
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Net gain on FVIS financial instruments		(64,169)	(8,015)
Net loss / (gain) on investments held at amortised cost and FVOCI, net		3,005	(11,942)
Dividend income		(103,976)	(78,310)
Return on subordinated sukuk		118,772	112,835
Depreciation and amortization		141,217	138,096
Impairment charge for financing and other financial assets, net	6 (b)	225,745	160,943
Provision for end of service benefit obligations		42,061	32,001
Share in net income of an associate		(12,992)	(11,573)
Net loss / (gain) on disposal of property and equipment		26	(15,916)
Reversal of impairment charge for other real estate		(42,571)	-
		<u>1,392,047</u>	<u>1,187,497</u>
Net changes in operating assets:			
Statutory deposit with SAMA		(435,937)	(290,771)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(1,987,121)	(1,645,047)
Investments held at FVIS		(329,108)	(191,225)
Positive fair value of Shari'ah compliant derivatives		54,713	(121,028)
Financing		(12,142,059)	(8,966,797)
Other real estate		400,929	7,536
Other assets		(554,630)	(684,240)
Net changes in operating liabilities:			
Due to banks and other financial institutions		5,167,920	6,075,851
Customers' deposits		9,294,279	4,624,014
Negative fair value of Shari'ah compliant derivatives		87,252	(20,694)
Other liabilities		121,309	136,182
		<u>1,069,594</u>	<u>111,278</u>
End of service benefits paid		(27,935)	(29,923)
Zakat and income tax paid		(189,164)	(173,778)
Net cash generated from / (used in) operating activities		<u>852,495</u>	<u>(92,423)</u>
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments held at amortised cost and FVOCI		4,226,588	3,038,933
Purchase of investments held at amortised cost and FVOCI		(5,320,594)	(4,777,748)
Dividend received		103,976	78,310
Additional investment in an associate		(76,271)	-
Acquisition of property and equipment		(172,764)	(140,474)
Proceeds from sale of property and equipment		12	37,540
Net cash used in investing activities		<u>(1,239,053)</u>	<u>(1,763,439)</u>

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

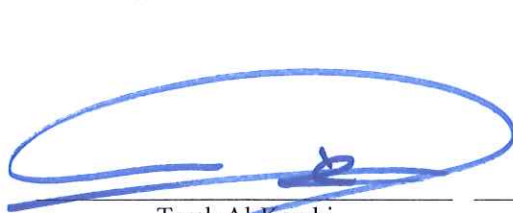
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Bank AlJazira

(A Saudi Joint Stock Company)

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

		For the nine month period ended	
		30 September 2024	30 September 2023
	<u>Notes</u>	<u>SR'000</u>	<u>SR'000</u>
FINANCING ACTIVITIES			
Issue of Tier 1 Sukuk		-	2,000,000
Payment of sukuk related issuance costs		-	(3,969)
Payment of return on Tier 1 and Tier 2 sukuku		(177,607)	(110,923)
Dividends paid		(3,650)	(93)
Payment for principal portion of lease liabilities		(76,850)	(64,644)
Net cash (used in) / generated from financing activities		(258,107)	1,820,371
Net change in cash and cash equivalents held		(644,665)	(35,491)
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	2,078,195	2,302,329
Income from investments and financing received during the period		5,745,769	4,189,327
Return on deposits and financial liabilities paid during the period		3,829,570	2,590,923
<u>Supplemental non-cash information</u>			
Right of use assets and Lease liabilities		59,486	46,329
Net changes in fair value of cash flow hedges and transfers to the interim condensed consolidated statement of income		(15,623)	122,051



Tarek Al-Kasabi
Chairman



Naif Al Abdulkareem
CEO and Managing Director



Hani Noori
Chief Financial Officer

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Bank AlJazira

(A Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2023: 80 branches) and 43 Fawri Remittance Centers (31 December 2023: 52 and 30 September 2023: 52 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 September 2024	Ownership (direct and indirect) 31 December 2023	Ownership (direct and indirect) 30 September 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%

Bank AlJazira

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2024	Ownership (direct and indirect) 31 December 2023	Ownership (direct and indirect) 30 September 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 September 2023: 22.31%) and AJC's shareholding of 3.72% (31 December 2023: 3.72% and 30 September 2023: 3.72%)

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

As at 30 September 2024, the Group has a substantial ownership in these entities amounting to SR 1,507.23 million (31 December 2023: SR 1,113.98 million and 30 September 2023: SR 987.44 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 September 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 September 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").

Bank AlJazira

(A Saudi Joint Stock Company)

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

2. BASIS OF PREPARATION (continued)

This interim condensed consolidated financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023. The consolidated financial statements of the Group as at and for the year ended 31 December 2023, were prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by 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:

Bank AlJazira

(A Saudi Joint Stock Company)

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

3. BASIS OF CONSOLIDATION (continued)

- 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.

