



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022



**Ernst & Young Professional Services
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million five hundred thousand Saudi Riyal)
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**Independent auditors' review report on the
interim condensed consolidated financial statements**

To: The shareholders of Bank Albilad
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Bank Albilad (“the Bank”) and its subsidiaries (collectively referred to as “the Group”) as at 30 September 2022, and the related interim consolidated statements of income and comprehensive income for the three months and nine months periods then ended and the interim consolidated statements of changes in equity and cash flows for the nine months period then ended and other explanatory notes (collectively referred to as “the interim condensed consolidated financial statements”). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard (“IAS 34”) *Interim Financial Reporting* as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410: *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other regulatory matters

As required by the Saudi Central Bank (“SAMA”), certain capital adequacy information has been disclosed in note 15 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 15 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

For Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License Number 437



5 Rabi Al-Thani 1444H
(30 October 2022)

For PricewaterhouseCoopers

Mutaddai A. Ali
Certified Public Accountant
License Number 447



BANK ALBILAD

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT**

		September 30, 2022	December 31, 2021	September 30, 2021
	<u>Note</u>	SAR'000 (Unaudited)	SAR'000 (Audited)	SAR'000 (Unaudited)
ASSETS				
Cash and balances with Saudi central bank		7,889,059	6,096,644	6,532,413
Due from banks and other financial institutions, net		4,859,220	2,136,853	3,057,459
Investments, net	5	19,050,402	17,092,232	17,343,336
Financing, net	6	92,288,118	82,933,314	81,798,530
Property, equipment and right of use assets, net		2,052,024	1,925,481	1,875,585
Other assets		881,325	669,180	998,966
Total assets		<u>127,020,148</u>	<u>110,853,704</u>	<u>111,606,289</u>
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, Saudi central bank and other financial institutions		10,434,710	8,777,227	7,923,475
Customers' deposits	7	93,886,174	81,110,494	82,345,657
Sukuk	8	3,029,683	3,015,411	3,015,675
Other liabilities		6,634,903	5,970,482	6,453,887
Total liabilities		<u>113,985,470</u>	<u>98,873,614</u>	<u>99,738,694</u>
Equity				
Share capital	13	10,000,000	7,500,000	7,500,000
Treasury shares		(53,005)	(61,953)	(61,953)
Statutory reserve		1,069,698	1,069,698	648,065
Other reserves		(62,179)	439,816	749,178
Retained earnings		2,071,391	522,058	3,024,009
Proposed issuance of bonus shares	13	-	2,500,000	-
Employees' share plan reserve		8,773	10,471	8,296
Total equity		<u>13,034,678</u>	<u>11,980,090</u>	<u>11,867,595</u>
Total liabilities and equity		<u>127,020,148</u>	<u>110,853,704</u>	<u>111,606,289</u>

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	<u>Note</u>	<u>For the three months</u> <u>period ended</u>		<u>For the nine months</u> <u>period ended</u>	
		<u>September</u> <u>30, 2022</u> <u>SAR'000</u>	<u>September</u> <u>30, 2021</u> <u>SAR'000</u>	<u>September</u> <u>30, 2022</u> <u>SAR'000</u>	<u>September</u> <u>30, 2021</u> <u>SAR'000</u>
INCOME					
Income from investing and financing assets		1,310,477	963,362	3,490,570	2,785,757
Return on deposits and financial liabilities		(307,100)	(76,610)	(586,073)	(197,753)
Income from investing and financing assets, net		1,003,377	886,752	2,904,497	2,588,004
Fee and commission income, net		148,073	178,915	484,673	573,041
Exchange income, net		99,151	80,003	277,804	227,118
Dividend income		11,601	13,914	53,181	22,396
Gains on FVSI investment, net		5,980	2,042	42,079	3
Other operating income		57,310	12,845	80,530	26,574
Total operating income		1,325,492	1,174,471	3,842,764	3,437,136
EXPENSES					
Salaries and employee related expenses		311,125	295,721	909,597	886,291
Depreciation and amortization		76,626	69,341	216,736	206,108
Other general and administrative expenses		202,953	165,568	585,408	493,333
Operating expenses before expected credit losses		590,704	530,630	1,711,741	1,585,732
Impairment charge for expected credit losses, net		132,060	142,499	412,023	448,344
Total operating expenses		722,764	673,129	2,123,764	2,034,076
Net income for the period before zakat		602,728	501,342	1,719,000	1,403,060
Zakat for the period		62,081	51,638	177,057	144,515
Net income for the period after zakat		540,647	449,704	1,541,943	1,258,545
Basic and diluted earnings per share (SAR)	14	0.54	0.45	1.55	1.26

