Basel III - Pillar 3 Disclosures

31 December 2023

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OVA – Bank risk management approach

Scope

Bank Albilad risk management objectives and policies are disclosed in relation to various key risks as highlighted by the Board of Directors.

a) Business model determination and risk profile

Bank Albilad manages several types of risk at different levels of the organization. Key types of risk are as follows:

- Credit risk:

Credit and counterparty risk is defined as the risk arising from an obligor's failure to meet all or part of its obligations. Credit and counterparty risk arises when funds are extended, committed or otherwise exposed through contractual agreements, whether reflected on/off-balance sheet.

- Market risk:

Market risk is defined as the risk arising from losses because of the market value of the Bank's assets and liabilities variation based on market conditions.

- Liquidity risk:

Liquidity risk is defined as the risk arising from losses when the Bank's normal liquidity reserves remain insufficient to meet its obligations.

- Profit Rate Risk:

Profit Rate Risk in the banking book is defined as the impact of the bank's asset and liability exposures to changes in profit margin rates.

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- Operational risk:

Operational risk is defined as the risk arising from losses owing to deficient or erroneous internal procedures, human or system errors, or external events.

b) The Risk Governance Structure

- Credit Risk:

To manage, measure, monitor and mitigate credit risk, independent credit committees exist within Bank Albilad. The committees operate under board-approved delegated limits, policies and procedures. There are high-level executive involvement and non-executive review and oversight in the credit decision-making.

- Market and Liquidity Risk:

An asset and liability committee exist within Bank Albilad in order to manage, measure and mitigate market and liquidity risk. The committee operates under Board-approved delegated limits and policies.

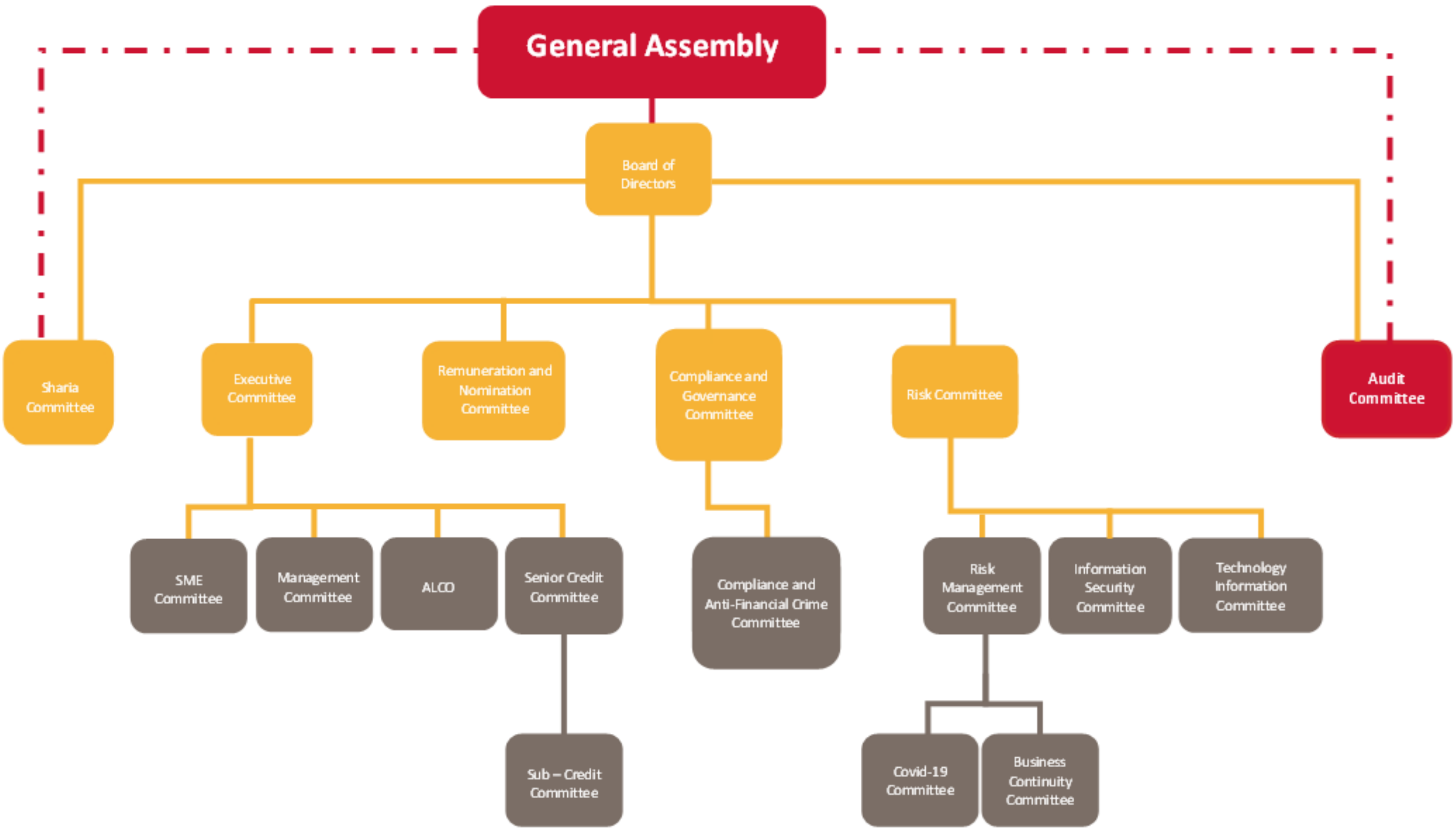
- Operational Risk:

Risk committees exist within Bank Albilad that oversight and manage operational risk. The committees operate under Board-approved delegated limits, policies and procedures. In addition, the governance structure related to operational risk forms an integral part of the operational risk management framework.

c) Channels to Communicate and Enforce the Risk Culture

Bank Albilad comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with all business units, as well as monitoring and controlling risk exposure through credit, market, liquidity and operational functions.

A number of committees identify and manage risk at the Bank-wide level. These committees operate and are mandated by the Board and organized in the structure as shown below:



d) The scope and main features of risk measurement systems

Risk management function objectives are to be the custodian of adherence to the Bank risk management culture and support the long-term sustainability by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risks. Furthermore, risk management function set, approve and monitor adherence to risk parameters and limits across the Bank and ensures they are implemented and adhered to consistently to give the Board reasonable assurance that risks the Bank is exposed to are identified and appropriately managed and controlled.

e) Process of risk information reporting provided to the Board and senior management

The risk management function receives regular reports on developments in the Bank's balance sheet structure and balance sheet movements, including its capital deployment and risk appetite. Assessment of the materiality of risks is directly linked to the Board's approved risk management policies covering all key risks. Key identified risks are monitored by risk management function to ensure that each risk is managed to an acceptable level. Moreover, key risks are reviewed and debated by senior management on a continuous basis.

Detailed performance and control metrics of these risks are reported to respective committee including, where appropriate, the results of scenario testing. Key risk types that are considered fall within the following:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Cyber Security risk

f) Qualitative information on stress testing

Bank Albilad conducts stress tests and scenario analyses to measure its risk of loss under unusual market conditions. Calculations are made for several scenarios which are typically defined based on combined scenarios macroeconomic and historic events that caused crises in the financial markets. However, current, or future events expected to have an effect on the financial markets may also be used as input when defining the stress test scenarios. These scenarios are revised and changed regularly to reflect changes in Bank Albilad's risk profile and economic events. The analyses are made based on the stress testing recommended by the Basel Committee / SAMA.

Bank Albilad also conducts comprehensive stress tests at regular intervals and the results are presented to the senior management/BoD. In addition, there are a number of other qualitative requirements to ensure that the stress testing is completely up to date with respect to documentation, calculation methods and control measures.

g) The strategies and processes to manage and mitigate risks

The Bank continuously aims to adopt best international standards and practices in risk management. Bank Albilad uses substantial resources to develop procedures and tools that support this aim. Accordingly, the Bank has built up substantial expertise in risk management.

Managing risk is a process operated independently of the business units of Bank Albilad. It aims to promote a strong risk management culture through a comprehensive set of processes that are designed to effectively identify, measure, monitor and control risk exposures. The Board of Directors and senior management are involved in the establishment of all risk processes and the periodic oversight and guidance of the risk management function. The processes are subject to additional scrutiny by independent Shariah Board as well as internal and external auditors, and the Bank's regulator, which help further strengthen the risk management practices.

- Credit Risk:

Management of Credit Risk

The Bank measures and manages its credit risk by adhering to the following principles:

- Consistent standards are applied across the Bank in the respective credit decision processes through the use of internal rating models for corporate lending customers. In retail, both application and behavioral scoring systems are being devolved and currently Credit Bureau (SIMAH) Scoring is being used for some segments for financing scores.
- The approval of credit limits for counterparties and the management of its individual credit exposures are determined by the Bank's portfolio guidelines and its credit strategies, and each decision also involves a risk-versus-return analysis.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level.

The Bank assigns credit approval authorities based on dual sign-off system by business and risk up to a certain level, beyond which the proposals are referred to Credit Committee's, Executive Committee and finally Board for approval as per the credit authority matrix.

Strategies of Credit Risk

The aims of credit risk management are:

- To maintain a strong culture of responsible lending, supported by a robust risk policy and control framework,
- Implementing risk appetite; and
- To ensure independent, expert scrutiny and approval of credit risks and their mitigation.

Mitigation of Credit Risk

Bank Albilad uses a variety of financial and non-financial collateral and guarantees to mitigate the underlying credit risk in its regular lending and treasury operations. The Bank adheres to the list of acceptable collateral and credit protection provided by SAMA to all banks in the Kingdom.

Broad collateral types currently used by Bank Albilad include:

- Financial Collateral
  - Cash margins
  - 'Customer Share' in LC Musharaka transactions
  - Cash collateral for extending credit or to protect counterparty default.
  - Equities of local listed shares approved by the Shariah Board of the Bank. The list of acceptable equities is periodically reviewed by Credit Committee.
  - Local and foreign Mutual Fund units, acceptable under Shariah board.

- Real Estate collateral
  - Commercial Real Estate, used for securing the Bank's exposure to corporate and commercial borrowers.
  - Residential Real Estate, used for securing a mortgage provided to a retail customer.

- Guarantees
  - Governmental program guarantees
  - Formal and legally enforceable guarantees received from banks.
  - Legally enforceable Personal guarantees.
- Others
  - Assignment of proceeds for revenue generated by projects financed by Bank Albilad. Each project financed has a separately defined limit which is part of the credit limit provided to the counterparty.
  - Assignment of salary account in case of individual borrowers, and each instalment to be deducted from this account at each due date

Valuation of Collaterals

The Credit Committee requires an independent valuation of the collaterals before acceptance and at defined frequencies depending on the nature of collateral. The valuation is conducted by a team of independent valuation experts.

The risk management function ensure that the valuation method used, whether internal or external, is based on assumptions that are both reasonable and prudent and all assumptions have been clearly documented.

To some extent, the Bank receives guarantees for credit exposures. A large part of these guarantees are provided by enterprises or persons where a relationship between the borrower and the guarantor exists. Bank must evaluate the guarantor before accepting the guarantee.

- Market Risk:

Management of Market risk

Market risk concerns with profit margin rate, yield curves and prices. The market risk arises from the changes in market prices, yield curve, foreign exchange and commodity. The Bank exposure for market risk is immaterial and majority of this exposure to the overall exposure in foreign exchange.

- Foreign Exchange Risk

Foreign Exchange Risk is the risk of losses on the banking book positions in foreign currency because of adverse changes in exchange rates against banks exposures.

The overall potential loss is generally calculated using bank net open position as the maximum sum of long and short position currencies.

- Profit Margin Risk

Profit Margin Risk in the banking book is defined as the impact of the Bank's asset and liability exposures to changes in profit margin rates. It arises principally from mismatches between the future re-investment rate and their funding costs, as a result of changes in profit rates.

Strategies of Market Risk

The Board of Directors has approved the limits for the market risk and liquidity risk for Bank Albilad to be in line with risk appetite targets/limits as per the Bank's market risk and liquidity risk policies. In addition, the Asset and Liability Committee regularly monitors and discusses issues within scope of market and liquidity risk.