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.

a) 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.

b) 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.

c) 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 not yet effective. 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
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.	1 January 2026.
IFRS 19, Subsidiaries without Public Accountability: Disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	1 January 2027

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

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

b) Accounting standards issued but not yet effective (continued)

Standard, interpretation, amendments	Description	Effective date
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations. It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	January 2027

5. INVESTMENTS, NET

5.1 Investments are classified as follows:

	30 September 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 September 2023 (Unaudited) SR'000
Held at FVIS	1,877,405	1,484,128	1,359,974
Held at FVOCI	13,353,129	12,440,107	11,390,030
Allowance for impairment	(1,825)	(1,624)	(2,412)
Held at FVOCI, net	13,351,304	12,438,483	11,387,618
Held at Amortised Cost	20,841,132	20,529,749	23,744,889
Allowance for impairment	(9,694)	(10,070)	(9,201)
Held at Amortized Cost, net	20,831,438	20,519,679	23,735,688
Total	36,060,147	34,442,290	36,483,280

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

5. INVESTMENTS, NET (Continued)

5.2 The domestic and international allocation of the Group's investments are summarized as follows:

30 September 2024 (Unaudited)			
SR'000			
	Domestic	International	Total
i) FVIS			
Mutual funds	446,621	1,379,890	1,826,511
Equities – quoted	25,908	-	25,908
Equities – unquoted	-	20,486	20,486
Convertible debt instrument	-	4,500	4,500
	472,529	1,404,876	1,877,405
ii) FVOCI			
Equities – unquoted	464,143	918	465,061
Fixed rate Sukuk – equities	2,077,076	206,990	2,284,066
Floating rate Sukuk - equities	500,000	-	500,000
Fixed rate Sukuks	9,818,831	-	9,818,831
Floating rate Sukuks	285,171	-	285,171
	13,145,221	207,908	13,353,129
Allowance for impairment	(1,825)	-	(1,825)
	13,143,396	207,908	13,351,304
iii) Amortised cost			
Fixed rate Sukuks	15,903,150	377,288	16,280,438
Floating rate Sukuks	3,448,292	-	3,448,292
Wakala floating rate notes	1,112,402	-	1,112,402
	20,463,844	377,288	20,841,132
Allowance for impairment	(9,328)	(366)	(9,694)
	20,454,516	376,922	20,831,438
Total	34,070,441	1,989,706	36,060,147
31 December 2023 (Audited)			
SR'000			
	Domestic	International	Total
i) FVIS			
Mutual funds	63,560	1,400,081	1,463,641
Equities – unquoted	-	20,487	20,487
	63,560	1,420,568	1,484,128
ii) FVOCI			
Equities – unquoted	4,143	1,120	5,263
Fixed rate Sukuk – equities	1,941,792	197,080	2,138,872
Floating rate Sukuk - equities	500,000	-	500,000
Fixed rate Sukuks	9,505,587	-	9,505,587
Floating rate Sukuks	290,385	-	290,385
	12,241,907	198,200	12,440,107
Allowance for impairment	(1,624)	-	(1,624)
	12,240,283	198,200	12,438,483
iii) Amortised cost			
Fixed rate Sukuks	14,343,218	382,707	14,725,925
Floating rate Sukuks	2,280,415	-	2,280,415
Wakala floating rate notes	3,523,409	-	3,523,409
	20,147,042	382,707	20,529,749
Allowance for impairment	(9,721)	(349)	(10,070)
	20,137,321	382,358	20,519,679
Total	32,441,164	2,001,126	34,442,290

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

5. INVESTMENTS, NET (Continued)

5.2 The domestic and international allocation of the Group's investments are summarized as follows:
(continued)

	30 September 2023 (Unaudited)		
	SR'000		
	Domestic	International	Total
i) FVIS			
Mutual funds	119,247	1,221,912	1,341,159
Equities – quoted	61	-	61
Equities – unquoted	-	18,754	18,754
	119,308	1,240,666	1,359,974
ii) FVOCI			
Equities – quoted	46,485	-	46,485
Equities – unquoted	4,143	1,081	5,224
Fixed rate Sukuk – equities	1,902,951	196,960	2,099,911
Fixed rate Sukuks	8,952,433	-	8,952,433
Floating rate Sukuks	285,977	-	285,977
	11,191,989	198,041	11,390,030
Allowance for impairment	(2,412)	-	(2,412)
	11,189,577	198,041	11,387,618
iii) Amortised cost			
Fixed rate Sukuks	17,723,339	377,288	18,100,627
Floating rate Sukuks	2,121,797	-	2,121,797
Wakala floating rate notes	3,522,465	-	3,522,465
	23,367,601	377,288	23,744,889
Allowance for impairment	(8,859)	(342)	(9,201)
	23,358,742	376,946	23,735,688
Total	34,667,627	1,815,653	36,483,280

6. FINANCING, NET

The financing is classified as at amortized cost as follows:

	SR'000				
	Credit cards	Consumer	Commercial	Others	Total
30 September 2024 (Unaudited)					
Performing financing	814,372	32,554,380	60,257,263	293,869	93,919,884
Non-performing financing	50,713	254,082	919,978	10,963	1,235,736
Gross financing	865,085	32,808,462	61,177,241	304,832	95,155,620
Allowance for impairment	(71,704)	(239,626)	(2,129,282)	(5,384)	(2,445,996)
Financing, net	793,381	32,568,836	59,047,959	299,448	92,709,624