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	<u>For the three months</u> <u>period ended</u>		<u>For the nine months</u> <u>period ended</u>	
	<u>September</u> <u>30, 2022</u> <u>SAR'000</u>	<u>September</u> <u>30, 2021</u> <u>SAR'000</u>	<u>September</u> <u>30, 2022</u> <u>SAR'000</u>	<u>September</u> <u>30, 2021</u> <u>SAR'000</u>
Net income for the period after zakat	540,647	449,704	1,541,943	1,258,545
Other comprehensive income/(loss):				
Items that will not be reclassified to interim consolidated statement of income in subsequent periods				
- Net changes in fair value of FVOCI (equity instruments)	47,162	9,878	20,054	76,644
- Re-measurement of employees' End of Service Benefits ("EOSB")	-	-	(449)	297
Items that may be reclassified to interim consolidated statement of income in subsequent periods				
- Net changes in fair value of FVOCI (debt instruments)	(162,483)	(10,712)	(514,210)	(215,313)
Total other comprehensive loss	(115,321)	(834)	(494,605)	(138,372)
Total comprehensive income for the period	425,326	448,870	1,047,338	1,120,173

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

	2022 (SAR' 000)							Total equity
	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Proposed issuance of bonus shares	Employees' share plan reserve	
Balance at the beginning of the period	7,500,000	(61,953)	1,069,698	439,816	522,058	2,500,000	10,471	11,980,090
Net changes in fair value of FVOCI (equity instruments)				20,054				20,054
Re-measurement of employees "End of Service Benefits ("EOSB")"				(449)				(449)
Net changes in fair value of FVOCI (debt instruments)				(514,210)				(514,210)
Total other comprehensive loss				(494,605)				(494,605)
Net income for the period after zakat					1,541,943			1,541,943
Total comprehensive income for the period				(494,605)	1,541,943			1,047,338
Realized gain from sale of FVOCI (equity instruments)				(7,390)	7,390			-
Allocation of shares during the period		8,948					(8,948)	-
Employees' share plan reserve							7,250	7,250
Issuance of bonus shares	2,500,000					(2,500,000)		-
Balance at the end of the period	10,000,000	(53,005)	1,069,698	(62,179)	2,071,391	-	8,773	13,034,678

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

	2021 (SAR' 000)						Total equity
	Share capital	Treasury shares	Statutory Reserve	Other reserves	Retained earnings	Employees' share plan reserve	
Balance at the beginning of the period	7,500,000	(70,527)	648,065	897,063	1,755,951	10,345	10,740,897
Net changes in fair value of FVOCI (equity instruments)				76,644			76,644
Re-measurement of employees "End of Service Benefits ("EOSB")				297			297
Net changes in fair value of FVOCI (debt instruments)				(215,313)			(215,313)
Total other comprehensive loss				(138,372)			(138,372)
Net income for the period after zakat					1,258,545		1,258,545
Total comprehensive income for the period				(138,372)	1,258,545		1,120,173
Realized gain from sale of FVOCI (equity instruments)				(9,513)	9,513		-
Allocation of shares during the period		8,574				(8,574)	-
Employees' share plan reserve						6,525	6,525
Balance at the end of the period	7,500,000	(61,953)	648,065	749,178	3,024,009	8,296	11,867,595