Bank Albilad uses various risk measures for market and liquidity risk such as Liquidity Mismatches, Major Depositors Concentration Limits, Finance to Deposit Ratio, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), Profit rate risk, Periodic and Cumulative Gaps, Earnings at Risk (Δ NII) and Economic Value at Risk. These measures are reported to:

- Board of Directors and senior management on quarterly/monthly basis;
- SAMA on quarterly basis; and
- Business units on monthly/daily basis.

Bank Albilad's Value-at-Risk model is currently used for the internal capital purposes. Value-at-Risk is a statistical measure of the maximum loss that the Bank may incur on its portfolios over a certain period of time at a certain confidence level. Value-at-Risk is a risk measure that quantifies potential losses under normal and stressed market conditions.

- **Liquidity Risk:**

The risk that the Bank may not be able to meet its obligations when due, at an acceptable market cost, is termed liquidity risk. Liquidity risk is measured by matching assets and liabilities based predefined maturity buckets.

Liquidity risk is defined as the risk of losses result from:

- Bank's funding costs increase disproportionately;
- Lack of funding prevents the Bank from establishing new business; or
- Lack of funding will ultimately prevent the Bank from meeting its obligations.

Liquidity management at Bank Albilad is based on monitoring and managing operational and structural liquidity risks in various scenarios.

The management of operational liquidity risk aims primarily at ensuring that the Bank always has sufficient liquidity in the short term to absorb such net effects of transactions made and expected. The Bank complies with SAMA and Basel liquidity framework in assessing the potential termed liquidity risk.

Bank Albilad’s liquidity risk policies are approved by the Board. In addition, the liquidity contingency plan has been implemented aiming to ensure that Bank Albilad is sufficiently prepared to take remedial action if an unfavorable liquidity situation is occurred.

The Risk Management has set limits for liquidity risk. ERM and Market Risk is responsible for ensuring that the Bank complies with liquidity risk limits. Any breaches are escalated to senior management timely.

The key business and risk managements stakeholders receive reports on the Bank's liquidity risks regularly. Moreover, the Asset and Liability Committee continuously assesses developments in the Bank's liquidity and plans long-term funding.

Managing Short-Term Liquidity Risk

The management of Bank Albilad's short-term liquidity risk aims primarily at ensuring that the Bank has an adequate liquidity buffer that is able, in the short term, to absorb the net effects of transactions already made and expected changes.

Liquidity is determined on the basis of cash flows of outstanding transactions. The calculation is made taking into account the Bank's holdings of liquid assets. In managing the short-term liquidity risk, the Bank will ensure that liquidity ratios are higher than regulatory requirements.

Managing Long-Term Liquidity Risk

Structural liquidity risk is managed based on considerations of the Bank's long-term liquidity mismatch. The management of this risk aims to ensure that the Bank does not build up an inexpediently large future funding requirement. Determining the structural liquidity is important when the Bank plans its funding activities and pricing.

The Bank manages the structural liquidity risk on the basis of a gap report. The gap report is based on a breakdown of the Bank's assets, liabilities and off-balance sheet items by maturity. For that purpose, the Bank uses the contractually maturity date for each contract, and internal run-off model for monitoring deposits.

Liquidity Scenario Analysis

Bank Albilad conducts stress tests to measure the Bank's immediate liquidity risk and to ensure that the Bank has a certain response time if a crisis occurs. The stress tests estimate the structural liquidity risk in various scenarios. The scenario analyses involve bank specific crises and general market crises. In addition, the Bank is monitoring Net Stable Funding Ratio (NSFR) as one of the indicators in assessing the potential structural liquidity risk for the Bank.

The Bank monitors the diversification of products, currencies, maturities, concentration of major depositors and the dependency of the volatile funding from interbank market to ensure that the Bank has a funding base that will protect the Bank to the greatest possible extent if markets come under pressure.

- Operational Risk:

As the Basel Committee defines it, operational risk is the risk of losses resulting from inefficiency, failure in implementation of procedures, personnel, systems, or external factors. To better manage operational risk, the Bank has set forth a framework of policies and procedures.

Management of Operational Risk

Objectives including:

- Supporting the Bank's objectives.
- Identifying and assessing the operational risk of new products as well as current products, activities, and systems.
- The total independence and continuity of assessment of procedures, monitoring controls, and performance.
- Limiting operational losses and solving the causing problems at their roots.

The Bank is also keen on implementing the operational risk governance mechanism through supervision by the Board of Directors and Senior Management.

KM1 – Key metrics

(SAR '000)

		a	b	c	d	e
		Dec-23	Sep-23	Jun-23	Mar-23	Dec-22
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	15,281,887	14,636,415	14,194,592	14,106,122	13,446,502
1a	Fully loaded ECL accounting model CET1	15,258,110	14,612,638	14,170,815	14,082,346	13,398,948
2	Tier 1	15,281,887	14,636,415	14,194,592	14,106,122	13,446,502
2a	Fully loaded ECL accounting model Tier 1	15,258,110	14,612,638	14,170,815	14,082,346	13,398,948
3	Total capital	19,555,798	18,888,589	18,417,236	18,306,826	17,548,528
3a	Fully loaded ECL accounting model total capital	19,532,021	18,864,813	18,393,459	18,283,050	17,500,975
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	110,100,562	106,950,959	104,575,778	105,737,299	99,117,264
4a	Total risk-weighted assets (pre-floor)	110,100,562	106,950,959	104,575,778	105,737,299	99,117,264
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	13.88%	13.69%	13.57%	13.34%	13.57%
5a	Fully loaded ECL accounting model CET1 (%)	13.86%	13.66%	13.55%	13.32%	13.52%
5b	CET1 ratio (%) (pre-floor ratio)	13.88%	13.69%	13.57%	13.34%	13.57%
6	Tier 1 ratio (%)	13.88%	13.69%	13.57%	13.34%	13.57%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.86%	13.66%	13.55%	13.32%	13.52%
6b	Tier 1 ratio (%) (pre-floor ratio)	13.88%	13.69%	13.57%	13.34%	13.57%
7	Total capital ratio (%)	17.76%	17.66%	17.61%	17.31%	17.70%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.74%	17.64%	17.59%	17.29%	17.66%
7b	Total capital ratio (%) (pre-floor ratio)	17.76%	17.66%	17.61%	17.31%	17.70%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	9.38%	9.19%	9.07%	8.84%	9.07%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	159,020,235	153,005,900	150,996,276	151,166,617	140,910,735
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	9.61%	9.57%	9.40%	9.33%	9.54%
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	9.60%	9.55%	9.38%	9.32%	9.51%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	9.61%	9.57%	9.40%	9.33%	9.54%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	9.61%	9.57%	9.40%	9.33%	9.54%
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	9.61%	9.57%	9.40%	9.33%	9.54%

		a	b	c	d	e
		Dec-23	Sep-23	Jun-23	Mar-23	Dec-22
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA)	21,433,567	21,420,986	22,131,636	22,113,461	22,160,891
16	Total net cash outflow	17,296,008	16,439,780	16,443,882	13,894,553	14,227,852
17	LCR ratio (%)	123.92%	130.30%	134.59%	159.15%	155.76%
	Net Stable Funding Ratio					
18	Total available stable funding	100,459,726	96,173,879	94,706,804	94,718,889	89,487,560
19	Total required stable funding	89,359,561	88,052,698	85,417,932	83,375,382	80,653,774
20	NSFR ratio	112.42%	109.22%	110.87%	113.61%	110.95%

OV1 – Overview of RWA

(SAR '000)

		a	b	c
		RWA		Minimum Capital Requirements
		Dec-23	Sep-23	Dec-23
1	Credit risk (excluding counterparty credit risk)	100,172,739	98,470,676	8,013,819
2	Of which: standardised approach (SA)	100,172,739	98,470,676	8,013,819
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)	37,428	-	2,994
7	Of which: standardised approach for counterparty credit risk	37,428	-	2,994
8	Of which: IMM			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	76,515	-	6,121
11	Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period	-	-	-
12	Equity investments in funds – look-through approach	-	-	-
13	Equity investments in funds – mandate-based approach	1,740,132	1,703,277	139,211
14	Equity investments in funds – fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in banking book	-	-	-
17	Of which: securitisation IRB approach (SEC-IRBA)	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	2,007,433	710,691	160,595
21	Of which: standardised approach (SA)	2,007,433	710,691	160,595
22	Of which: internal model approach (IMA)			
23	Capital charge for switch between trading book and banking book	-	-	-
24	Operational risk	6,066,316	6,066,316	485,305
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
26	Output floor applied			
27	Floor adjustment (before application of transitional cap)	-	-	
28	Floor adjustment (after application of transitional cap)	-	-	
29	Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)	110,100,562	106,950,959	8,808,045

Linkages Between Financial Statements And Regulatory Exposures

LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

(SAR '000)

	A	b	c	d	e	f	G
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central banks	6,983,098	6,983,098	6,983,098	-	-	-	-
Due from banks and other financial institutions, net	8,170,094	8,170,094	8,170,094	-	-	-	-
Investments, net	22,079,918	22,079,918	21,725,331	-	-	354,587	-
Financing, net	102,080,065	102,080,065	102,080,065	-	-	-	-
Other assets	1,634,684	1,634,684	1,634,684	-	-	-	-
Property, equipment and right of use assets, net	2,157,960	2,157,960	2,157,960	-	-	-	-
Total assets	**143,105,819**	**143,105,819**	**142,751,232**	**-**	**-**	**354,587**	**-**
Liabilities							
Due to banks, Saudi Central Bank and other financial institutions	4,273,908	-	-	-	-	-	-
Customers' deposits	112,831,245	-	-	-	-	-	-
Sukuk	3,051,613	-	-	-	-	-	-
Other liabilities	7,690,943	-	-	-	-	-	-
Total liabilities	**127,847,709**	**-**	**-**	**-**	**-**	**-**	**-**

LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

(SAR '000)

		a	b	c	d	e
			Items subject to:			
		Total	Credit risk framework	Securitization framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	143,105,819	142,751,232	-	-	354,587
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation (Row 1 - Row 2)	143,105,819	142,751,232	-	-	354,587
4	Off-balance sheet amounts	37,711,451	13,989,739	-	-	
5	Difference due to Derivative Exposures (Subject to SA-CCR and CVA)	92,142	-	-	92,142	
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
7	Differences due to consideration of provisions	2,933,034	2,933,034	-	-	
8	Differences due to prudential filters	-	-	-	-	
9	**Exposure amounts considered for regulatory purposes**	**183,842,446**	**159,674,005**	**-**	**92,142**	

LIA – Explanations of differences between accounting and regulatory exposures amounts

a) **Explanation of significant differences between the amounts in columns (a) and (b) in LI1.**

There are no differences between carrying values as reported in published financial statements and carrying values under the scope of regulatory consolidation.

b) **Explanation of the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2.**

Financial statement reported carrying values and regulatory scope of carrying values are no difference for on-balance sheet items. Notional balances are reported for Off balance sheet , derivatives in financial statements whereas CCF applied for off balance sheet items to consider under scope of regulatory exposure and derivatives exposures are calculated based on SA-CCR approach.