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

6. FINANCING, NET (continued)

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

	SR'000				
	<u>Credit cards</u>	<u>Consumer</u>	<u>Commercial</u>	<u>Others</u>	<u>Total</u>
30 September 2023 (Unaudited)					
Performing financing	781,425	28,556,349	51,159,554	288,405	80,785,733
Non-performing financing	52,876	310,249	993,004	8,766	1,364,895
Gross financing	834,301	28,866,598	52,152,558	297,171	82,150,628
Allowance for impairment	(73,534)	(203,779)	(2,454,030)	(4,576)	(2,735,919)
Financing, net	760,767	28,662,819	49,698,528	292,595	79,414,709

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 September 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 September 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	369,848	379,084	256,049
Bad debts written off	(581,354)	(192,107)	(161,412)
(Reversal) / (recoveries) of amounts previously provided	(135,030)	(113,090)	(77,363)
Balance at the end of the period / year	2,445,996	2,792,532	2,735,919

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2024 (Unaudited) SR'000	30 September 2023 (Unaudited) SR'000
Impairment charge for financing	369,848	256,049
(Reversal) of amounts previously provided	(135,030)	(77,363)
(Recoveries) from debts previously written off	(21,482)	(27,589)
Net impairment charge for ECL in respect of due from banks and other financial institutions	476	4,890
Net impairment reversal for ECL in respect of investments	(175)	(7,864)
Net impairment charge for ECL in respect of non-funded financing and credit related commitments	12,108	12,820
Impairment charge for financing and other financial assets, net	225,745	160,943

- 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 September 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	841,440	(771,496)	(69,944)	-
Transfer to lifetime ECL not credit – Impaired	(340,706)	414,215	(73,509)	-
Transfer to lifetime ECL credit impaired	(30,789)	(661,137)	691,926	-
New financial assets originated	27,267,624	160,485	174,290	27,602,399
Financial assets that have been derecognized	(17,294,087)	(200,655)	(268,040)	(17,762,782)
Changes in financing income accrual	47,742	-	-	47,742
Other movements	2,514,810	(20,165)	(218,463)	2,276,182
Write-offs	-	-	(581,354)	(581,354)
Gross carrying amount as at 30 September 2024	89,343,361	2,253,902	3,558,357	95,155,620

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

6. FINANCING, NET (continued)

	31 December 2023 (Audited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
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 September 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	124,464	(116,474)	(7,990)	-
Transfer to lifetime ECL not credit – Impaired	(809,411)	862,210	(52,799)	-
Transfer to lifetime ECL credit impaired	(67,536)	(412,821)	480,357	-
New financial assets originated	13,510,814	284,121	9,390	13,804,325
Financial assets that have been derecognized	(5,944,011)	(235,923)	(36,473)	(6,216,407)
Changes in financing income accrual	278,134	-	-	278,134
Other movements	1,118,440	86,581	(76,687)	1,128,334
Write-offs	-	-	(161,412)	(161,412)
Gross carrying amount as at 30 September 2023	<u>75,177,750</u>	<u>3,307,908</u>	<u>3,664,970</u>	<u>82,150,628</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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2024 (CONTINUED)

6. FINANCING, NET (continued)

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

	30 September 2024 (Unaudited)			Total
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
	(SR'000)			
ECL as at 1 January 2024	256,078	250,907	2,285,547	2,792,532
Transfer to 12-month ECL	46,419	(41,598)	(4,821)	-
Transfer to lifetime ECL not credit – impaired	(1,680)	15,137	(13,457)	-
Transfer to lifetime ECL credit impaired	(310)	(33,065)	33,375	-
Net re-measurement of loss allowance	(53,989)	64,263	193,089	203,363
New financial assets originated	87,171	1,512	72,151	160,834
Financial assets that have been derecognized	(32,541)	(2,401)	(94,437)	(129,379)
Write-offs	-	-	(581,354)	(581,354)
ECL as at 30 September 2024	301,148	254,755	1,890,093	2,445,996

	31 December 2023 (Audited)			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	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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2024 (CONTINUED)

6. FINANCING, NET (continued)

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

	30 September 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	4,886	(1,380)	(3,506)	-
Transfer to lifetime ECL not credit – impaired	(5,302)	10,849	(5,547)	-
Transfer to lifetime ECL credit impaired	(428)	(204,060)	204,488	-
Net re-measurement of loss allowance	(21,820)	71,961	101,197	151,338
New financial assets originated	64,683	752	4,741	70,176
Financial assets that have been derecognized	(21,544)	(8,004)	(13,280)	(42,828)
Write-offs	-	-	(161,412)	(161,412)
ECL as at 30 September 2023	<u>269,116</u>	<u>175,961</u>	<u>2,290,842</u>	<u>2,735,919</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 September 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 30 June 2024. ATT is listed with Saudi Stock Exchange (Tadawul) and the market value of the investment in ATT as of 30 September was SR 370.69 million (31 December 2023: SR 292.02 million and 30 September 2023: SR 274.50 million) based on Saudi Stock Exchange (Tadawul) market price.