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022 AND 2021**

	Note	2022 SAR' 000	2021 SAR' 000
OPERATING ACTIVITIES			
Net income before zakat for the period		1,719,000	1,403,060
Adjustments to reconcile net income to net cash generated from operating activities:			
Profit on sukuk		82,605	61,951
Gains on FVSI financial instruments, net		(42,079)	(3)
Gains on disposal of property and equipment, net		(17)	(205)
Depreciation and amortization		216,736	206,108
Impairment charge for expected credit losses, net		412,023	448,344
Employees' share plan reserve		7,250	6,525
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi central bank		(216,297)	(661,266)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(455,108)	943,370
Bai Alajel with Saudi central bank maturing after ninety days from the date of acquisition		(1,013,899)	(298,928)
Financing, net		(9,746,867)	(12,136,085)
Other assets		(212,145)	(64,214)
Net increase in operating liabilities:			
Due to banks, Saudi central bank and other financial institutions		1,657,483	2,520,545
Customers' deposits		12,775,680	10,792,768
Other liabilities		458,827	266,430
Net cash generated from operating activities		5,643,192	3,488,400
INVESTING ACTIVITIES			
Proceeds/(purchase) of investments held as FVOCI		27,979	(126,856)
(Purchase)/proceeds of investments held as FVSI		(119,089)	104,669
Purchase of investments held as amortized cost		(1,625,230)	(2,573,046)
Purchase of property and equipment		(217,100)	(94,084)
Net cash used in investing activities		(1,933,440)	(2,689,317)
FINANCING ACTIVITIES			
Distributed sukuk profit		(68,333)	(51,152)
Sukuk issuance	8	-	2,061,000
Sukuk called back	8	-	(1,061,000)
Payment of lease liabilities		(98,074)	(100,768)
Net cash (used in)/from financing activities		(166,407)	848,080
Net increase in cash and cash equivalents		3,543,345	1,647,163
Cash and cash equivalents at the beginning of the period		3,470,061	2,906,729
Cash and cash equivalents at the end of the period	10	7,013,406	4,553,892
Supplemental information			
Income received from investing and financing assets during the period		3,318,866	2,906,479
Return paid on deposits and financial liabilities during the period		456,149	169,259
Exchange of sukuk	8	-	939,000

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

1. GENERAL

a) Incorporation and operation

Bank Albilad (“the Bank”), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, was formed and licensed pursuant to Royal Decree No. M/48 dated Ramadan 21, 1425H (corresponding to November 4, 2004) in accordance with the Counsel of Ministers’ resolution no. 258 dated Ramadan 18, 1425H (corresponding to November 1, 2004). The Bank operates under Commercial Registration No.1010208295 dated Rabi Al Awal 10, 1426H (corresponding to April 19, 2005) and the Bank provides these services through 109 banking branches (September 30, 2021: 106) in the Kingdom of Saudi Arabia.

The registered address of the Bank's head office is as follows:

Bank Albilad
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia

On Muharram 13, 1444H (corresponding to August 11, 2022) the bank incorporated its subsidiary Enjaz Payment Services Company (“the company”), a closed joint stock company. The Company is owned 100% by the bank. The Company is licensed by the Saudi Central Bank as a Major Electronic Money Institution (EMI).

These interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, “Albilad Investment Company”, “Albilad Real Estate Company” and “Enjaz Payment Services Company” (collectively referred to as “the Group”). Albilad Investment Company, Albilad Real Estate Company and Enjaz Payment Services Company are 100% owned by the Bank. All subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The Group’s objective is to provide full range of banking services and conduct financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in compliance with the Shariah Committee resolutions and directions and within the provisions of the Bank’s By-laws and the Banking Control Law.

b) Sharia Committee

The Bank has established a Sharia Committee (“the Committee”). It ascertains that all the Bank’s activities are subject to its approval and control.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the nine months period ended September 30, 2022, have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2021.

The consolidated financial statements of the Group as at and for the year ended December 31, 2021, were prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and professional Accountants (SOCPA).

The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and amounts are rounded to the nearest thousand.

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2021.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have a significant impact on the interim condensed consolidated financial statements of the Group.