Composition of Capital and TLAC

CC1 – Composition of regulatory capital

(SAR '000)

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	10,000,000	(h)
2	Retained earnings	3,371,429	
3	Accumulated other comprehensive income (and other reserves)	1,910,458	
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	**15,281,887**	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	(a) minus (d)
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-	(b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework [1])	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets	-	
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	(c) minus (f) minus 10% threshold
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	Of which: significant investments in the common stock of financials	-	
24	Of which: mortgage servicing rights	-	

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
25	Of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common Equity Tier 1	-	
29	Common Equity Tier 1 capital (CET1)	**15,281,887**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus	-	(i)
31	Of which: classified as equity under applicable accounting standards	-	
32	Of which: classified as liabilities under applicable accounting standards	-	
33	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group additional Tier 1 capital)	-	
35	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
36	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments	-	
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1 = CET1 + AT1)	**15,281,887**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	3,000,000	
47	*Directly issued capital instruments subject to phase-out from Tier 2*	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
50	Provisions	1,273,911	
51	Tier 2 capital before regulatory adjustments	**4,273,911**	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	-	
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the	-	

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)		
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments	-	
57	Total regulatory adjustments to Tier 2 capital		
58	Tier 2 capital (T2)	4,273,911	
59	Total regulatory capital (TC = T1 + T2)	19,555,798	
60	Total risk-weighted assets	110,100,562	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	13.88%	
62	Tier 1 (as a percentage of risk-weighted assets)	13.88%	
63	Total capital (as a percentage of risk-weighted assets)	17.76%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.50%	
65	Of which: capital conservation buffer requirement	2.50%	
66	Of which: bank-specific countercyclical buffer requirement	0%	
67	Of which: higher loss absorbency requirement	0%	
68	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	11.38%	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	
71	National total capital minimum ratio (if different from Basel III minimum)	-	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	
73	Significant investments in the common stock of financial entities	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1,273,911	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1,273,911	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
84	Current cap on T2 instruments subject to phase-out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

CC2 – Reconciliation of regulatory capital to balance sheet

(SAR '000)

	a	b
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	As at period-end	As at period-end
Assets		
Cash and balances with Saudi Central Bank	6,983,098	6,983,098
Due from banks and other financial institutions, net	8,170,094	8,170,094
Investments, net	22,079,918	22,079,918
Financing, net	102,080,065	102,080,065
Other assets	1,634,684	1,634,684
Property, equipment and right of use assets, net	2,157,960	2,157,960
Total assets	**143,105,819**	**143,105,819**
Liabilities		
Due to banks, Saudi Central Bank and other financial institutions	4,273,908	-
Customers' deposits	112,831,245	-
Sukuk	3,051,613	-
Other liabilities	7,690,943	-
Total liabilities	**127,847,709**	**-**
Shareholders' equity		
Paid-in share capital	10,000,000	10,000,000
Of which: amount eligible for CET1 capital	10,000,000	10,000,000
Of which: amount eligible for AT1 capital	-	-
Retained earnings	3,371,429	3,371,429
Accumulated other comprehensive income	1,886,681	1,910,458
Total shareholders' equity	**15,258,110**	**15,281,887**

CCA – Main features of regulatory capital instruments and of other TLAC-eligible instruments

		a
		Quantitative / qualitative information
1	Issuer	Bank Albilad
2	Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (ISIN) or Bloomberg identifier for private placement)	SA15AFK0HS36 - BP0668155
3	Governing law(s) of the instrument	The instrument is governed by the laws of the Kingdom of Saudi Arabia
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	Not applicable
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group and solo	Solo
7	Instrument type (refer to SACAP)	Subordinated Tier 2 Sukuk
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	SAR 3,000 millions
9	Par value of instrument	SAR 3,000 millions
10	Accounting classification	Liability at amortized cost
11	Original date of issuance	15-Apr-21
12	Perpetual or dated	Dated
13	Original maturity date	15-Apr-31
14	Issuer call subject to prior SAMA approval	Yes
15	Optional call date, contingent call dates and redemption amount	"15 April 2026 The Sukuk may be redeemed prior to the Expiry Date at the option of the Issuer (subject to prior written approval from the Banking Regulator, if then required) on the Periodic Distribution Date that falls on the [fifth] anniversary of the Closing Date in whole, but not in part, on giving not less than thirty (30) days' nor more than sixty (60) days' notice to the Sukukholders' Agent in accordance with the Declaration of Agency and to the Sukukholders in accordance with Condition 18 (Notices) (which notice shall be irrevocable), and, subject to Condition 5(b) (Subordination) and Condition 12 (Write-down at the Point of Non-viability), each Sukukholder shall receive its pro rata share of the Sukuk Capital on the date specified in such notice (the Optional Dissolution Date)."

		a
		Quantitative / qualitative information
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3M SAIBOR + 165 Basis points
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Writedown feature	Yes
31	If writedown, writedown trigger(s)	Terms of issuance provide the legal basis for the regulator to trigger write down
32	If writedown, full or partial	Full or partial
33	If writedown, permanent or temporary	Permanent
34	If temporary write-own, description of writeup mechanism	Not applicable
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Subordinated debt and senior debt instruments are senior to this instrument
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

On April 15, 2021, the Bank issued 3,000 Sukuk Certificates (Sukuk) of SR 1 million each, and payable quarterly each year until April 15, 2031. The Bank has a call option which can be exercised on or after April 15, 2026 as per the terms mentioned in the related offering circular.

Asset encumbrance

ENC– Asset encumbrance

(SAR '000)

	a	b	c
	Encumbered assets	Unencumbered assets	Total
The assets on the balance sheet would be disaggregated; there can be as much disaggregation as desired	-	146,038,856	146,038,856

Leverage Ratio

LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure

(SAR '000)

	Items	a
1	Total consolidated assets as per published financial statements	143,105,819
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	92,142
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	13,989,739
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	1,832,535
13	Leverage ratio exposure measure	159,020,235

LR2 – Leverage ratio common disclosure template

(SAR '000)

		a	b
		Dec-23	Sep-23
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	144,938,354	139,437,127
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital and regulatory adjustments)	-	-
7	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 to 6)	**144,938,354**	**139,437,127**
	Derivative exposures		
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin, with bilateral netting and/or the specific treatment for client cleared derivatives)	25,114	-
9	Add-on amounts for potential future exposure associated with all derivatives transactions	40,702	-
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	**92,142.03**	**-**
	Securities financing transaction exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**-**	**-**
	Other off-balance sheet exposures		
19	Off-balance sheet exposure at gross notional amount	37,711,451	34,978,769
20	(Adjustments for conversion to credit equivalent amounts)	(23,721,712)	(21,409,996)

		a	b
		Dec-23	Sep-23
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 and 21)**	**13,989,739**	**13,568,773**
	Capital and total exposures		
23	**Tier 1 capital**	**15,281,887**	**14,636,415**
24	**Total exposures (sum of rows 3, 11, 16 and 19)**	**159,020,235**	**153,005,900**
	Leverage ratio		
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**9.61%**	**9.57%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.61%	9.57%
26	**National minimum leverage ratio requirement**	**-**	**-**
27	**Applicable leverage buffers**	**-**	**-**
	Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
31a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-

LIQA – Liquidity risk management

Qualitative disclosures

Governance of liquidity risk management

Effective oversight by the Board of Directors (Board) and Senior Management is a critical element of the Bank's liquidity risk management process. The Board of Directors delegates the responsibility for managing The Bank's overall liquidity to Asset and Liability Committee ("ALCO"). On the day-to-day operations, Treasury Division (TD) performs the liquidity management on centralized basis for the whole Bank, within limits imposed by the Board and monitored by Risk Management Group. The key liquidity ratios are monitored on daily basis. Detailed Liquidity Risk report is presented to ALCO and Board Risk Committee on monthly and quarterly basis, respectively.

Funding strategy

The Board reviews and approves the liquidity management policies and ensures that senior management manages liquidity risk effectively in the context of the Bank's business plan and long-term funding strategy. The Bank has prepared a detailed Funding Strategy document. The funding strategy assess the funding requirements based on the projected balance sheet growth and the main sources of funding to support that growth. Along with normal projection, a sensitivity analysis of customer deposits is also included as these constitute the major source of funding for the Bank. Major portion of the funding requirements of the Bank is targeted to be met through customers' deposits. The Bank has taken a strategic decision to focus on retail deposits (Current, Bilad SAR & USD and saving) due to their stickiness and diversity. Along with this, bank may rely on Term deposit to some extent to plug funding gap while money growth is subsiding in KSA market and customers are becoming rate sensitive. For Term Deposit, focus would be High Net worth individual (HNWI) clients. The Bank ensures that the funding strategy is in line with compliance with the liquidity ratios such as , the Financing to Deposit ratio requirements, LRR ratio, LCR and NSFR ratios as approved by the Board in the Internal Control Limit policy and regulatory requirements at periodic reporting dates.

Liquidity risk mitigation techniques.

- The Bank mange its liquidity risk through Robust infrastructure for identification and measurement of the complete range of liquidity risks. With Maintenance of an adequate level of liquidity buffer, including through a cushion of liquid assets to meet potential funding needs over the short and long-term periods and for dealing with potential liquidity disruptions. The Bank also manages liquidity risk through various Early Warning Indicators (EWIs).

- The Diversification of sources and utilization of funds across banks, customers, and geographic location within Saudi, GCC and other financial markets. In addition to Active presence in interbank, financial markets and in corporate deposit market.
- Establishing and Monitoring of domestic and foreign bank credit lines.

Stress Testing

The Bank uses a combination of Bank specific and market wide stress scenarios to test robustness of Bank's liquidity position. The adverse movements in macro-economic indicators and bank specific factors are assumed to impact the cash-flows for the Bank and Banking Industry as a whole, which in turn will proportionately impact the Bank cash-flows.

Liquidity stress testing is conducted monthly and is presented to ALCO for discussion.

The Bank's contingency funding plans

CFP is the compilation of policies, procedures and action plans for assessing and responding to severe disruptions to the Bank's ability to fund some or all of its activities in a timely manner and at a reasonable cost.

The Bank has identified key liquidity early warning signals which are tracked on regular basis (daily and monthly). The escalation of liquidity crisis management is based on their degree of impact and severity. It varies from a very minimal disruption to a crisis level as follows:

- Disruption (Level 1) – Abnormal Level (Amber):

Disruption refers to an event that interrupts the running of normal business operations at a minimal level. Here the liquidity limit breaches management action trigger Limits and/or triggering of other qualitative Liquidity Crisis Early Warning Signals (LCEWS). Such an event can normally be resolved internally, with quick attention from relevant units to mitigate, monitor and adequately evaluate the situation.

- Disaster (Level 2) – Crisis Level (Red):

A liquidity crisis is deemed to have occurred in the event of breaches of Board limits and if high level LCEWS are triggered. Disaster Level brings damages (greater impact than the disruption level) to the business operations, which potentially may escalate if adequate and effective measures are not in place. Chairman of ALCO's immediate attention is required in this scenario.

Quantitative disclosures

Customized measurement tools

Bank regularly monitors the cash flows and liquidity positions, and publish liquidity gap in its financial statement disclosures.

Concentration limits

Demand deposits make the significant part of Bank Albilad's funding and constant focus is ensured for stability in such deposits. Bank regularly analyses and monitors the depositors funding concentration to avoid dependence on large individual depositors and ensure diversification in Bank's overall funding mix. Additionally, Bank Albilad holds a buffer of HQLA mainly comprising of Cash, Balance with Saudi Central Bank, and Unencumbered Sovereign Sukuks, that are available for liquidation under stressed liquid circumstances.

Liquidity Transferability between Legal Entities

All cash and marketable assets positions are monitored by the Treasury of the Bank centrally. All of the marketable assets can be readily liquidated or repoed and generate cash. The Bank consolidates the record of all unencumbered / pledged assets and ensures that it always maintains sufficient liquidity buffer to overcome any liquidity crisis at group and subsidiaries level. All subsidiary positions are consolidated at parent (Bank Albilad) level and liquidity is allocated to each subsidiary in order to allow them to pursue their business goals.

