



BANK ALBILAD
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023



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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 2023, and the related interim consolidated statements of income and comprehensive income for the three-months and nine-months periods ended 30 September 2023, and the related interim consolidated statements of changes in equity and cash flows for the nine-months period then ended and explanatory notes (collectively referred to as “the interim condensed consolidated financial statements”). The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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



Rabi Al-Thani 1445H
(2 November 2023)

For PricewaterhouseCoopers

Mufaddal A. Ali
Certified Public Accountant
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BANK ALBILAD

(A Saudi Joint Stock Company)

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

		September 30, 2023	December 31, 2022	September 30, 2022
	<u>Note</u>	SAR'000 (Unaudited)	SAR'000 (Audited)	SAR'000 (Unaudited)
ASSETS				
Cash and balances with Saudi Central Bank		7,437,340	8,710,916	7,889,059
Due from banks and other financial institutions, net		3,731,520	6,067,193	4,859,220
Investments, net	5	21,583,772	20,600,125	19,050,402
Financing, net	6	101,602,641	91,179,205	92,288,118
Other assets		1,109,044	880,856	881,325
Property, equipment and right of use assets, net		2,108,840	2,104,561	2,052,024
Total assets		137,573,157	129,542,856	127,020,148
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, Saudi Central Bank and other financial institutions		4,044,007	10,621,441	10,434,710
Customers' deposits	7	108,915,164	94,842,747	93,886,174
Sukuk	8	3,048,727	3,040,452	3,029,683
Other liabilities		6,952,621	7,639,268	6,634,903
Total liabilities		122,960,519	116,143,908	113,985,470
Equity				
Share capital	13	10,000,000	10,000,000	10,000,000
Treasury shares		(101,245)	(53,005)	(53,005)
Statutory reserve		1,590,120	1,590,120	1,069,698
Other reserves		(252,241)	(239,286)	(62,179)
Retained earnings		3,355,022	1,589,930	2,071,391
Proposed cash dividend		-	500,000	-
Employees' share plan reserve		20,982	11,189	8,773
Total equity		14,612,638	13,398,948	13,034,678
Total liabilities and equity		137,573,157	129,542,856	127,020,148

The accompanying notes from 1 to 18 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, 2023</u> <u>SAR'000</u>	<u>September</u> <u>30, 2022</u> <u>SAR'000</u>	<u>September</u> <u>30, 2023</u> <u>SAR'000</u>	<u>September</u> <u>30, 2022</u> <u>SAR'000</u>
INCOME:					
Income from investing and financing assets		1,974,939	1,310,477	5,512,924	3,490,570
Return on deposits and financial liabilities		(922,949)	(307,100)	(2,407,407)	(586,073)
Income from investing and financing assets, net		1,051,990	1,003,377	3,105,517	2,904,497
Fee and commission income		263,341	261,292	810,876	796,360
Fee and commission expenses		(118,453)	(113,219)	(349,915)	(311,687)
Fee and commission income, net		144,888	148,073	460,961	484,673
Exchange income, net		80,304	99,151	231,544	277,804
Dividend income		25,536	11,601	52,082	53,181
Gain on fair value through statement of income (FVSI) instruments, net		20,370	5,980	70,754	42,079
Other operating income		12,751	57,310	44,632	80,530
Total operating income		1,335,839	1,325,492	3,965,490	3,842,764
EXPENSES:					
Salaries and employee related expenses		327,899	311,125	973,021	909,597
Depreciation and amortization		73,186	76,626	218,367	216,736
Other general and administrative expenses		175,249	202,953	532,995	585,408
Operating expenses before expected credit losses		576,334	590,704	1,724,383	1,711,741
Impairment charge for expected credit losses, net		72,581	132,060	276,819	412,023
Total operating expenses		648,915	722,764	2,001,202	2,123,764
Net income for the period before zakat		686,924	602,728	1,964,288	1,719,000
Zakat for the period		70,754	62,081	202,322	177,057
Net income for the period after zakat		616,170	540,647	1,761,966	1,541,943
Basic and diluted earnings per share (SAR)	14	0.62	0.54	1.77	1.55

The accompanying notes from 1 to 18 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>For the nine months</u>	
	<u>period ended</u>		<u>period ended</u>	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period after zakat	616,170	540,647	1,761,966	1,541,943
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)	(24,235)	47,162	99,467	20,054
- Re-measurement of employees' End of Service Benefits ("EOSB")	-	-	3,358	(449)
Items that may be reclassified to interim consolidated statement of income in subsequent periods				
- Net changes in fair value of FVOCI (debt instruments)	(105,136)	(162,483)	(112,654)	(514,210)
Total other comprehensive loss	(129,371)	(115,321)	(9,829)	(494,605)
Total comprehensive income for the period	486,799	425,326	1,752,137	1,047,338