Standard, interpretation or amendments	Description	Effective date
Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 30 June 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Effective 1 April 2021; practical expedient extended to 30 June 2022.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022****3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)****New standards, interpretations and amendments adopted by the Group (continued)**

Standard, interpretation or amendments	Description	Effective date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after 1 January 2022.

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which will be effective from periods on or after January 1, 2023. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

Standard, interpretation or amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>Note that the IASB has issued a new exposure draft proposing change to this amendment.</p>	Deferred until accounting periods starting not earlier than 1 January 2024

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022****3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)****Accounting standards issued but not yet effective (continued)**

Standard, interpretation or amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	<p>The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.</p> <p>IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.</p> <p>The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p>	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2021 except as disclosed below.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022****4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)****Derivative financial instruments**

Derivative financial instruments include foreign exchange forward contracts and profit rate swaps. These derivatives financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into. These instruments are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate. In the ordinary course of business, the Bank utilises the following derivative financial instruments for trading purposes:

Profit rate swaps

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

Foreign exchange forwards

Forwards are contractual agreements to either buy or sell a specified currency at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter markets. Foreign currencies are transacted in standardised amounts on regulated exchanges and changes in futures contract values are settled daily.

Held for trading derivatives

Held for trading derivatives relate to sales and positioning. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices.

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in foreign exchange income for foreign exchange forward contracts and in other income for profit rate swap contracts.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022****5. INVESTMENTS, NET**

	September 30, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	September 30, 2021 SAR' 000 (Unaudited)
Fair value through other comprehensive income (FVOCI)			
Equities	655,160	638,141	666,269
Sukuk	<u>6,656,002</u>	<u>7,195,156</u>	<u>7,439,618</u>
	<u>7,311,162</u>	<u>7,833,297</u>	<u>8,105,887</u>
Fair value through statement of income (FVSI)			
Mutual funds	689,745	607,948	629,246
Equities	<u>155,026</u>	<u>75,655</u>	<u>72,760</u>
	<u>844,771</u>	<u>683,603</u>	<u>702,006</u>
Amortized cost			
Sukuk	8,888,320	7,283,050	7,241,122
Bai Alajel with Saudi central bank	<u>2,006,149</u>	<u>1,292,282</u>	<u>1,294,321</u>
	<u>10,894,469</u>	<u>8,575,332</u>	<u>8,535,443</u>
Total	<u><u>19,050,402</u></u>	<u><u>17,092,232</u></u>	<u><u>17,343,336</u></u>

6. FINANCING, NET

	September 30, 2022 SAR'000 (Unaudited)	December 31, 2021 SAR'000 (Audited)	September 30, 2021 SAR'000 (Unaudited)
Commercial	48,645,662	43,442,371	43,074,323
Retail	<u>45,248,243</u>	<u>41,189,659</u>	<u>40,411,677</u>
Performing financing	93,893,905	84,632,030	83,486,000
Non-performing financing	<u>1,183,166</u>	<u>942,782</u>	<u>1,053,063</u>
Gross financing	95,077,071	85,574,812	84,539,063
Allowance for expected credit losses	<u>(2,788,953)</u>	<u>(2,641,498)</u>	<u>(2,740,533)</u>
Financing, net	<u><u>92,288,118</u></u>	<u><u>82,933,314</u></u>	<u><u>81,798,530</u></u>

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The following tables further explains changes in gross carrying amount for financing portfolio to help explain their significance to the changes in the loss allowance for the same portfolio:

September 30, 2022 SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Gross carrying amount as at January 1, 2022	75,349,170	9,282,860	942,782	85,574,812
Transfers to 12-month ECL	255,852	(219,716)	(36,136)	-
Transfers to lifetime ECL not credit impaired	(1,380,341)	1,392,162	(11,821)	-
Transfers to lifetime ECL credit impaired	(89,575)	(262,992)	352,567	-
Net change for the period	10,580,002	(1,013,517)	176,252	9,742,737
Write-offs	-	-	(240,478)	(240,478)
Gross carrying amount as at September 30, 2022	84,715,108	9,178,797	1,183,166	95,077,071
December 31, 2021 SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Gross carrying amount as at January 1, 2021	62,574,170	9,059,531	845,192	72,478,893
Transfers to 12-month ECL	166,160	(133,722)	(32,438)	-
Transfers to lifetime ECL not credit impaired	(302,423)	304,932	(2,509)	-
Transfers to lifetime ECL credit impaired	(138,030)	(224,141)	362,171	-
Net change for the year	13,049,293	276,260	3,484	13,329,037
Write-offs	-	-	(233,118)	(233,118)
Gross carrying amount as at December 31, 2021	75,349,170	9,282,860	942,782	85,574,812
September 30, 2021 SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Gross carrying amount as at January 1, 2021	62,574,170	9,059,531	845,192	72,478,893
Transfers to 12-month ECL	271,451	(243,018)	(28,433)	-
Transfers to lifetime ECL not credit impaired	(473,162)	476,522	(3,360)	-
Transfers to lifetime ECL credit impaired	(115,797)	(228,942)	344,739	-
Net change for the period	11,280,713	884,532	(52,714)	12,112,531
Write-offs	-	-	(52,361)	(52,361)
Gross carrying amount as at September 30, 2021	73,537,375	9,948,625	1,053,063	84,539,063

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The analysis of changes in loss allowance for expected credit losses:

September 30, 2022 SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance for ECL as at January 1, 2022	310,873	1,456,165	874,460	2,641,498
Transfers to 12-month ECL	1,165	(954)	(211)	-
Transfers to lifetime ECL not credit impaired	(106,629)	107,355	(726)	-
Transfers to lifetime ECL credit impaired	(61,824)	(293,458)	355,282	-
Net charge/(reversal) for the period	169,043	260,630	(41,740)	387,933
Write-offs	-	-	(240,478)	(240,478)
Loss allowance as for ECL at September 30, 2022	312,628	1,529,738	946,587	2,788,953
December 31, 2021 SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance for ECL as at January 1, 2021	373,089	1,189,307	801,517	2,363,913
Transfers to 12-month ECL	1,137	(894)	(243)	-
Transfers to lifetime ECL not credit impaired	(30,649)	31,143	(494)	-
Transfers to lifetime ECL credit impaired	(112,317)	(208,411)	320,728	-
Net charge/(reversal) for the year	79,613	445,020	(13,930)	510,703
Write-offs	-	-	(233,118)	(233,118)
Loss allowance for ECL as at December 31, 2021	310,873	1,456,165	874,460	2,641,498
September 30, 2021 SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance for ECL as at January 1, 2021	373,089	1,189,307	801,517	2,363,913
Transfers to 12-month ECL	1,280	(995)	(285)	-
Transfers to lifetime ECL not credit impaired	(43,517)	45,027	(1,510)	-
Transfers to lifetime ECL credit impaired	(81,651)	(218,296)	299,947	-
Net charge/(reversal) for the period	91,773	408,106	(70,898)	428,981
Write-offs	-	-	(52,361)	(52,361)
Loss allowance for ECL as at September 30, 2021	340,974	1,423,149	976,410	2,740,533

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Customers' deposits are comprised of the following:

	September 30, 2022	December 31, 2021	September 30, 2021
	SAR'000 (Unaudited)	SAR'000 (Audited)	SAR'000 (Unaudited)
Demand	48,147,130	41,833,517	45,493,416
Albilad account (Mudarabah)	22,823,367	21,975,738	21,829,389
Direct investment	19,689,137	14,116,446	12,104,590
Others	3,226,540	3,184,793	2,918,262
Total	93,886,174	81,110,494	82,345,657

8. SUKUK

On August 30, 2016, the Bank issued 2,000 Tier 2 Sukuk Certificates (Sukuk) of SAR 1 million each, and payable every three months in arrears on February 28, May 30, August 30, November 30 each year until August 30, 2026, on which date the Sukuk will be redeemed. During the year 2021, the Bank exercised the call option on its previous sukuk and recalled Sukuk amounting to SAR 1,061 million. These arrangements were approved by the regulatory authorities and by the Board of Directors of the Bank.