During the second quarter of 2024, 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 after date of acquisition has been recognized in the interim condensed consolidated statement of income.

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

8. CUSTOMERS' DEPOSITS

	30 September 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 September 2023 (Unaudited) SR'000
Demand	32,974,899	33,411,088	35,065,159
Saving	7,850,701	2,045,058	1,671,657
Customers' time investments	59,513,466	56,491,816	51,169,243
Other	3,009,614	2,106,439	2,740,794
Total	<u>103,348,680</u>	<u>94,054,401</u>	<u>90,646,853</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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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 September 2024 (Unaudited) SR'000	30 September 2023 (Unaudited) SR'000
Income from investments and financing	24,500	9,496
Return on deposits and financial liabilities	(20,817)	(6,006)
Net gains on cash flow hedges reclassified to the interim condensed consolidated statement of income	3,683	3,490

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 loss on cash flow hedges amounting to SR 11.94 million (30 September 2023: gain of SR 125.54 million) included in the interim condensed consolidated statement of comprehensive income comprised of net unrealized loss of SR 145.07 million (30 September 2023: net unrealized gain of SR 140.71 million) and net realized gain of SR 133.13 million (30 September 2023: net realized gain of SR 15.17 million) on terminated hedge relationships.

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9. SHARIAH COMPLIANT DERIVATIVES (continued)

9.2 Purpose of derivatives (continued)

b) Held for hedging purposes (continued)

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

9.3 Details of shar'iah compliant derivatives

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

30 September 2024 (Unaudited)			
SR'000			
	Positive fair value	Negative fair value	Notional amount
Held for trading:			
Options	21,598	21,598	1,188,833
Profit rate swaps	99,153	90,602	6,385,015
Cross currency profit rate swaps	18,927	25,512	1,875,000
Currency swaps	1,258	1,446	4,028,507
Currency forwards (Wa'ad)	78	56	106,531
Total	141,014	139,214	13,583,886
Held as cash flow hedge:			
Profit rate swaps	26,781	95,099	4,100,000
Total	167,795	234,313	17,683,886

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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 September 2023 (Unaudited)			
SR'000			
	Positive fair value	Negative fair value	Notional amount
Held for trading:			
Options	8,369	8,369	574,611
Profit rate swaps	108,791	104,975	5,540,317
Cross currency profit rate swaps	18,927	34,450	1,875,000
Currency swaps	12,949	4,430	1,511,914
Currency forwards (Wa'ad)	12	123	216,411
Total	149,048	152,347	9,718,253
Held as cash flow hedge:			
Profit rate swaps	284,622	25,965	5,100,000
Total	433,670	178,312	14,818,253

Held for trading profit rate swaps (positive fair value / negative fair value) include accrued receivable amounting to SR 38.09 million (31 December 2023: SR 11.29 million and 30 September 2023: SR 34.84 million) and accrued payable amounting to SR 39.99 million (31 December 2023: SR 11.30 million and 30 September 2023: SR 36.95 million). Held as cash flow hedge profit rate swaps (positive fair value / negative fair value) include accrued receivable amounting to SR 22.53 million (31 December 2023: SR 26.21 million and 30 September 2023: SR 39.92 million) and accrued payable amounting to SR 18.44 million (31 December 2023: SR 15.30 million and 30 September 2023: SR 25.97 million).

10. SUBORDINATED SUKUK

On 8 December 2021, the Bank issued 2,000 Subordinated Sukuk Certificates (Sukuk) of SR 1 million each, with a profit distribution rate based on 6 month Saudi Inter-Bank Offered Rate (SIBOR), reset semi-annually in advance, plus a margin of 155 basis point per annum and payable semi-annually in arrears on 8 December and 8 June each year until 8 December 2031, on which date the Sukuk will expire. The Bank has a call option which can be exercised on or after 8 December 2026 on meeting certain conditions and as per the terms mentioned in the related offering circular. The Sukuk may also be called upon occurrence of certain other conditions as per the terms specified in the offering circular. These Sukuk are registered with Saudi Exchange (Tadawul).

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

11. SHARE CAPITAL AND EARNINGS PER SHARE

The shareholders of the Bank in their Extra Ordinary General Assembly Meeting held on April 24, 2024 approved the increase in the Bank's share capital from SR 8.2 billion to SR 10.25 billion through the issuance of bonus shares to shareholders of the Bank in the ratio of one share for every four shares held. The legal formalities relating to the increase in share capital completed during second quarter of the year. Accordingly, the authorized, issued and fully paid share capital of the Bank consists of 1,025 million shares of SR 10 each (31 December 2023: 820 million shares of SR 10 each and 30 September 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 nine month period ended	
	30 September 2024 (Unaudited) SR'000	30 September 2023 (Unaudited) SR'000 Restated	30 September 2024 (Unaudited) SR'000	30 September 2023 (Unaudited) SR'000 Restated
Net income for the period attributable to ordinary shareholders (adjusted for Tier 1 sukuk related costs) For basic and diluted earnings per share	332,721	276,040	851,829	701,797
Weighted-average number of ordinary shares For basic and diluted earnings per share	1,025,000,000	1,025,000,000	1,025,000,000	1,025,000,000
Basic and diluted earnings per share (in SR)	0.32	0.27	0.83	0.68