The accompanying notes from 1 to 18 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**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023 (UNAUDITED)**

	2023 (SAR' 000)							
	Share capital	Treasury shares	Statutory Reserve	Other reserves	Retained earnings	Proposed cash dividend	Employees' share plan reserve	Total equity
Balance at January 1, 2023	10,000,000	(53,005)	1,590,120	(239,286)	1,589,930	500,000	11,189	13,398,948
Net changes in fair value of FVOCI (equity instruments)				99,467				99,467
Re-measurement of employees' End of Service Benefits ("EOSB")				3,358				3,358
Net changes in fair value of FVOCI (debt instruments)				(112,654)				(112,654)
Total other comprehensive loss				(9,829)				(9,829)
Net income for the period after zakat					1,761,966			1,761,966
Total comprehensive income for the period				(9,829)	1,761,966			1,752,137
Realized gain from sale of FVOCI (equity instruments)				(3,126)	3,126			-
Purchase of treasury shares		(48,240)						(48,240)
Employees' share plan reserve							9,793	9,793
Cash dividend						(500,000)		(500,000)
Balance at September 30, 2023	10,000,000	(101,245)	1,590,120	(252,241)	3,355,022	-	20,982	14,612,638

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BANK ALBILAD

(A Saudi Joint Stock Company)

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

	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 January 1, 2022	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)				<u>(514,210)</u>				<u>(514,210)</u>
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 September 30, 2022	<u>10,000,000</u>	<u>(53,005)</u>	<u>1,069,698</u>	<u>(62,179)</u>	<u>2,071,391</u>	<u>-</u>	<u>8,773</u>	<u>13,034,678</u>

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BANK ALBILAD

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023 AND 2022 (UNAUDITED)**

	Note	2023 SAR' 000	2022 SAR' 000
OPERATING ACTIVITIES			
Net income for the period before zakat		1,964,288	1,719,000
Adjustments to reconcile net income to net cash from / (used in) from operating activities:			
Profit on sukuk and other investments		165,264	82,605
Gain on FVSI financial instruments, net		(70,754)	(42,079)
Gain on disposal of property and equipment, net		(268)	(17)
Depreciation and amortization		218,367	216,736
Impairment charge for expected credit losses, net		276,819	412,023
Employees' share plan reserve		9,793	7,250
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Central Bank		(283,189)	(216,297)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(1,226,659)	(455,108)
Bai Alajel with Saudi Central Bank maturing after ninety days from the date of acquisition		72,334	(1,013,899)
Financing, net		(10,708,679)	(9,746,867)
Other assets		(228,188)	(212,145)
Net increase / (decrease) in operating liabilities:			
Due to banks, Saudi Central Bank and other financial institutions		(6,577,434)	1,657,483
Customers' deposits		14,072,417	12,775,680
Other liabilities		(751,677)	458,827
Net cash (used in) / generated from operating activities		(3,067,566)	5,643,192
INVESTING ACTIVITIES			
Proceeds of investments held as FVOCI		623,975	27,979
Purchase of investments held as FVSI		(89,953)	(119,089)
Purchase of investments held as amortized cost		(1,524,012)	(1,625,230)
Purchase of property and equipment		(211,133)	(217,127)
Proceeds from sale of property and equipment		279	27
Net cash used in investing activities		(1,200,844)	(1,933,440)
FINANCING ACTIVITIES			
Sukuk profit paid		(156,989)	(68,333)
Purchase of treasury shares	13	(48,240)	-
Dividend paid	13	(500,000)	-
Principal payment of lease liabilities		(145,458)	(98,074)
Net cash used in financing activities		(850,687)	(166,407)
Net change in cash and cash equivalents		(5,119,097)	3,543,345
Cash and cash equivalents at the beginning of the period		9,023,781	3,470,061
Cash and cash equivalents at the end of the period	10	3,904,684	7,013,406
Supplemental information			
Income received from investing and financing assets during the period		4,923,831	3,318,866
Return paid on deposits and financial liabilities during the period		2,104,951	456,149

The accompanying notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023 (UNAUDITED)

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 105 banking branches (September 30, 2022: 109) in the Kingdom of Saudi Arabia.