On April 15, 2021, the Bank issued 3,000 Tier 2 Sukuk Certificates (Sukuk) of SAR 1 million each, and payable every three months each year until April 15, 2031, on which date the Sukuk will be redeemed. 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. The expected profit distribution on the sukuk is the base rate for three months in addition to a profit margin of 1.65%.

The offer also included an option for the holders of the SAR 2 billion Sukuk (due 2026) that were previously issued by the Bank (the "Previous Sukuk") to exchange their investment in the Previous Sukuk with an investment in the Tier 2 Sukuk, subject to the terms and conditions of the Sukuk. Certain Sukuk holders with carrying value of SAR 939 million have exercised their exchange option and subscribed in the Tier 2 Sukuk.

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a) The Group's credit related commitments and contingencies are as follows:

	September 30, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	September 30, 2021 SAR' 000 (Unaudited)
Letters of guarantee	9,093,841	7,419,476	6,683,841
Letters of credit	2,327,607	1,952,644	1,320,097
Acceptances	544,262	472,012	457,795
Irrevocable commitments to extend credit	316,703	787,775	624,527
Total	12,282,413	10,631,907	9,086,260

b) The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as disclosed at December 31, 2021.

10. CASH AND CASH EQUIVALENTS

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

	September 30, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	September 30, 2021 SAR' 000 (Unaudited)
Cash and balances with Saudi central bank (excluding statutory deposit)	2,979,698	1,403,580	1,867,023
Due from banks and other financial institutions (maturing within ninety days from acquisition)	4,033,708	1,766,449	2,686,869
Bai Alajel with Saudi central bank (maturing within ninety days from acquisition)	-	300,032	-
Total	7,013,406	3,470,061	4,553,892

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11. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

- i- In the accessible principal market for the asset or liability; or
- ii- In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

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The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
September 30, 2022 (unaudited)					
Financial assets measured at fair value					
Held as FVSI	844,771	251,609	593,162	-	844,771
Held as FVOCI (equity instruments)	655,160	551,038	-	104,122	655,160
Held as FVOCI (debt instruments)	6,656,002	630,470	-	6,025,532	6,656,002
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	4,859,220	-	-	4,859,220	4,859,220
Investments held at amortized cost	10,894,469	3,374,422	-	7,520,047	10,894,469
Financing, net	92,288,118	-	-	91,961,083	91,961,083

SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
December 31, 2021 (audited)					
Financial assets measured at fair value					
Held as FVSI	683,603	316,594	367,009	-	683,603
Held as FVOCI (equity instruments)	638,141	534,012	-	104,129	638,141
Held as FVOCI (debt instruments)	7,195,156	712,077	-	6,483,079	7,195,156
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	2,136,853	-	-	2,136,853	2,136,853
Investments held at amortized cost	8,575,332	3,566,351	-	5,008,981	8,575,332
Financing, net	82,933,314	-	-	83,379,249	83,379,249

SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
September 30, 2021 (unaudited)					
Financial assets measured at fair value					
Held as FVSI	702,006	267,893	434,113	-	702,006
Held as FVOCI (equity instruments)	666,269	494,212	-	172,057	666,269
Held as FVOCI (debt instruments)	7,439,618	720,315	-	6,719,303	7,439,618
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	3,057,459	-	-	3,057,459	3,057,459
Investments held at amortized cost	8,535,443	2,933,841	-	5,601,602	8,535,443
Financing, net	81,798,530	-	-	82,647,891	82,647,891

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SAR' 000 September 30, 2022 (unaudited)	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial liabilities not measured at fair value					
Due to banks, Saudi central bank and other financial institutions	10,434,710	-	-	10,434,710	10,434,710
Customers' deposits	93,886,174	-	-	93,886,174	93,886,174
Sukuk	3,029,683	-	-	3,029,683	3,029,683

SAR' 000 December 31, 2021 (audited)	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial liabilities not measured at fair value					
Due to banks, Saudi central bank and other financial institutions	8,777,227	-	-	8,777,227	8,777,227
Customers' deposits	81,110,494	-	-	81,110,494	81,110,494
Sukuk	3,015,411	-	-	3,015,411	3,015,411