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

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12. OTHER RESERVES

30 September 2024 (Unaudited)	Cash flow hedges SR' 000	Fair value reserve – FVOCI debt SR' 000	Fair value reserve – FVOCI equity SR' 000	Actuarial Gains SR' 000	Share in OCI of associate SR' 000	Total SR' 000
Balance at beginning of the period	31,290	(859,574)	(75,324)	49,376	9,833	(844,399)
Net change in fair value	(11,940)	86,282	47,123	-	984	122,449
Transfers to retained earnings on disposal	-	-	(143)	-	-	(143)
Transfer to interim condensed consolidated statement of income (note 9.2(b))	(3,683)	-	-	-	-	(3,683)
Net movement during the period	(15,623)	86,282	46,980	-	984	118,623
Balance at end of the period	15,667	(773,292)	(28,344)	49,376	10,817	(725,776)
31 December 2023 (Audited)	Cash flow hedges SR' 000	Fair value reserve – FVOCI debt SR' 000	Fair value reserve – FVOCI equity SR' 000	Actuarial gains SR' 000	Share in OCI of associate SR' 000	Total SR' 000
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	31,290	(859,574)	(75,324)	49,376	9,833	(844,399)

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

12. OTHER RESERVES (continued)

30 September 2023 (Unaudited)	Cash flow hedges SR' 000	Fair value reserve – FVOCI debt SR' 000	Fair value reserve – FVOCI equity SR' 000	Actuarial gains SR' 000	Share in OCI of associate SR' 000	Total SR' 000
Balance at beginning of the period	73,235	(789,195)	(81,637)	42,300	-	(755,297)
Net change in fair value	125,541	(94,719)	(13,914)	-	9,833	26,741
Transfers to retained earnings on disposal	-	-	(10,147)	-	-	(10,147)
Transfer to interim condensed consolidated statement of income (note 9.2(b))	(3,490)	-	-	-	-	(3,490)
Net movement during the period	122,051	(94,719)	(24,061)	-	9,833	13,104
Balance at end of the period	195,286	(883,914)	(105,698)	42,300	9,833	(742,193)

13. TIER 1 SUKUK

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

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

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

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

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14. COMMITMENTS AND CONTINGENCIES

- a) The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as disclosed at 31 December 2023.
- b) The Bank's credit related commitments and contingencies are as follows:

	30 September 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 September 2023 (Unaudited) SR'000
Letters of credit	3,422,568	3,008,148	2,947,937
Letters of guarantee	12,278,833	8,705,191	8,945,811
Acceptances	1,350,038	903,453	645,476
Irrevocable commitments to extend credit	2,261,509	1,138,489	1,127,099
Total	19,312,948	13,755,281	13,666,323
Allowance for impairment [b(ii)]	(341,919)	(329,811)	(342,226)
Net exposure	18,971,029	13,425,470	13,324,097

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

	30 September 2024 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2024	13,187,483	48,116	519,682	13,755,281
Transfer to 12-month ECL	47,308	(46,001)	(1,307)	-
Transfer to lifetime ECL not credit impaired	(32,858)	32,858	-	-
Transfer to lifetime ECL credit impaired	(28,400)	-	28,400	-
New financial assets originated	4,263,178	7,590	-	4,270,768
Financial assets derecognised during the period	(903,566)	(685)	(14,077)	(918,328)
Other movements	2,216,055	(10,828)	-	2,205,227
Gross carrying amount as at 30 September 2024	18,749,200	31,050	532,698	19,312,948
	31 December 2023 (Audited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2023	8,818,321	40,135	546,850	9,405,306
Transfer to 12-month ECL	4,331	(4,331)	-	-
Transfer to lifetime ECL not credit impaired	(29,973)	29,973	-	-
Transfer to lifetime ECL credit impaired	(6,681)	(5,367)	12,048	-
New financial assets originated	3,318,760	21,684	300	3,340,744
Financial assets derecognised during the year	(687,625)	(3,222)	(16,366)	(707,213)
Other movements	1,770,350	(30,756)	(23,150)	1,716,444
Gross carrying amount as at 31 December 2023	13,187,483	48,116	519,682	13,755,281

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14. COMMITMENTS AND CONTINGENCIES (continued)

	30 September 2023 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2023	8,818,321	40,135	546,850	9,405,306
Transfer to 12-month ECL	3,299	(3,299)	-	-
Transfer to lifetime ECL not credit impaired	(18,215)	18,215	-	-
New financial assets originated	3,195,300	19,276	300	3,214,876
Financial assets derecognised during the period	(574,349)	(5,287)	(15,365)	(595,001)
Other movements	1,680,735	(27,765)	(11,828)	1,641,142
Gross carrying amount as at 30 September 2023	13,105,091	41,275	519,957	13,666,323