LIQ1 – Liquidity Coverage Ratio (LCR)

(SAR '000)

		a	b
		Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		21,433,567
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	43,492,472	4,349,247
3	Stable deposits	-	-
4	Less stable deposits	43,492,472	4,349,247
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	41,312,247	18,762,498
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	1,275,378	127,538
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	1,275,378	127,538
14	Other contractual funding obligations	17,307,582	519,227
15	Other contingent funding obligations	36,498,729	729,975
16	TOTAL CASH OUTFLOWS		24,488,485
Cash inflows			
17	Secured lending (eg reverse repos)	-	-
18	Inflows from fully performing exposures	9,919,936	7,192,478
19	Other cash inflows	-	-
20	TOTAL CASH INFLOWS		7,192,478
Total adjusted value			
21	Total HQLA		21,433,567
22	Total net cash outflows		17,296,008
23	Liquidity Coverage Ratio (%)		123.92%

LIQ2 – Net Stable Funding Ratio (NSFR)

(SAR '000)

	(In currency amount)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity*	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) item					
1	Capital:	**19,555,798**				**22,438,267**
2	Regulatory capital	19,555,798	-	-	-	19,555,798
3	Other capital instruments	-	-	-	2,882,469	2,882,469
4	Retail deposits and deposits from small business customers:	**38,998,668**	**3,318,097**	**11,950,516**		**48,840,553**
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	38,998,668	3,318,097	11,950,516	-	48,840,553
7	Wholesale funding:	**34,624,040**	**23,192,332**	**545,440**		**29,180,906**
8	Operational deposits	227,214	-	-	-	113,607
9	Other wholesale funding	34,396,827	23,192,332	545,440	-	29,067,299
10	Liabilities with matching interdependent assets					
11	Other liabilities:	9,215,687	920,208			
12	NSFR derivative liabilities					
13	All other liabilities and equity not included in the above categories	9,215,687	920,208	-	-	-
14	**Total ASF**					**100,459,726**
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)					664,403
16	Deposits held at other financial institutions for operational purposes	298,015				149,008
17	Performing loans and securities:					
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	1,182,478	-	59,124
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	5,108,511	-	1,557,528	2,342,921
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	16,520,769	10,763,236	74,370,370	76,856,817
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	446,985	-	-	6,347,822	5,775,586
25	Assets with matching interdependent liabilities					
26	Other assets:	**3,442,665**				**3,442,665**
27	Physical traded commodities, including gold	-				-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			-		-
29	NSFR derivative assets			-		-
30	NSFR derivative liabilities before deduction of variation margin posted			-		-
31	All other assets not included in the above categories	3,442,665		-		3,442,665
32	Off-balance sheet items					**69,037**
33	**Total RSF**					**89,359,561**
34	**Net Stable Funding Ratio (%)**					**112.42%**

Credit Risk

CRA – General qualitative information about credit risk

(a)	How the business model translates into the components of the bank's credit risk profile:
	Bank Albilad provides Shariah based commercial banking services such as commercial finance, trade finance, consumer finance, charge cards and treasury products to all customer segments including corporates, individuals, business entities, financial institutions and government and semi-government institutions. In a competitive pursuit of growth opportunities, bank has adopted a retail as well as wholesale focused commercial banking business model to leverage the strengths of its large branch network and a team of highly skilled professionals by exploiting both Retail and Corporate sectors. Bank's business model is characterized by anchoring on stable funding sources through well diversified deposit base, and high quality financing assets both on and off balance sheet.
(b)	Criteria and approach used for defining credit risk management policy and for setting credit risk limits
	Credit Risk is the risk of loss resulting from inability of any counterparty to fulfill its obligations to the Bank as per the agreed terms. The bank follows guidelines given in the Basel Regime in letter and spirit and follow industry best practice in managing this risk. A Risk Appetite statement is approved by the BOD annually which forms basis for defining all risk control parameters. Risk assets portfolio is monitored closely to comply with the defined parameters. The Bank's credit policy lays emphasis on using all modern decision making tools. Accordingly, the Bank has adopted a robust system of Financial Analysis and Obligor Risk Rating. This is augmented by use of a model to assess Risk Adjusted Return on (economic) Capital - RAROC. The Credit Policy defines all concentrations to manage credit risk at portfolio level, and limits are accordingly set to keep concentration levels well within the Risk Appetite approved by the BOD. All counter party limits are approved by competent levels duly authorized by the BOD to approve credit underwritings while remaining strictly in compliance with regulatory guidelines.
(c)	Structure and organization of the credit risk management and control function
	The Credit Risk Management structure comprises of independent control functions reporting to the Executive Vice President - Risk Management Group. Credit Risk Division is managed under a well-defined framework of principles, organizational structure, and measurement and monitoring processes that are closely aligned with the Banks Credit Policy and Risk Appetite as articulated from time to time. While all credit proposals are initiated by relevant Businesses, these are independently processed by Credit Risk function to bring objectivity to decision making. Further, within Credit Risk function, Credit Policy, Credit Approvals, and Credit Administration are managed by independent departments to strengthen the controls. In view of the nature of the business, Consumer Credit is looked after by an independent Manager under the Credit Risk Management Division.
(d)	Relationships between the credit risk management, risk control, compliance and internal audit functions
	We operate a three lines of defense credit risk management model. The first line of defense is the business (i.e Retail, Wholesale and Treasury) who are the "owners" of the credit risks. The second line of defense is an independent risk and control infrastructure in the form of Credit Risk Division which is part of Risk Management Group. The third line of defense is Internal Audit and Compliance Departments, which assure the effectiveness of our controls. All three lines of defense are independent of one another and accountable for maintaining structures that ensure adherence to the design principles at all levels.
(e)	Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors.
	Risk management function periodically reports all important risk indicators to both the Executive Management and the Board which include different concentrations in financing portfolio, nonperforming financing and loan loss coverage, portfolio changes under stressed scenarios, and compliance with Risk Appetite approved by the Board.

CR1 – Credit quality of assets

(SAR '000)

		a	b	c	d	e	f	g
		Gross carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1	Loans	1,432,961	103,542,965	2,895,861	1,094,905	1,800,956	-	102,080,065
2	Debt Securities	-	20,566,465	19,713	-	19,713	-	20,546,752
3	Off-balance sheet exposures	-	18,891,679	135,947	-	135,947	-	18,755,732
4	**Total**	**1,432,961**	**143,001,109**	**3,051,521**	**1,094,905**	**1,956,616**	**-**	**141,382,549**

CR2 – Changes in stock of defaulted loans and debt securities

(SAR '000)

		a
1	Defaulted loans and debt securities at end of the previous reporting period	**1,515,042**
2	Loans and debt securities that have defaulted since the last reporting period	361,871
3	Returned to non-defaulted status	(20,655)
4	Amounts written off	(178,255)
5	Other changes	(245,042)
6	"Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)"	1,432,961

CRB – Additional disclosure related to the credit quality of assets

Qualitative disclosures:

(a)	The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.
	Financing is considered to be past due if contractually agreed payments of principal and/or profit remain unpaid by the borrower on the due date. For calculating regulatory capital under Standardized Approach of Basel asset class "Past Dues" is considered if any counterparty has past due for more than 90 days. A finance, or a group of finances, is impaired, and impairment losses are estimated as per IFRS 9. To allow management to determine whether a loss-event may occur on an individual basis, all counterparty relationships are reviewed periodically. This evaluation considers current information and expected events related to the counterparty, such as the counterparty experiencing significant financial difficulty or a breach of contract, for example, default or delinquency in payment of principal or profit. There is no difference in accounting and regulatory definition of "past due" and "impaired".

(b)	The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.
	In the normal course of business all the counterparties having full or partial exposure as past due for more than 90 days are treated as "Stage 3" as per guidelines contained in IFRS 9. As on reporting date of this disclosure under Pillar III there was small past dues amount more than 90 days but was not treated as "impaired".

(c)	Description of methods used for determining impairments.
	The Bank has completed its journey for transition to IFRS 9. The impairment component of the standard is the most significant and complex change requiring a complete revamp of provisioning methodologies and disclosure frameworks. The Bank has validated models for PD, LGD, Macroeconomic and EAD for all financial assets within the scope of IFRS 9 and redeveloped aforementioned models wherever required. Bank has also implemented system through which IFRS 9 compliant expected credit losses will be automatically calculated at every reporting date. In addition, governance framework around IFRS 9 Business Model, SPPI Assessment, Expected Credit Loss (ECL) and Staging Criteria Assessment have also been established and reviewed to cater respective requirements of IFRS 9.

(d)	The bank's own definition of a restructured exposure.
	At times due to economic or legal reasons the Bank enters into a restructuring agreement with a borrower who faces, or will face, financial difficulties. This is done in order to ease the contractual obligation of the borrower for a limited period of time. A case by case approach is applied for our corporate clients considering each transaction and client specific facts and circumstances. For consumer finances we offer rescheduling for a limited period of time, in which case the total or partial outstanding or future instalments are deferred to a later point of time. However, the amount not paid, including accrued profit during this period, is re-compensated at a later point of time. Repayment options include distribution over residual tenor, a one-off payment, or a tenor extension. Restructuring / Rescheduling are restricted and depend on the economic situation of the client, our risk management strategy, and legal considerations. In case a restructuring agreement is entered into, an impairment measurement exercise is conducted, and an impairment charge is taken as per IFRS 9.

Quantitative disclosures:

(e)	Breakdown of exposures by geographical areas, industry and residual maturity
	As per CRBe1, CRBe2 and CRBe3 sheets
(f)	Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and allowances (ECL), broken down by geographical areas and industry
	As per CRBf1 and CRBf2 sheets
(g)	Ageing analysis of accounting past-due exposures
	As per CRBg sheet past dues but not impaired.
(h)	Breakdown of restructured exposures between impaired and not impaired exposures.
	As per CRBh sheets

For disclosure requirements from 'e' to 'h', please refer to below quantitative tables:

(SAR '000)

CRBe1: Breakdown of exposures by geographical areas

Portfolios	Geographic Area				
	Saudi Arabia	Other GCC & Middle East	Europe	Other countries	Total
Sovereigns and their central banks	19,234,322	1,009,265	-	-	20,243,587
PSEs	-	-	-	-	-
Multilateral Development banks (MDBs)	-	-	-	-	-
Banks	6,429,538	791,311	409,927	786,725	8,417,501
Covered Bonds	-	-	-	-	-
Subordinated debt, equity and other capital instruments	2,303,924	350,537	-	200,005	2,854,466
Retail Exposure	13,564,134	-	-	-	13,564,134
Corporates, Securities Firms, and Other Financial institutions	30,242,979	-	-	-	30,242,979
Specialized Lending	4,905,123		-	-	4,905,123
Real Estate Exposure	58,051,849	-	-	-	58,051,849
Other assets	4,977,046	-	-	-	4,977,046
Default Exposure	1,432,960	-	-	-	1,432,960
Equity Investment in Funds	994,620	-	-	-	994,620
Total	**142,136,495**	**2,151,113**	**409,927**	**986,730**	**145,684,266**
Contingencies & Commitments stated at credit equivalents	**13,191,941**	**53,939**	**63,783**	**680,075**	**13,989,739**
Total Credit exposure stated at credit equivalents	**155,328,436**	**2,205,052**	**473,710**	**1,666,805**	**159,674,005**

(SAR '000)

CRBe2: Breakdown of exposures by industry sector													
	Industry sector												
Portfolios	Government and quasi government	Banks and other financial institutions	Agriculture and fishing	Manufacturing	Mining and quarrying	Electricity, water, gas and health services	Building and construction	Commercial	Transportation and communication	Services	Consumer loans and credit cards	Others	Total
Sovereigns and their central banks	-	20,243,587	-	-	-	-	-	-	-	-	-	-	20,243,587
PSEs	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral Development banks (MDBs)	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks	-	8,417,501	-	-	-	-	-	-	-	-	-	-	8,417,501
Covered Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt, equity and other capital instruments	-	2,854,466	-	-	-	-	-	-	-	-	-	-	2,854,466
Retail Exposure	-	-	-	-	-	-	-	-	-	-	13,564,134	-	13,564,134
Corporates, Securities Firms, and Other Financial institutions	-	3,279,355	1,217,793	7,262,957	3,482,395	3,476,369	5,259,802	194,932	2,090,205	2,134,941	-	1,844,230	30,242,979
Specialized Lending	-	-	-	-	1,612,706	717,493	732,600	-	-	-	-	1,842,324	4,905,123
Real Estate Exposure	-	-	-	-	-	-	37,728,733	20,323,116	-	-	-		58,051,849
Other assets	-	-	-	-	-	-	-	-	-	-	-	4,977,046	4,977,046
Default Exposure	-	-	-	-	-	260,723	551,343		11,194	6,084	502,087	101,529	1,432,960
Equity Investment in Funds	-	994,620	-	-	-	-	-	-	-	-	-	-	994,620
Total	-	35,789,529	1,217,793	7,262,957	5,095,101	4,454,585	44,272,478	20,518,048	2,101,399	2,141,025	14,066,221	8,765,129	145,684,266
Contingencies & Commitments stated at credit equivalents	-	5,758,425	182,781	-	-	43,502	767,919	4,361,130	129,583	773,318	673,355	1,299,726	13,989,739
Total Credit exposure stated at credit equivalents	-	41,547,954	1,400,574	7,262,957	5,095,101	4,498,087	45,040,397	24,879,178	2,230,982	2,914,343	14,739,576	10,064,855	159,674,005