SAR' 000 September 30, 2021 (unaudited)	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial liabilities not measured at fair value					
Due to banks, Saudi central bank and other financial institutions	7,923,475	-	-	7,923,475	7,923,475
Customers' deposits	82,345,657	-	-	82,345,657	82,345,657
Sukuk	3,015,675	-	-	3,015,675	3,015,675

Cash and balances with central banks, due from banks and other financial institutions with maturity of less than 90 days and other short-term receivable are assumed to have fair values that reasonably approximate their corresponding carrying values due to their short-term nature.

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The fair values of profit bearing customer deposits, held at amortized cost investments, due from and due to banks, Saudi central bank and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since either the current market profit rates for similar financial instruments are not significantly different from the contracted rates, or for the short duration of certain financial instruments particularly due from banks and other financial institutions and due to banks, central bank and other financial institutions or a combination of both. An active market for these instruments is not available and the Group intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

Financing classified as level 3 have been valued using expected cash flows discounted at relevant SIBOR.

Fair Value Through Other Comprehensive Income (FVOCI) classified as level 3 include unlisted sukuk which have been measured by the management at fair value using broker quotes or estimating present value by discounting cash flows using adjusted discount rate. The adjusted discount rate is calculated using the Credit Default Swaps (CDS) of a similar entity using publicly available information. The valuation method has been approved by the Assets-Liability Committee (ALCO).

During the current period, no financial assets / liabilities have been transferred between level 1 and / or level 2 fair value hierarchy.

Reconciliation of level 3 fair values held as FVOCI

	September 30, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	September 30, 2021 SAR' 000 (Unaudited)
Beginning balance	6,587,208	7,072,969	7,082,628
Sale	-	(33,000)	-
Gains/ (losses) included in OCI			
Net changes in fair value (unrealised)	(457,554)	(452,761)	(191,268)
Total	<u>6,129,654</u>	<u>6,587,208</u>	<u>6,891,360</u>

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12. OPERATING SEGMENT

Operating segments based on customer groups are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Assets and Liabilities Committee (“ALCO”) in order to allocate resources to the segments and to assess its performance. The Group’s main business is conducted in the Kingdom of Saudi Arabia.

There has been no change to the basis of segmentation or the measurements basis for the segment profit or loss since December 31, 2021.

For management purposes, the Group is divided into the following four operating segments:

Retail banking

Services and products to individuals, including deposits, financing, remittances and currency exchange.

Corporate banking

Services and products to corporate customers including deposits, financing and trade services.

Treasury

Money market and treasury services.

Investment banking and brokerage

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

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The Group's total assets and liabilities as at September 30, 2022 and 2021, together with its total operating income and expenses, and net income before zakat, for the nine months periods then ended, for each segment are as follows:

SAR'000	September 30, 2022 (Unaudited)				
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	55,583,721	46,344,251	23,887,868	1,204,308	127,020,148
Total liabilities	62,839,334	23,609,929	27,173,439	362,768	113,985,470
Income from investing and financing assets, net	1,767,769	813,546	305,866	17,316	2,904,497
Fee, commission and other income, net	462,860	102,592	227,274	145,541	938,267
Total operating income	2,230,629	916,138	533,140	162,857	3,842,764
Impairment charge for expected credit losses, net	116,451	266,866	27,696	1,010	412,023
Depreciation and amortization	186,182	27,173	1,988	1,393	216,736
Total operating expenses	1,417,653	524,820	89,003	92,288	2,123,764
Net income for the period before zakat	812,976	391,318	444,137	70,569	1,719,000
	September 30, 2021 (Unaudited)				
SAR'000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	49,351,206	39,724,249	21,449,792	1,081,042	111,606,289
Total liabilities	61,697,192	18,246,436	19,460,532	334,534	99,738,694
Income from investing and financing assets, net	1,722,960	547,859	309,632	7,553	2,588,004
Fee, commission and other income, net	552,036	53,420	82,847	160,829	849,132
Total operating income	2,274,996	601,279	392,479	168,382	3,437,136
Impairment charge for expected credit losses, net	137,617	314,934	(7,816)	3,609	448,344
Depreciation and amortization	165,461	36,647	1,947	2,053	206,108
Total operating expenses	1,414,594	485,975	48,222	85,285	2,034,076
Net income for the period before zakat	860,402	115,304	344,257	83,097	1,403,060