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

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

	30 September 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	276	(238)	(38)	-
Transfer to lifetime ECL not credit impaired	(162)	162	-	-
Transfer to lifetime ECL credit impaired	(195)	-	195	-
Net re-measurement of loss allowance	(1,421)	(30)	12,570	11,119
New financial assets originated	10,852	10	-	10,862
Financial assets that have been derecognized	(1,743)	(26)	(8,104)	(9,873)
ECL as at 30 September 2024	52,360	179	289,380	341,919

	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

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14. COMMITMENTS AND CONTINGENCIES (continued)

	30 September 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	15	(15)	-	-
Transfer to lifetime ECL not credit impaired	(94)	94	-	-
Net re-measurement of loss allowance	6,556	(38)	1,117	7,635
New financial assets originated	13,949	135	177	14,261
Financial assets that have been derecognized	(1,463)	(6)	(7,607)	(9,076)
ECL as at 30 September 2023	<u>40,676</u>	<u>344</u>	<u>301,206</u>	<u>342,226</u>

- 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 current period, the Bank received a Zakat assessment for the year 2019 with an additional Zakat of SAR 79.7 million. The Bank has already submitted its objection to the imposition of the additional Zakat to ZATCA and is confident that the outcome will be in its favor.

As of September 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.

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15. CASH AND CASH EQUIVALENTS

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

	30 September 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 September 2023 (Unaudited) SR'000
Cash and balances with SAMA, excluding statutory deposit	741,607	1,167,559	896,902
Due from banks and other financial institutions with an original maturity of 90 days or less from the date of acquisition	1,336,588	1,555,301	1,405,427
Total	2,078,195	2,722,860	2,302,329

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

	30 September 2024 (Unaudited) SR'000	31 December 2023 (Audited) SR'000	30 September 2023 (Unaudited) SR'000
Cash and cash equivalents as per statement of cash flows	2,078,195	2,722,860	2,302,329
Due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition	(1,336,588)	(1,555,301)	(1,405,427)
Cash and balances with SAMA, excluding statutory deposit	741,607	1,167,559	896,902
Statutory deposit	5,109,071	4,673,134	4,943,782
Cash and balances with SAMA	5,850,678	5,840,693	5,840,684

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

30 September 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	-	-	(76,850)
Dividend paid	-	(3,650)	-
Other changes			
Increase due to additions	-	-	59,486
Payment of leased liability - profit	-	-	(9,052)
Financing cost	117,466	-	9,052
Amortisation of transaction cost	1,306	-	-
Other adjustments	1	-	-
Balances as at 30 September 2024	2,045,149	62,960	180,009

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15. CASH AND CASH EQUIVALENTS (continued)

30 September 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	-	-	(64,644)
Dividend paid	-	(93)	-
Other changes			
Increase due to additions	-	-	46,329
Payment of leased liability - profit	-	-	(7,041)
Financing cost	111,529	-	7,041
Amortisation of transaction cost	1,306	-	-
Other adjustments	106	-	-
Balances as at 30 September 2023	2,041,868	66,637	203,686

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.

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16. OPERATING SEGMENTS (continued)

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 September 2024 and 30 September 2023, its total operating income and expenses, and its net income for the nine month period then ended, by operating segment, are as follows:

(SR'000)	Personal banking	Corporate banking	Treasury	Brokerage and asset management	Others	Total
30 September 2024 (Unaudited)						
Total assets	42,345,711	48,640,189	49,877,018	4,008,529	320,573	145,192,020
Total liabilities	47,644,702	46,605,501	31,347,251	2,208,558	(81)	127,805,931
Inter - segment income / (loss)	451,356	92,455	(504,966)	-	(38,845)	-
Total operating income	1,526,574	878,270	301,560	362,324	(256,650)	2,812,078
Of which:						
- Net financing and investment income / (loss)	1,213,501	636,340	23,171	65,134	(38,844)	1,899,302
- Fees from banking services, net	174,216	134,661	60	206,902	(46,248)	469,591
- Net gain/ (loss) on FVIS financial instruments	-	-	10,058	53,685	(1)	63,742
Total operating expenses	(1,118,871)	(334,596)	(115,074)	(172,415)	815	(1,740,141)
Of which:						
- Impairment charge for financing and other financial assets, net	(49,169)	(176,274)	(302)	-	-	(225,745)
- Impairment reversal for other real estate	-	42,571	-	-	-	42,571
- Depreciation and amortization	(110,566)	(13,317)	(10,569)	(6,765)	-	(141,217)
Share in net income of an associate	-	-	-	1,856	11,136	12,992
Net income / (loss) before zakat and income tax	407,703	543,674	186,486	191,765	(244,699)	1,084,929
31 December 2023 (Audited)						
Total assets	37,282,400	42,379,310	46,036,164	3,609,974	242,929	129,550,777
Total liabilities	44,402,369	48,153,639	18,516,718	2,062,638	(81)	113,135,283