(SAR '000)

CRBe3: Amounts of exposures break down by residual maturity

Portfolios	Maturity breakdown									
	Less than 8 days	8-30 days	30-90 days	90-180 days	180-360 days	1-3 years	3-5 years	No Maturity	Over 5 years	Total
Sovereigns and their central banks	5,884,150	49,932	-	-	480,722	1,334,411	2,301,250	-	10,193,122	**20,243,587**
PSEs	-	-	-	-	-	-	-	-	-	-
Multilateral Development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	4,880,817	504,319	-	-	1,274,426	558,469	1,199,470	-	-	**8,417,501**
Covered Bonds	-	-	-	-	-	-	-	-	-	-
Subordinated debt, equity and other capital instruments	-	-	-	-	-	1,593,044	704,603	164,245	392,574	**2,854,466**
Retail Exposure	398,788	44,784	84,920	487,672	570,292	4,620,537	7,188,198	-	168,943	**13,564,134**
Corporates, Securities Firms, and Other Financial institutions	1,534,063	1,978,553	2,388,685	2,387,132	4,724,010	4,610,236	5,876,433	-	6,743,867	**30,242,979**
Specialized Lending	-	-	1,589,716	109,575	-	613,835	1,053,429	-	1,538,568	**4,905,123**
Real Estate Exposure	377,969	1,052,594	1,445,320	1,499,782	1,494,871	7,334,857	4,440,772	-	40,405,684	**58,051,849**
Other assets	-	-	-	-	-	-	-	4,977,046	-	**4,977,046**
Default Exposure	561,624	962	5,633	11,156	213,101	148,689	110,692	-	381,103	**1,432,960**
Equity Investment in Funds	-	-	-	-	-	-	-	994,620	-	**994,620**
Total	13,637,411	3,631,144	5,514,274	4,495,317	8,757,422	20,814,078	22,874,847	6,135,911	59,823,861	145,684,266
Contingencies & Commitments stated at credit equivalents	88,276	343,374	3,202,117	1,034,128	1,394,499	1,841,791	3,879,738	-	2,205,816	13,989,739
Total Credit exposure stated at credit equivalents	13,725,687	3,974,518	8,716,391	5,529,445	10,151,921	22,655,869	26,754,585	6,135,911	62,029,677	159,674,005

(SAR '000)

CRBf1: Amounts of impaired exposures and expected credit losses broken down by industry		
Industry sector	Impaired Financing	Expected Credit Loss
Government and quasi government	-	-
Banks and other financial institutions	-	-
Agriculture and fishing	-	10,541
Manufacturing	33,879	472,240
Mining and quarrying	-	3,314
Electricity, water, gas and health services	4,090	5,776
Building and construction	515,350	1,009,064
Commercial	252,638	506,228
Transportation and communication	-	32,697
Services	7,788	31,618
Consumer loans and credit cards	388,303	586,595
Others	230,913	237,788
Total	1,432,961	2,895,861

(SAR '000)

CRBf2: Amounts of impaired exposures and expected credit losses broken down by geographical areas		
Portfolios	Impaired Financing	Expected Credit Loss
Saudi Arabia	1,432,961	2,895,861
Other GCC & Middle East	-	-
Europe	-	-
North America	-	-
South East Asia	-	-
Others countries	-	-
Total	**1,432,961**	**2,895,861**

(SAR '000)

CRBg: Ageing analysis of accounting past-due exposures that are not impaired	
Ageing	Exposure of clients with past dues
1 to 30 days	126,474
31 to 90 days	230,472
91 to 180 days	55,390
Above 180 days	-
Total	**412,336**

(SAR '000)

CRBh: Breakdown of restructured exposures between impaired and not impaired exposures			
	Corporate	Consumer	Total
Performing (non-impaired)	11,951,397	379,782	12,331,179
Impaired	1,024,321	7,742	1,032,063
Total	**12,975,718**	**387,524**	**13,363,242**

CRBA – Additional disclosure related to the credit quality of assets

Qualitative disclosures:

(a)	The bank's own definition of non-performing exposures. The bank should specify in particular if it is using the definition provided in the guidelines on prudential treatment of problem assets (hereafter in this table referred to as SAMA's Rules on Management of Problem No. 41033343, January 2020. And provide a discussion on the implementation of its definition, including the materiality threshold used to categorise exposures as past due, the exit criteria of the non-performing category (providing information on a probation period, if relevant), together with any useful information for users' understanding of this categorisation. This would include a discussion of any differences or unique processes for the categorisation of corporate and retail loans.
	The non-performing exposures is considered by the bank as when the obligor is unlikely to pay its credit obligation in full without recourse by the bank to the actions such as realizing security (if held) and is also known as unlikeliness to pay events. The bank considers both quantitative and qualitative factors when defining non-performing exposures which is in line with the guidelines from SAMA and IFRS9. The bank considers a finance as past due upon maturity if due instalment/finance is not fully adjusted without any materiality threshold. Any non performing finance upon settlement of all the past dues has to observe a minimum cure period of 12 months.

(b)	The bank's own definition of a forborne exposure. The bank should specify in particular if it is using the definition provided in the Guidelines and provide a discussion on the implementation of its definition, including the exit criteria of the restructured or forborne category (providing information on the probation period, if relevant), together with any useful information for users' understanding of this categorisation. This would include a discussion of any differences or unique processes for the catagorisation of corporate and retail loans.[1]
	Restructured definitions, guidelines applied to forborne category. Details are provided in CRB section.

Quantitative disclosures:

(c)	Gross carrying value of total performing as well as non-performing exposures, broken down first by debt securities, loans and off-balance sheet exposures. Loans should be further broken down by corporate and retail exposures. Non-performing exposures should in addition be split into (i) defaulted exposures and/or impaired exposures;[2] (ii) exposures that are not defaulted/impaired exposures but are more than 90 days past due; and (iii) other exposures where there is evidence that full repayment is unlikely without the bank's realisation of collateral (which would include exposures that are not defaulted/impaired and are not more than 90 days past due but for which payment is unlikely without the bank's realisation of collateral, even if the exposures are not past due). Value adjustments and provisions[3] for non-performing exposures should also be disclosed.
	Please refer CRB additional disclosure quantitative section reports.
(d)	Gross carrying values of restructured/forborne exposures broken down first by debt securities, loans and off-balance sheet exposures. Loans should be further broken down by corporate and retail exposures to enable an understanding of material differences in the level of risk among different portfolios (eg retail exposures secured by real estate/mortages, revolving exposures, SMEs, other retail). Exposures should, in addition, be split into performing and non-performing, and impaired and not impaired exposures. Value adjustments and provisions for non-performing exposures should also be disclosed.
	Please refer CRB additional disclosure quantitative section reports.

CRC – Qualitative disclosure requirements related to credit risk mitigation techniques

(a)	Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting.
	Financial assets and liabilities are offset, with the net amount presented in the Consolidated Balance Sheet, only if the Bank holds a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or to realize an asset and settle the liability simultaneously. The legal right to set off the recognized amounts must be enforceable in both the normal course of business, in the event of default, insolvency or bankruptcy of both the Bank and its counterparty. In all other situations they are presented gross. When financial assets and financial liabilities are offset in the Consolidated Balance Sheet, the associated income and expense items will also be offset in the Consolidated Statement of Income, unless specifically prohibited by an applicable accounting standard. The majority of the offsetting relates to derivatives which is not the active target market for Bank Albilad.

(b)	Core features of policies and processes for collateral evaluation and management.
	We regularly agree on collateral to be received from customers in contracts that are subject to credit risk. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it generally does not replace the necessity of high quality underwriting standards and a thorough assessment of the debt service ability of the borrower. Broadly collateral received can be segregate into the following two types: – Financial and other tangible collateral, which enables us to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the borrower is unable or unwilling to fulfil its primary obligations. Cash collateral, securities (shares, mutual funds), collateral assignments of other claims, pledge of assets (i.e., plant, machinery etc.) and real estate typically fall into this category. – Guarantee collateral, which complements the borrower's ability to fulfil its obligation under the legal contract and as such is provided by third parties. Guarantees from individuals, corporates and semi govt. and from govt. institutions a typically fall into this category. Our processes seek to ensure that the collateral we accept for risk mitigation purposes is of high quality. This includes seeking to have in place legally effective and enforceable documentation for realizable and measurable collateral assets which are evaluated regularly by dedicated teams. The assessment of the suitability of collateral for a specific transaction is part of the credit decision and is undertaken in a conservative way, including collateral coverage. In this regard, we strive to avoid "wrong-way" risk characteristics where the borrower's counterparty risk is positively correlated with the risk of deterioration in the collateral value. For guarantee collateral, the process for the analysis of the guarantor's creditworthiness is aligned to the credit assessment process for borrowers.

(c)	Information about market or credit risk concentrations under the credit risk mitigation instruments used (ie by guarantor type, collateral and credit derivative providers).
	We use risk mitigation to optimize our corporate credit exposure and reduce potential credit losses. Concentrations within credit risk mitigations taken may occur if a number of securities or guarantors with similar economic characteristics are engaged in comparable activities with changes in economic or industry conditions affecting their ability to meet contractual obligations. We use a range of control including collateral concentration caps to monitor our credit risk mitigating activities. These also include monitoring of potential concentrations within collateral types while undertaking / approving the exposures in order to keep concentrations within acceptable levels.

CR3 – Credit risk mitigation techniques – overview

(SAR '000)

		a	b	c	d	e
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	102,080,065	-	2,403,512	447,560	-
2	Debt securities	20,546,752	-	-	-	-
3	Total	**122,626,817**	**-**	**2,403,512**	**447,560**	-
4	Of which defaulted	1,432,961	-	-	-	-

CRD – Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk

(a)	Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;
	In order to calculate the regulatory capital requirements under the standardized approach, external ratings from eligible ECAIs are used as per Internal Risk Rating Policy approved by the Board of Directors of the Bank. We use ratings available to the Bank from eligible ECAIs and there has not been any change in this respect over the reporting period.

(b)	The asset classes for which each ECAI or ECA is used;
	To calculate the regulatory capital requirements under the standardized approach, external ratings from eligible ECAIs are applied to all relevant exposure classes in the standardized approach. Nonetheless, our corporate counterparties are mostly not rated by eligible ECAIs.

(c)	A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book (see paragraphs 99–101 of the Basel framework);
	To determine the applicable risk weight Bank Albilad applies one assessment / rating (either issue or issuer) on the entire amount of credit risk exposure (i.e. both on principal and accrued profit) of a counterparty. Moreover, Basel guidelines for use of issue or issuer specific assessment are followed for determining the risk weight of the claim.