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13. SHARE CAPITAL AND BONUS SHARES

The authorized, issued and fully paid share capital of the Bank consists of 1,000 million shares of SAR 10 each (30 September 2021: 750 million shares of SAR 10 each).

The Board of Directors in its meeting held on November 8, 2021 recommended to the Extra-ordinary General Assembly an issuance of bonus shares of one share for every three shares held, thus increasing the Bank's capital from SAR 7,500 million to SAR 10,000 million. The increase has been done through capitalization of SAR 2,500 million from the retained earnings. The number of shares outstanding after the bonus issuance increased from 750 million shares to 1,000 million shares. The increase has been approved in the Extraordinary General Assembly meeting held on April 11, 2022.

14. BASIC AND DILUTED EARNING PER SHARE ("EPS")

Basic and diluted earnings per share for the nine months period ended September 30, 2022 and 2021 is calculated by dividing the net income for the period by the weighted average number of outstanding shares as of September 30, 2022: 996 million shares (September 30, 2021: 996 million shares - restated) after accounting for treasury shares and issuance of bonus shares during the current period. Basic and diluted earnings per share for the nine months period ended September 30, 2021 have been adjusted to take into account the issuance of bonus shares.

15. CAPITAL ADEQUACY

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

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management. Central bank requires holding the minimum level of the regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above the Basel prescribed minimum.

The Group monitors the adequacy of its capital using ratios established by central bank. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets and commitments at a weighted amount to reflect their relative risk.

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The following table summarizes the Group's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios:

	September 30, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	September 30, 2021 SAR' 000 (Unaudited)
Credit Risk RWA	87,235,216	77,220,576	76,630,780
Operational Risk RWA	8,586,593	8,018,819	7,828,134
Market Risk RWA	235,821	244,600	389,088
Total Pillar-I RWA	<u>96,057,630</u>	<u>85,483,995</u>	<u>84,848,002</u>
Tier I Capital	13,082,231	12,051,419	11,934,704
Tier II Capital	4,090,440	3,965,257	3,957,885
Total Tier I & II Capital	<u>17,172,671</u>	<u>16,016,676</u>	<u>15,892,589</u>
Capital Adequacy Ratio %			
Tier I ratio	13.62%	14.10%	14.07%
Tier I + Tier II ratio	17.88%	18.74%	18.73%

16. COMPARATIVE FIGURES

Certain prior period figures reclassified when necessary to conform to the current period presentation.

17. IMPACT OF SAMA PROGRAMS**Point of sale ("POS") and e-commerce service fee support program:**

During the nine months period ended September 30, 2021, the Group has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 33 million.

Deferred Payments Program ("DPP"):

In response to COVID-19, SAMA launched the Deferred Payments Program ("DPP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. The accounting impact of the above changes in terms of the credit facilities were assessed and has been treated as per the requirements of IFRS 9 as modification in terms of arrangement. The DPP program has ended on March 31, 2022.

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During the nine months period ended September 30, 2022, SAR 29 million (September 30, 2021: SAR 127.2 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits with an aggregate of SAR 13 million deferred grant income as at September 30, 2022 (December 31, 2021: SAR 42 million). During the three month period ended September 30, 2022, SAR 10 million (September 30, 2021: SAR 8.2 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits. The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic.

18. IBOR TRANSITION (PROFIT RATE BENCHMARK REFORMS)

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The International Accounting Standards Board (“IASB”) has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate (“IBOR”) with an alternative Risk Free Rate (“RFR”).

**19. BOARD OF DIRECTORS’ APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were approved by the Bank’s Board of Directors on 01 Rabi II, 1444H (corresponding to 26 October, 2022).