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16. OPERATING SEGMENTS (continued)

(SR'000)	<u>Personal banking</u>	<u>Corporate banking</u>	<u>Treasury</u>	<u>Brokerage and asset management</u>	<u>Others</u>	<u>Total</u>
30 September 2023 (Unaudited)						
Total assets	36,081,765	42,007,077	47,366,454	3,560,890	238,528	129,254,714
Total liabilities	47,675,760	40,669,514	22,515,488	2,062,728	(81)	112,923,409
Inter - segment income / (loss)	607,502	12,536	(592,771)	33,744	(61,011)	-
Total operating income	1,411,017	686,881	302,063	274,035	(229,243)	2,444,753
Of which:						
- Net financing and investment income / (loss)	1,094,784	559,840	64,676	39,947	(27,268)	1,731,979
- Fees from banking services, net	146,245	92,498	20	201,098	(32,601)	407,260
- Net (loss) / gain on FVIS financial instruments	-	-	(13,068)	(3,640)	-	(16,708)
Total operating expenses	(1,031,985)	(307,188)	(103,385)	(144,928)	538	(1,586,948)
Of which:						
- Impairment charge for financing and other financial assets, net	(29,676)	(134,241)	2,974	-	-	(160,943)
- Depreciation and amortization	(108,784)	(13,160)	(10,720)	(5,432)	-	(138,096)
Share in net income of an associate	-	-	-	1,653	9,920	11,573
Net income / (loss) before zakat and income tax	379,032	379,693	198,678	130,760	(218,785)	869,378

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

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

Determination of fair value and fair value hierarchy

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

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

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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

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

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

		30 September 2024 (Unaudited)			
		Fair Value (SR'000)			
	Carrying Value	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value:</u>					
FVIS - Mutual funds	1,826,511	-	1,826,511	-	1,826,511
FVIS - Equities	46,394	25,908	-	20,486	46,394
FVIS - Convertible debt instrument	4,500	-	-	4,500	4,500
FVOCI - Equities	460,000	-	-	460,000	460,000
FVOCI - Sukuk - equity	2,784,066	-	2,784,066	-	2,784,066
FVOCI - Sukuk - debt	10,102,177	-	10,102,177	-	10,102,177
Shari'ah compliant derivatives	167,795	-	167,795	-	167,795
Total	15,391,443	25,908	14,880,549	484,986	15,391,443
<u>Financial liabilities measured at fair value:</u>					
Shari'ah compliant derivatives	234,313	-	234,313	-	234,313

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

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

		30 September 2023 (Unaudited)			
		Fair Value (SR'000)			
	Carrying Value	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value:</u>					
FVIS - Mutual funds	1,341,159	-	1,341,159	-	1,341,159
FVIS – Equities	18,815	61	-	18,754	18,815
FVOCI- Equities	46,485	46,485	-	-	46,485
FVOCI – Sukuk – equity	2,099,911	-	2,099,911	-	2,099,911
FVOCI – Sukuk – debt	9,235,998	-	9,235,998	-	9,235,998
Shari’ah compliant derivatives	433,670	-	433,670	-	433,670
Total	13,176,038	46,546	13,110,738	18,754	13,176,038
<u>Financial liabilities measured at fair value:</u>					
Shari’ah compliant derivatives	178,312	-	178,312	-	178,312

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 5.06 million (31 December 2023: SR 5.26 million and 30 September 2023: SR 5.22 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 September 2024 (Unaudited) (SR'000)	
	Amortised cost	Fair value Level 2
Financial assets:		
Due from banks and other financial institutions, net	7,459,706	7,467,724
Investment held at amortised cost, net (note 5.1)	20,831,438	20,352,228
Financing, net	92,709,624	93,719,653
Total	121,000,768	121,539,605
Financial liabilities:		
Due to banks and other financial institutions	20,153,653	21,620,986
Customers' deposits	103,348,680	104,033,291
Subordinated Sukuk	2,045,149	2,045,149
Total	125,547,482	127,699,426

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	31 December 2023 (Audited) (SR'000)	
	Amortised cost	Fair value Level 2
<u>Financial assets:</u>		
Due from banks and other financial institutions, net	5,691,774	5,689,434
Investment held at amortised cost, net (note 5.1)	20,519,679	19,945,499
Financing, net	80,780,901	81,443,392
Total	106,992,354	107,078,325
<u>Financial liabilities:</u>		
Due to banks and other financial institutions	14,985,733	15,425,259
Customers' deposits	94,054,401	94,043,569
Subordinated Sukuk	2,004,346	2,004,346
Total	111,044,480	111,473,174
	30 September 2023 (Unaudited) (SR'000)	
	Amortised cost	Fair value Level 2
<u>Financial assets:</u>		
Due from banks and other financial institutions, net	3,986,777	4,039,311
Investment held at amortised cost, net (note 5.1)	23,735,688	23,146,665
Financing, net	79,414,709	79,162,858
Total	107,137,174	106,348,834
<u>Financial liabilities:</u>		
Due to banks and other financial institutions	18,192,538	18,661,007
Customers' deposits	90,646,853	91,058,378
Subordinated Sukuk	2,041,868	2,041,868
Total	110,881,259	111,761,253

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 September 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 September 2024, 31 December 2023 and 30 September 2023, as well as the significant unobservable inputs used.