(d)	The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply).
	Credit rating is an essential part of the Bank's underwriting and credit process and builds the basis for determination of risk acceptance on a counterparty and at portfolio level, credit decision and transaction pricing as well the determination of credit risk economic capital. Our rating analysis is based on a combination of qualitative and quantitative factors. Banks all over the world use a master-scale as a means of classifying probabilities of default into grades for analytics and reporting purposes. Whilst free to derive their own master-scales to suit their unique needs, Banks should aim to satisfy certain requirements when constructing their master-scales including references for internal and external stakeholders to compare internal grades to common external benchmarks. Bank's 23-grade rating scale

CR4 – Standardised approach - Credit risk exposure and credit risk mitigation effects

(SAR '000)

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	20,243,587	-	20,243,587	-	1,215,453	6.00%
2	Non-central government public sector entities	-	-	-	-	-	0.00%
3	Multilateral development banks	-	-	-	-	-	0.00%
4	Banks	8,417,501	2,154,125	7,219,989	1,472,452	2,961,153	34.07%
	Of which: securities firms and other financial institutions	8,417,501	2,154,125	7,219,989	1,472,452	2,961,153	34.07%
5	Covered bonds	-	-	-	-	-	0.00%
6	Corporates	35,148,102	32,943,421	34,391,368	10,224,557	42,713,963	95.74%
	Of which: securities firms and other financial institutions	-	-	-	-	-	0.00%
	Of which: specialised lending	4,905,123	-	4,905,123	-	4,557,630	92.92%
7	Subordinated debt, equity and other capital	2,854,466	-	2,854,466	-	4,199,576	147.12%
8	Retail	13,564,134	2,613,905	13,226,303	551,662	10,349,934	75.12%
	MSMEs	478,357	1,251,910	144,545	397,977	406,891	75.00%
9	Real estate	58,051,849	-	57,492,854	-	34,660,013	60.29%
	Of which: general RRE	37,728,733	-	37,728,733	-	14,084,032	37.33%
	Of which: IPRRE	-	-	-	-	-	0.00%
	Of which: general CRE	6,375,562	-	6,009,070	-	5,973,170	99.40%
	Of which: IPCRE	5,144,117	-	5,144,117	-	4,039,732	78.53%
	Of which: land acquisition, development and construction	8,803,437	-	8,610,935	-	10,563,019	122.67%
10	Defaulted exposures	1,432,960	-	332,458	-	264,527	79.57%
11	Other assets	4,977,046	-	4,977,046	-	3,808,119	76.51%
12	Total	144,689,646	37,711,451	140,738,072	12,248,671	100,172,739	65%

CR5 – Standardized approach – exposures by asset classes and risk weights

(SAR '000)

	Asset classes/ Risk weight	0%	10%	15%	20%	25%	30%
1	Sovereigns and their central banks	17,867,194			1,451,175		
2	Non-central government public sector entities (PSEs)				-		
3	Multilateral development banks (MDBs)	-			-		-
4	Banks				5,429,676		1,556,478
	Of which: securities firms and other financial institutions				5,429,676		1,556,478
5	Covered bonds		-	-	-	-	
6	Corporates/including corporate SMEs				-		
	Of which: securities firms and other financial institutions				-		
	Of which: specialised lending				-		
7	Subordinated debt, equity and other capital						
8	Retail						
	MSME						
9	Real estate	-			2,623,553	2,124,297	9,081,538
	Of which: general RRE	-			2,623,553	2,124,297	9,081,538
	Of which: no loan splitting applied	-			2,623,553	2,124,297	9,081,538
	Of which: loan splitting applied (secured)				-		
	Of which: loan splitting applied (unsecured)	-			-		-
	Of which: IPRRE						-
	Of which: general CRE	-			-		-
	Of which: no loan splitting applied	-			-		-
	Of which: loan splitting applied (secured)						
	Of which: loan splitting applied (unsecured)	-			-		-
	Of which: IPCRE						
	Of which: land acquisition, development and construction						
10	Defaulted exposures						
11	Other assets	1,168,927			-		
12	Total	19,036,121	-	-	9,504,404	-	10,638,016

(SAR '000)

	Asset classes/ Risk weight	35%	40%	45%	50%	60%	65%	70%
1	Sovereigns and their central banks				-			
2	Non-central government public sector entities (PSEs)				-			
3	Multilateral development banks (MDBs)				-			
4	Banks		709,816		197,737			
	Of which: securities firms and other financial institutions		709,816		197,737			
5	Covered bonds				-			
6	Corporates/including corporate SMEs				1,222,305		-	
	Of which: securities firms and other financial institutions				-		-	
	Of which: specialised lending				-			
7	Subordinated debt, equity and other capital							
8	Retail			-				
	MSME			-				
9	Real estate		16,693,212		7,088,963	12,229	-	3,303,296
	Of which: general RRE		16,693,212		7,088,963		-	117,170
	Of which: no loan splitting applied		16,693,212		7,088,963		-	117,170
	Of which: loan splitting applied (secured)							
	Of which: loan splitting applied (unsecured)		-		-		-	
	Of which: IPRRE	-		-		12,229		
	Of which: general CRE		-		-	12,229	-	
	Of which: no loan splitting applied		-		-	-		
	Of which: loan splitting applied (secured)					-		
	Of which: loan splitting applied (unsecured)		-		-		-	
	Of which: IPCRE							3,186,126
	Of which: land acquisition, development and construction							
10	Defaulted exposures				233,393			
11	Other assets							
12	Total	-	17,403,028	--	8,742,398	12,229	-	3,303,296

(SAR '000)

	Asset classes/ Risk weight	75%	80%	85%	90%	100%	105%	110%
1	Sovereigns and their central banks					925,218		
2	Non-central government public sector entities (PSEs)					-		
3	Multilateral development banks (MDBs)			-		-		
4	Banks	91,007				208,731		
	Of which: securities firms and other financial institutions	91,007				208,731		
5	Covered bonds					-		
6	Corporates/including corporate SMEs	452,882	2,225,000	5,533,974		34,856,740		
	Of which: securities firms and other financial institutions	-		-		-		
	Of which: specialised lending	-	2,225,000			2,355,098		
7	Subordinated debt, equity and other capital					164,245		
8	Retail	13,712,122				65,843		
	MSME	542,522				-		
9	Real estate	-	-	206,719	-	10,496,767	-	-
	Of which: general RRE	-	-	-		-		
	Of which: no loan splitting applied	-		-		-		
	Of which: loan splitting applied (secured)							
	Of which: loan splitting applied (unsecured)	-		-		-		
	Of which: IPRRE	-					-	
	Of which: general CRE	-	-	206,719		5,790,122		
	Of which: no loan splitting applied			206,719		5,790,122		
	Of which: loan splitting applied (secured)							
	Of which: loan splitting applied (unsecured)	-	-			-		
	Of which: IPCRE				-	-		236,259
	Of which: land acquisition, development and construction					4,706,645		
10	Defaulted exposures					1,535		
11	Other assets					3,808,119		
12	Total	14,256,011	2,225,000	5,740,693	-	50,527,198	-	-

(SAR '000)

	Asset classes/ Risk weight	130%	150%	250%	400%	1250%	Others	Total credit exposures amount (post CCF and-CRM)
1	Sovereigns and their central banks		-				-	20,243,587
2	Non-central government public sector entities (PSEs)		-				-	-
3	Multilateral development banks (MDBs)		-				-	-
4	Banks		498,996				-	8,692,441
	Of which: securities firms and other financial institutions		498,996				-	8,692,441
5	Covered bonds						-	-
6	Corporates/including corporate SMEs	325,025	-				-	44,615,925
	Of which: securities firms and other financial institutions		-				-	-
	Of which: specialised lending	325,025	-				-	4,905,123
7	Subordinated debt, equity and other capital		2,690,221	-	-		-	2,854,466
8	Retail						-	13,777,965
	MSME						-	542,522
9	Real estate	-	3,904,289	-	-	-	-	57,492,854
	Of which: general RRE	-	-	-	-		-	37,728,733
	Of which: no loan splitting applied	-	-	-	-		-	37,728,733
	Of which: loan splitting applied (secured)						-	-
	Of which: loan splitting applied (unsecured)		-				-	-
	Of which: IPRRE		-				-	-
	Of which: general CRE		-				-	6,009,070
	Of which: no loan splitting applied						-	6,009,070
	Of which: loan splitting applied (secured)						-	-
	Of which: loan splitting applied (unsecured)		-				-	-
	Of which: IPCRE		-				-	5,144,117
	Of which: land acquisition, development and construction		3,904,289				-	8,610,935
10	Defaulted exposures		97,530				-	332,458
11	Other assets					-	-	4,977,046
12	Total	325,025	7,191,036	-	-	-	-	152,986,743

(SAR '000)

	Risk Weight	a	b	c
		On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF* Exposure (post-CCF and post-CRM)
1	Less than 40%	41,166,896	579,944	41,302,838
2	40–70%	31,032,371	608,583	29,460,951
3	75%	13,973,767	2,676,721	14,256,011
4	85%	7,532,970	4,452,291	7,965,693
5	90–100%	43,556,887	28,579,131	52,248,930
6	105–130%	561,284	-	561,284
7	150%	6,865,472	814,783	7,191,036
8	250%	-	-	-
9	400%	-	-	-
10	1250%	-	-	-
11	Total	144,689,646	37,711,451	152,986,743
	* Weighting is based on off-balance sheet exposure (pre-CCF).			

CCRA – Qualitative disclosure related to CCR

a	The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures;
	Bank Albilad has setup well defined limit management policy, procedure, control and approval matrix to monitor each customer limit , exposures at aggregated level all the bank products. Any significant movement is being managed with approved risk management policies and procedure.
b	Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs;
	Bank Albilad has set well defined collateral, guarantee management policies which clearly defined eligible collateral, guarantee and haircuts. Treasury / Derivatives products Exposures which are subject to initial / variation margin, collaterals are being monitored on daily basis against the daily MtM valuations.
c	Policies with respect to wrong-way risk exposures;
	Bank Albilad has defined internal customer rating grades, limit, collateral management policies. Counterparty ratings are being improved / downgraded based on the monitoring customer behavior and early default indicators. Wrong way risk is being avoided / mitigated by monitoring significant movement in the customer ratings by enforcing limit on customer defined exposure and enforce the monitoring of those customers risk.
d	The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade.
	Bank Albilad has defined collateral management policy and controls. The impact on collateral against credit rating downgrade of customer are being assessed managed thru approved risk management techniques. We have seen minimal impact on the collateral due to credit rating downgrade.

CCR1 – Analysis of CCR exposures by approach

(SAR '000)

		a	b	C	d	e	f
		Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	25,114	40,702		1.4	92,142	37,428
2	Internal Model Method (for derivatives and SFTs)			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5	Value-at-risk (VaR) for SFTs					-	-
6	**Total**						37,428

CCR3 – Standardized approach - CCR exposures by regulatory portfolio and risk weights

(SAR '000)

		a	b	c	d	e	f	g	h	i
Regulatory portfolio*↓	Risk weight*→	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns		-	-	-	-	-	-	-	-	-
Non-central government public sector entities		-	-	-	-	-	-	-	-	-
Multilateral development banks		-	-	-	-	-	-	-	-	-
Banks		-	-	-	38	-	3,729	2,286	80,107	86,161
Securities firms		-	-	-	-	-	-	-	-	-
Corporates		-	-	-	-	541	5,440	-	-	5,982
Regulatory retail portfolios		-	-	-	-	-	-	-	-	-
Other assets		-	-	-	-	-	-	-	-	-
Total		-	-	-	38	541	9,170	2,286	80,107	92,142

CCR5 – Composition of collateral for CCR exposure

(SAR '000)

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash - domestic currency	-	23,550	-	-	-	-
Cash - other currencies	9,547	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	9,547	23,550	-	-	-	-

MRA – General qualitative disclosure requirements related to market risk

a) **Strategies and processes of the bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges :**

For the purpose of profit rate risk management, the market risk at Bank Albilad measures yield curve risk, which expresses the losses if profit margin rates changed for various terms and different currencies. The Board of Directors has approved the limits for the Profit Rate risk for the Bank to be in line with the strategic risk exposure and risk appetite targets as per bank's market risk and liquidity risk policies. In addition, the Asset & Liability Committee regularly monitors and discusses issues for profit rate risk within scope of market risk.

Model validation is made regularly for the new and current models. This is done to ensure that no changes have been made to the product or have taken place in the market which may have an impact on the model accuracy. In addition, continuous procedures have been established to control and validate the market prices used to value and calculate risk.

The limits are established for the trading and banking book of the business unit and these are monitored regularly, and sufficient procedures have been established to ensure any breaches of the limit is addressed by the business unit on timely basis.

The Bank has established stress test scenarios-based rate shock prescribed under the PRRBB guidelines. The impact of the rate shock stress scenarios for EVE and NII will be monitored against the limit.

Bank Albilad undertakes various initiatives to manage profit rate risk and mitigate to certain extent.

- Concentration of tenor limits
- Allocation of Core and Non-Core Deposits will mitigate and provide natural hedging against profit rate risk
- The Bank has issued Tier 2 sukuk to generate long term funding
- Hedging Strategy

b) **Structure and organization of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management:**

The Board of Directors has approved the limits for the Profit Rate risk for the Bank to be in line with the strategic risk exposure and risk appetite targets as per bank's market risk and liquidity risk policies. In addition, the Asset & Liability Committee regularly monitors and discusses issues for profit rate risk within scope of market risk.

Bank Albilad uses both conventional risk measures and advance risk models for measuring risk market and liquidity risk, such as Liquidity Mismatches, Major Depositors Concentration Limits, Finance to Deposit Ratio, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), Profit rate risk, Periodic and Cumulative Gaps and Economic Value at Risk to measure its market risk and liquidity risk exposures and they are reported to:

- Board of Directors and senior management.
- SAMA; and
- Business units.

c) Scope and nature of risk reporting and/or measurement systems:

The Board of Directors, the Asset/ Liability Committee, the Business, and risk management stakeholders are updated regularly about the Bank's market risks and material events in this area. This reporting includes follow-up on both risks within the individual categories of market risks and the overall risk measures in the form of Profit Rate Risk. Similarly, risk reporting has been established for the business units authorized to take market risks.

Bank Albilad's Value-at-Risk model is currently used for the Pillar II calculation. Value-at-Risk is a statistical measure of the maximum loss that the Bank may incur on its portfolios over a certain period at a certain confidence level. Value-at-Risk is a risk measure that quantifies potential losses under normal market conditions.

A major advantage of using the Value at Risk is that it provides a combined figure for all risk types, which facilitate the monitoring, and control of market risks. In addition, it considers the market factors volatilities and correlations.

Bank Albilad conducts stress tests and scenario analyses to measure its risk of loss under unusual market conditions. Stress tests estimate Bank Albilad's losses if positions are exposed to six rate shocks scenarios as prescribed in Basel PRRBB guidelines.

In addition to standard stress tests, calculations are made for several scenarios which are typically defined based on historic events that caused crises in the financial markets. However, current, or future events expected to have an effect on the financial markets may also be used as input when defining the stress test scenarios. These scenarios are revised and changed regularly to reflect changes in Bank Albilad's risk profile and economic events. The analyses are made on the basis of the stress testing recommended by the Basel Committee.

MR1 – Market risk under standardized approach

(SAR '000)

		a
		Capital requirement in standardised approach
1	General interest rate risk	-
2	Equity risk	91,182
3	Commodity risk	-
4	Foreign exchange risk	69,412
5	Credit spread risk – non-securitisations	-
6	Credit spread risk – securitisations (non-correlation trading portfolio)	-
7	Credit spread risk – securitisation (correlation trading portfolio)	-
8	Default risk – non-securitisations	-
9	Default risk – securitisations (non-correlation trading portfolio)	-
10	Default risk – securitisations (correlation trading portfolio)	-
11	Residual risk add-on	-
12	Total	160,595

General qualitative disclosure requirements related to CVA

CVAA – General qualitative disclosure requirements related to CVA

(a)	An explanation and/or a description of the bank's processes implemented to identify, measure, monitor and control the bank's CVA risks, including policies for hedging CVA risk and the processes for monitoring the continuing effectiveness of hedges.
	Bank Albilad CVA loss is minimal and it is managed thru SA-CCR / BA-CVA methodologies.
(b)	Whether the bank is eligible and has chosen to set its capital requirement for CVA at 100% of the bank's capital requirement for counterparty credit risk as applicable under SMAR14.
	Bank Albilad is eligible to set its capital requirement for CVA as 100% of SA-CCR Capital charge. and Bank has applied Reduced BA-CVA approach for CVA capital charge.

CVA1 – The reduced basic approach for CVA (BA-CVA)

(SAR '000)

		a	b
		Components	BA-CVA RWA
1	Aggregation of systematic components of CVA risk	6,440	
2	Aggregation of idiosyncratic components of CVA risk	6,871	
3	**Total**		76,515

CVA2 – The reduced basic approach for CVA (BA-CVA)

(SAR '000)

		a
		BA-CVA RWA
1	K Reduced	76,515
2	K Hedged	-
3	**Total**	76,515

CVA4 – RWA flow statements of CVA risk exposures under SA-CVA

(SAR '000)

		a
1	Total RWA for CVA at previous quarter-end	-
2	Total RWA for CVA at end of reporting period	76,515

Profit Rate Risk in The Banking Book

PRRBBA – PRRBB risk management objective and policies

Qualitative disclosure

a) A description of the bank defines PRRBB for purposes of risk control and measurement.

Profit Rate Risk in the banking book is defined as the impact on the bank's asset and liability exposures due to changes in profit rates. For the purpose of profit rate risk management, the ERM & Market Risk at Bank Albilad measures yield curve risk, which expresses the losses if profit rates changed for various terms and different currencies. The limit has been established for EVE over Tier 1 Capital Charge and using repricing gap.

b) A description of the bank's overall PRRBB management and mitigation strategies.

The strategies and processes to manage, hedge and mitigate risks.

Managing risk is a process operated independently of the business units of Bank Albilad. It aims to promote a strong risk management culture through a comprehensive set of processes that are designed to effectively identify, measure, monitor and control risk exposures. The Board of Directors and senior management are involved in the establishment of all risk processes and the periodic oversight and guidance of the risk management function. The processes are subject to additional scrutiny by independent Shariah Board as well as internal and external auditors, and the Bank's regulators, which help further strengthen the risk management practices.

Profit Rate Risk

Profit Rate Risk in the banking book is defined as the impact of the Bank's asset and liability exposures to changes in profit rates. It arises principally from mismatches between the future re-investment rate and their funding costs, as a result of changes in profit rates.

For the purpose of profit rate risk management, the ERM & Market Risk at Bank Albilad measures the following risks:

- Repricing gap risk which measures the risk arising from the timing differences in the maturity and repricing of instruments' rate changes
- Yield curve risk which expresses the losses if profit margin rates changed for various terms and different currencies.
- Basis risk which covers the impact of relative changes in profit rates for financial instruments that have similar tenors but are priced using different profit rate indices.
- Option risk that arises from option derivative positions or from optional elements embedded in the on- and off-balance sheet positions, where a bank or its customer can alter the level and timing of their cash flows.

Strategies of Market Risk

The Board of Directors has approved the limits for the Profit Rate risk for the Bank to be in line with the strategic risk exposure and risk appetite targets as per bank's market risk and liquidity risk policies. In addition, the Asset & Liability Committee regularly monitors and discusses issues for profit rate risk within scope of market risk.

Model validation is made regularly for the new and current models. This is done to ensure that no changes have been made to the product or have taken place in the market which may have an impact on the model accuracy. In addition, continuous procedures have been established to control and validate the market prices used to value and calculate risk. Based on the PRRBB guideline, the Bank are adapting the Basel approaches determining the prepayment rate for loans, early redemption rate for term deposits and core non-core portion analysis for non-maturing deposits (NMD).

The limits are established for the trading and banking book of the business unit, and these are monitored regularly and sufficient procedures have been established to ensure any breaches of the limit is addressed by the business unit on timely basis.

The Board of Directors, the Asset/ Liability Committee, the Business and risk management stakeholders are updated regularly about the Bank's market risks and material events in this area. This reporting includes follow-up on both risks within the individual categories of market risks and the overall risk measures in the form of Profit Rate Risk. Similarly, risk reporting has been established for the business units authorized to take market risks.

The Bank has established stress test scenarios-based rate shock prescribed under the PRRBB guidelines. The impact of the rate shock stress scenarios for EVE and NII is being monitored against the limit.

c) The periodicity of the calculation of the bank's PRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to PRRBB.

The Bank calculates PRRBB on quarterly basis and reported to senior management, stakeholders before submission to SAMA. The Bank's PRRBB measure include the impact of rate shock on EVE and Net Profit Income based on the PRRBB guideline.

d) A description of the profit rate shock and stress scenarios that the bank uses to estimate changes in the economic value and in earnings.

As per the PRRBB guidelines by SAMA (in line with BCBS 368) the Bank uses following 6 rate shock scenarios described in the Basel document to estimate impact on EVE:

- Parallel Shock Up
- Parallel Shock Down
- Steepner
- Flattener
- Short rate Shock up
- Short rate Shock Down

The Bank uses following parallel shock scenarios to estimate impact on NII in line with SAMA guidelines and BCBS 368:

- Parallel Shock Up
- Parallel Shock Down

e) Significant modelling assumptions used in the bank's internal measurement systems (IMS)

The Profit Rate Risk in the Banking Book (PRRBB) Capital Charge under Pillar 2 is arrived at considering historical simulation of Economic Value at Risk approach which uses a 15 day holding period and computes the 99% Confidence Interval worst case change based on historical profit rate movements. All future cash flows representing earnings or payments from the point of view of the Bank are segregated into time period buckets by constructing a residual maturity / re-pricing schedule. For each change in historical profit rate curve, the impact on Economic value of the asset, liabilities and off-balance sheet items are computed.

f) A high-level description of how the bank hedges its PRRBB, as well as the associated accounting treatment.

Bank Albilad undertakes various initiatives to manage profit rate risk and mitigate to certain extent.

i. Concentration of tenor Limits where tenor limitation is introduced to comply with internal NSFR guidelines and to restrict booking of long term assets which can result in profit rate risk.

ii. Short Term Placement and Floating Assets where the Bank book corporate assets are either majority short term or floating if they are for long term.

iii. Allocation of Core and Non-Core Deposits will mitigate and provide natural hedging against profit rate risk. If they are more than fixed rate assets and financing, resulting in increased profit in increasing profit rate environment. NIB deposit is further scrutinized for its stickiness by conducting historical cohort wise analysis.

iv. Albilad Account (Saving Product) which also provides natural hedge as only certain percentage of income is shared with customers and Bank's margin remain intact.

v. Time Deposit where tenor of deposit can be increased or shortened depending upon economic cycles and liquidity situation.

vi. The Bank has issued Tier 2 sukuk to generate long term funding and to mitigate profit rate risk.

vii. Apart from the regular course of banking activities where the Bank issues floating loans and deposits of appropriate tenors, the Bank can make use of the following derivative instruments for hedging its balance sheet positions:

- Receive Fixed-Pay Floating Profit Rate Swaps: The Bank receives a fixed rate and pays a variable rate (e.g. SAIBOR/SOFR) and can be done in conjunction with a fixed rate loan to achieve a synthetic rate equal to the floating index plus a fixed spread between the coupon and the swap rate.
- Receive Floating-Pay Fixed Profit Rate Swaps: The Bank receives a variable rate (e.g. SAIBOR/SOFR) and pays a fixed rate and can be done in conjunction with a fixed rate deposit to achieve a synthetic cost of funds equal to the floating index plus a fixed spread between the deposit rate and the swap rate.

g) A high-level description of key modelling and parametric assumptions used in calculating rEVE and rNII in table PRRBB1

The PRRBB is quantified as change in Economic value of the asset / liability relative to the changes in profit rates in the market. Similarly, Net Interest Income is calculated as the change in the market value of the profit margin component due to changes in the profit rates.

All future cash flows represent earnings or payments from the point of view of the bank. These cash flows are segregated into time period buckets by constructing a residual maturity / re-pricing schedule. For NMD, the Bank is segregating the core, non-core portion based on historical analysis subject to the caps prescribed by the regulation.

The assumptions used to build re-pricing gap statement of assets and liabilities are as follows:

- Rate Sensitive Assets (RSA) comprise of all the investments made by BAB, viz. Balances with SAMA, Musharaka Finance, Sukuk Investment, Ijarah, Bei Ajel, Personal Financing, Auto and real estate, Interbank Murabaha, Interbank Bei Ajel, SAMA Structured Deals & Murabaha – CDI.
- Rate Sensitive Liabilities (RSL) consist of time deposits and Non-Maturing Deposits (Current and Savings Accounts) core and non-core slotting based on historical analysis subject to the caps prescribed by the regulation.
- Prepayment and early redemption rate derived based on historical behavioral analysis is applied on loan and term deposit cashflows.
- Considering both principal and interest cash flows while building the repricing statement.