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

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
Equities	FVOCI	Includes investment in unquoted equities which have been valued using a valuation model.	Not applicable	Not applicable
Investment held at FVOCI – Sukuks (debt & equity)	FVOCI	Fair valued using the broker quoted prices or estimating present value by discounting cash flows using adjusted discount rate.	Not applicable	Not applicable
Forward exchange contracts (Wa'ad) and Profit rate swaps	FVIS	Forward exchange contracts (Wa'ad): Fair valued using discounted Notional techniques that use observable market data inputs for Foreign Exchange (FX) and yield curves Profit rate swaps: The fair value is determined by discounting the future cash flows using observable market data inputs for yield curves.	Not applicable	Not applicable
Due from banks and other financial institutions, Financing, Due to banks and other financial institutions, Customer Deposits	Amortised Cost	Market Data: Used observable market data inputs for yield curves. Fair value technique: The fair value is determined by discounting the future cash flows. A discounted cash flow is the product of: <ul style="list-style-type: none"> The anticipated nominal magnitude and sign of a cash flow. The accumulated discount over the amount of time remaining until the anticipated time of the cash flow, at a rate of discount. The fair value is determined only for the Customers' time investments.	Not applicable	Not applicable
Investment held at amortised cost - net	Amortised Cost	Fair valued using the quoted prices, where available or estimating present value by discounting cash flows using adjusted discount rate.	Not applicable	Not applicable

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18. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored on a periodic basis by the Bank's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total eligible capital to the risk-weighted assets at or above the agreed minimum percentage.

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

The current 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 September 2024 (Unaudited)	31 December 2023 (Audited) <u>SR'000</u>	30 September 2023 (Unaudited)
Credit Risk RWA	103,193,206	88,909,068	86,348,291
Market Risk RWA	2,065,257	2,407,944	2,167,059
Operational Risk RWA	4,860,836	4,537,448	4,537,448
Total Pillar-I RWA	110,119,299	95,854,460	93,052,798
Common Equity Tier 1 (CET 1) Capital	13,495,421	12,721,256	12,473,071
Additional Tier 1 (AT1) Capital	3,875,000	3,875,000	3,875,000
Tier I Capital	17,370,421	16,596,256	16,348,071
Tier II Capital	2,552,130	2,501,906	2,439,564
Total Tier I and II Capital	19,922,551	19,098,162	18,787,635
Capital Adequacy Ratio (%)			
Common Equity Tier I Ratio	12.26%	13.27%	13.40%
Tier I ratio	15.77%	17.31%	17.57%
Total Tier I and II Capital	18.09%	19.92%	20.19%

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 September 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 September 2024 <u>SR' 000</u>	30 September 2023 <u>SR'000</u>
Subsidiary companies		
Investments	501,480	501,480
Customer deposits	5,283	6,585
Due from banks and other financial institutions	2,029,001	1,900,289
Due to banks and other financial institutions	801,840	293,669
Receivables and other assets	393,446	189,687
Payables and liabilities	63,265	151,798
Commitments and contingencies	-	30,144
Notional values of outstanding shari'ah compliant contracts	3,425,436	4,172,698
Outstanding Sukuk liability	1,875,000	1,875,000
Associate and affiliate entities with significant influence		
Investments	320,654	238,609
Customer deposits	150,950	133,407
Contingencies and commitments	7,280	7,280
Sukuk liability	150,000	150,000
Directors, key management personnel, Substantial shareholders and their affiliates		
Financing	331,114	136,513
Customers' deposits	144,166	853,437
Contingencies and commitments	32,499	37,607
Substantial shareholders represent shareholdings of more than 5% of the Bank's issued share capital.		
Mutual Funds under subsidiary's management		
Investments	527,761	221,597
Customers' deposits	188,901	115,661

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 30 September 2024	Period ended 30 September 2023
	SR' 000	SR'000
Income from investments and financing	230,990	190,675
Return on deposits and financial liabilities	226,442	236,905
Fees income	320	217
Fee expense	10,846	10,994
Exchange loss	-	4,870
Insurance premium	62,240	65,803
Claims received	23,410	30,936
Directors' remuneration	8,752	7,500
Income under shared service agreements	862	862
Operating expenses	-	17,161
Reimbursement of building related expense	2,215	2,351
Rent expense for branches	768	768
Investment in the sukuks issued by BAJ	-	150,000
Face value of bonus shares received	-	24,540
Profit on the sukuks issued by BAJ	4,500	-
Purchase of shares of associate (ATT)	76,218	-

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

	Period ended 30 September 2024	Period ended 30 September 2023
	SR' 000	SR'000
Short-term employee benefits	53,926	54,459
Termination benefits	1,641	1,505

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 26 October 2024 (corresponding to 23rd Rabi Al-Akhar, 1446H).