The assumptions to compute EVE and NII are as follows:

- Simulation of NII accruals for a 12-month horizon assuming a constant balance sheet for the base and parallel shocked term structures to arrive at NII sensitivities.
- Discounting of the run-off balance sheet cash flows for all on- and off-balance sheet items for the base as well as the six shock scenarios to arrive at EVE sensitivities.

Quantitative disclosures

1) Average repricing maturity assigned to NMDs.

The average maturity assigned to total NMDs (core and non-core portion) is 2.76 years, while the core portion of NMDs is assigned an average maturity of 4.03 years.

2) Longest repricing maturity assigned to NMDs.

The longest re-pricing maturity assigned to NMDs is 10 years.

PRRBB1 – Quantitative information on PRRBB

(SAR '000)

In reporting currency	ΔEVE		ΔNII	
Period	Dec 2023	Dec 2022	Dec 2023	Dec 2022
Parallel up	2,218,014	1,725,299	74,951	29,659
Parallel down	(3,442,484)	(1,814,307)	112,421	44,488
Steepener	853,431	1,215,209		
Flattener	(899,614)	(711,913)		
Short rate up	431,857	183,576		
Short rate down	(1,059,100)	265,461		
Maximum	**2,218,014**	**1,725,299**	**112,421**	**44,488**
Period	Dec 2023		Dec 2022	
Tier 1 capital	15,281,887		13,446,502	

ORA - Operational Risk Qualitative disclosure

Operational risk:

As the Basel Committee defines it, as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk

Management of Operational risk

Objectives including:

- Supporting the Bank's objectives.
- Identifying and assessing the operational risk of new products as well as current products, activities, and systems.
- The total independence and continuity of assessment of procedures, controls monitoring, and Its effectiveness.
- Limiting operational losses and solving the root cause behind occurrence of incidents
- Collecting loss data, handling loss recovery in coordination with related parties and to analyze root cause behind occurrence for future mitigation.
- Developing Key Risk Indicators for all the Bank functions
- To provide the employees training programs that increase awareness of operational risk, thereby increasing their effectiveness of control elements and identifying existing gaps.

The Bank is also keen to implement the operational risk governance mechanism through the supervision done by the Board of Directors and Senior Management.

To implement the Bank's operational risk management strategy, a several of methods have been adopted to identify, assess, rectify, and monitor the Bank's various activities as follows:

- Risk Self-Assessment:

Bank Albilad has applied the risk self-assessment governance policy and control elements to identify risks arising from the Bank's products, activities, and operations. Following risk identification, control elements are tested to identify the effectiveness of these elements in mitigating operational risk. The overall assessment of risk and control elements is compared to pre-defined criteria associated with the risk level and boundaries that are acceptable for achieving the targeted returns. Afterwards, the most suitable procedures are taken for enhancing the control environment.

- Determining and Analyzing Operational Losses

The database of losses collection and related reports are to enhance the risk self-assessment process and control elements enhancement for achieving better results. Albilad's system for operational loss data management enables the Bank to collect and analyze data and incidents related to these losses – whether they're actual losses, potential losses, or near-miss. Risks and control gaps responsible for loss-related incidents are identified. Recommendations for enhancing the associated control elements are presented to mitigate these identified risks and to raise loss exposure to the management-in-charge to help reducing the financial consequences as much as possible.

- Key Risk Indicators

Albilad has adopted a methodology for identifying and analyzing key risk indicators. This helps in identifying the level of risk related to a certain activity or role. Assessment and control are applied throughout the duration of the risk management strategies concerning a specific activity. In addition, breaches that have been identified and rectified.

- Operational Risk reporting

The Operational Risk Management methods are directly related to the periodic reporting system that aims to inform all departments and divisions with their operational risk profile related to their specific activities with identifying the risky activities that should be mitigated with enhancing their enclosed controls effectiveness to be mitigated.

The periodic operational risk reporting is also supporting the Senior Management's prospective on decision-making process related to the Bank's corporate activities and objectives.

OR1- Historical losses

	a	b	c	d	e	f
	T	T–1	T–2	T–3	T–4	T–5
Using 44,600 SAR threshold						
Total amount of operational losses net of recoveries (no exclusions)	17,197	7,687	15,240	14,794	1,930	9,748
Total number of operational risk losses	113	170	92	181	173	217
Total amount of excluded operational risk losses	-	-	-	-	-	-
Total number of exclusions	-	-	-	-	-	-
Total amount of operational losses net of recoveries and net of excluded losses	17,197	7,687	15,240	14,794	1,930	9,748
Using 446,000 SAR threshold						
Total amount of operational losses net of recoveries (no exclusions)	-	-	-	-	-	-
Total number of operational risk losses	-	-	-	-	-	-
Total amount of excluded operational risk losses	-	-	-	-	-	-
Total number of exclusions	-	-	-	-	-	-
Total amount of operational losses net of recoveries and net of excluded losses	-	-	-	-	-	-
Details of operational risk capital calculation						
Are losses used to calculate the ILM (yes/no)?	no	no	no	no	no	no
If "no" in row 11, is the exclusion of internal loss data due to non-compliance with the minimum loss data standards (yes/no)?	no	no	no	no	no	no
Loss event threshold: €20,000 or €100,000 for the operational risk capital calculation if applicable	44,600	44,600	44,600	44,600	44,600	44,600

	g	h	i	j	k
	T–6	T–7	T–8	T–9	Ten-year average
Using 44,600 SAR threshold					
Total amount of operational losses net of recoveries (no exclusions)	5,082	6,340	1,766	2,841	8,263
Total number of operational risk losses	275	376	227	215	204
Total amount of excluded operational risk losses	-	-	-	-	-
Total number of exclusions	-	-	-	-	-
Total amount of operational losses net of recoveries and net of excluded losses	5,082	6,340	1,766	2,841	8,263
Using 446,000 SAR threshold					
Total amount of operational losses net of recoveries (no exclusions)	-	-	-	-	-
Total number of operational risk losses	-	-	-	-	-
Total amount of excluded operational risk losses	-	-	-	-	-
Total number of exclusions	-	-	-	-	-
Total amount of operational losses net of recoveries and net of excluded losses	-	-	-	-	-
Details of operational risk capital calculation					
Are losses used to calculate the ILM (yes/no)?	no	no	no	no	no
If "no" in row 11, is the exclusion of internal loss data due to non-compliance with the minimum loss data standards (yes/no)?	no	no	no	no	no
Loss event threshold: €20,000 or €100,000 for the operational risk capital calculation if applicable	44,600	44,600	44,600	44,600	44,600

OR2 - Business indicator and subcomponents

(SAR '000)

#	BI and its subcomponents	a	b	c
		T	T–1	T–2
1	Interest, lease and dividend component	2,371,274		
1a	Interest and lease income	4,971,547	3,761,250	3,562,121
1b	Interest and lease expense	1,084,879	271,756	333,936
1c	Interest earning assets	118,141,757	104,004,591	88,975,257
1d	Dividend income	63,346	34,775	15,465
2	Services component	1,651,525		
2a	Fee and commission income	1,092,757	1,097,155	949,832
2b	Fee and commission expense	423,959	365,845	322,438
2c	Other operating income	543,593	357,185	391,002
2d	Other operating expense	550,651	569,669	694,511
3	Financial component	21,411		
3a	Net P&L on the trading book	-	-	-
3b	Net P&L on the banking book	29,028	(28,815)	(64,447)
4	BI	4,044,210		
5	Business indicator component (BIC)	485,305		

Disclosure on the BI:

		a
6a	BI gross of excluded divested activities	4,044,210
6b	Reduction in BI due to excluded divested activities	-

OR3- Minimum required operational risk capital

(SAR '000)

		a
1	Business indicator component (BIC)	485,305
2	Internal loss multiplier (ILM)	1
3	Minimum required operational risk capital (ORC)	485,305
4	Operational risk RWA	6,066,316

REMA – Remuneration policy

Qualitative disclosures

Employees Compensation and Benefits:

Bank Albilad has developed a Compensation Policy based on the 'Rules on Compensation Practices' issued by SAMA as well as the guidelines provided by the Financial Stability Board and the Basel Committee on Banking Supervision in this respect.

The Compensation Policy has been approved by the Board of Directors (BOD). The BOD have also established a Nominations and Remuneration Committee, comprising of five members, the Chairman and two members of the Committee are independent to oversee the implementation of the Policy.

The mandate of the Committee is to oversee the compensation system design and operation, prepare and periodically review the Compensation Policy and evaluate its effectiveness in line with the industry practice.

Policy objectives

The policy sets guidelines for determination of both fixed and variable compensation to be paid to the employees of the Group. The scope of the Policy includes all compensation elements, approval and reporting process, stock options, bonus and its deferral, etc.

The objective of the Policy is to ensure that the compensation is governed by the financial performance evaluation and is linked to the various risks associated, at an overall level. Key staff members of the Bank are eligible to variable compensation which is derived from Risk Adjusted Net Income of the Bank which accounts for significant existing and potential risks in order to protect the Bank's Capital Adequacy and to mitigate the risk of potential future losses.

Compensation structure

The compensation structure of the Bank is based on appropriate industry benchmarking and includes both fixed and variable components. The variable component is designed to ensure key employee retention and is based on three-year vesting period

a. Fix components:

Provide a competitive salaries or wage according to annual market alignment. Including (Basic, Housing, Transportation and Fix allowance) which is written in the employee's contract.

b. Variable components:

Considering the risk associated with the Bank's performance & individual performance appraisal, all these factors are assessed on periodical basis and the results are shared with the stakeholders based on which the incentive is announced at the close of each accounting period. Including (LTIP or the Stoke Options & STIP as Incentives scheme, Annual Bonus and Annual tickets allowance).

Risk Assessment

All employees engaged in martial risk undertaking or responsible person or Risk controller or Risk monitor employees will be subjected to bonus deferral as detailed below:

<table>
<tr><th></th><th>Definition</th><th>Deferral</th><th>Deferral %</th><th>Deferral Type</th><th>Vesting Period</th></tr>
<tr><td>Tier 1</td><td>Responsible Person / High Material Risk Takers / Controller</td><td>Yes</td><td>30%</td><td>Equity</td><td rowspan="2">25% First Year
25% Second Year
50% Third Year</td></tr>
<tr><td>Tier 2</td><td>Significant Material Risk Takers / Controller</td><td>Yes</td><td>20%</td><td>Equity</td></tr>
<tr><td>Tier 3</td><td rowspan="2">No Significant Material Risk Undertaking or Controlling</td><td>No</td><td>0%</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Tier 4</td><td>No</td><td>0%</td><td>N/A</td><td>N/A</td></tr>
</table>

Performance Management System

Includes all permanent employees who have been hired before fourth quarter of the year and the performance is measured by two key factors: technical objectives and behavioral competencies.

Performance of Sales employees is measured by way of a balance score card methodology taking into consideration, financial, customer, process and people factor with appropriate weightage to each factor based on the respective assignments.

REM1 – Remuneration awarded during the financial year

(SAR'000)

	Remuneration amount		a	b
			Senior management	Other material risk-takers
1	Fixed remuneration	Number of employees	23	335
2		Total fixed remuneration (3 + 5 + 7)	41,078	119,999
3		Of which: cash-based	41,078	119,999
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable remuneration	Number of employees	23	335
10		Total variable remuneration (11 + 13 + 15)	59,775	42,373
11		Of which: cash-based	35,211	39,198
12		Of which: deferred	-	-
13		Of which: shares or other share-linked instruments	24,564	3,175
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	Total remuneration (2 + 10)		100,852	162,372

REM2 – Special payments

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	-	-	-	-	-	-
Other material risk-takers	-	-	-	-	-	-

REM3 – Deferred remuneration

(SAR'000)

	a	b	c	d	e
Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	-	-	-	-	-
Cash	-	-	-	-	-
Shares	37,859	-	-	-	24,564
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Other material risktakers	-	-	-	-	-
Cash	-	-	-	-	-
Shares	8,459	-	-	-	1,325
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Total	46,318	-	-	-	25,889

End of Report