The registered address of the Bank's head office is P.O. Box 140, Riyadh 11411, Kingdom of Saudi Arabia.

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.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the nine months period ended September 30, 2023, have been prepared in accordance with 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”) and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. 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, 2022.

The consolidated financial statements of the Group as at and for the year ended December 31, 2022, were prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and professional Accountants (SOCPA) and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023 (UNAUDITED)****3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS**

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022.

New standards, interpretations and amendments adopted by the Group

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Following standard, interpretation or amendment are effective from January 1, 2023 and are adopted by the Group, however, these does not have a material impact on these interim condensed consolidated financial statements:

Standard, interpretation or amendments	Description	Effective date
IFRS 17, 'Insurance contracts', as amended in December 2021	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 January 01, 2023.
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 January 01, 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 January 01, 2023.
Amendment to IAS 12 - International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	Annual periods beginning on or after January 01, 2023.

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which are effective from periods on or after January 1, 2024. The Group did not opt for early adoption of these pronouncements and do not expect the adoption to have a significant impact on these interim condensed consolidated financial statements of the Group.

Standard, interpretation or amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023 (UNAUDITED)****3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS
(continued)**

Standard, interpretation or amendments	Description	Effective date
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 01, 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	January 01, 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	January 01, 2024 subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities	January 01, 2024 subject to endorsement from SOCPA

4. 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, 2022.

5. INVESTMENTS, NET

	September 30, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	September 30, 2022 SAR' 000 (Unaudited)
Fair value through other comprehensive income (FVOCI)			
Equities	539,188	637,043	655,160
Sukuk	5,999,960	6,539,267	6,656,002
	6,539,148	7,176,310	7,311,162
Fair value through statement of income (FVSI)			
Mutual funds and other investments	983,024	746,306	689,745
Equities	67,705	143,716	155,026
	1,050,729	890,022	844,771
Amortized cost			
Sukuk	11,334,592	9,802,156	8,888,320
Bai Alajel with Saudi Central Bank	2,659,303	2,731,637	2,006,149
	13,993,895	12,533,793	10,894,469
Total	21,583,772	20,600,125	19,050,402

BANK ALBILAD

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023 (UNAUDITED)****5. INVESTMENTS, NET (continued)**

The following tables further explains changes in gross carrying amount for investments carried at amortized cost to help explain their significance to the changes in the loss allowance for the same portfolio:

September 30, 2023 (Unaudited) 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, 2023	12,554,953	-	-	12,554,953
Transfers to 12-month ECL	-	-	-	-
Transfers to lifetime ECL not credit impaired	-	-	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net purchased for the period	1,452,802	-	-	1,452,802
Gross carrying amount as at September 30, 2023	14,007,755	-	-	14,007,755
December 31, 2022 (Audited) 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	8,583,230	-	-	8,583,230
Transfers to 12-month ECL	-	-	-	-
Transfers to lifetime ECL not credit impaired	-	-	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net purchased during the year	3,971,723	-	-	3,971,723
Gross carrying amount as at December 31, 2022	12,554,953	-	-	12,554,953
September 30, 2022 (Unaudited) 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	8,583,230	-	-	8,583,230
Transfers to 12-month ECL	-	-	-	-
Transfers to lifetime ECL not credit impaired	-	-	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net purchased for the period	2,332,228	-	-	2,332,228
Gross carrying amount as at September 30, 2022	10,915,458	-	-	10,915,458

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023 (UNAUDITED)****5. INVESTMENTS, NET (continued)**

The analysis of changes in loss allowance for expected credit losses for investments carried at amortized cost, is as follows:

September 30, 2023 (Unaudited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2023	21,160	-	-	21,160
Transfers to 12-month ECL	-	-	-	-
Transfers to lifetime ECL not credit impaired	-	-	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net reversal for the period	(7,300)	-	-	(7,300)
Loss allowance as at September 30, 2023	13,860	-	-	13,860
December 31, 2022 (Audited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2022	7,898	-	-	7,898
Transfers to 12-month ECL	-	-	-	-
Transfers to lifetime ECL not credit impaired	-	-	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net charge for the year	13,262	-	-	13,262
Loss allowance as at December 31, 2022	21,160	-	-	21,160
September 30, 2022 (Unaudited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2022	7,898	-	-	7,898
Transfers to 12-month ECL	-	-	-	-
Transfers to lifetime ECL not credit impaired	-	-	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net charge for the period	13,091	-	-	13,091
Loss allowance as at September 30, 2022	20,989	-	-	20,989

6. FINANCING, NET

	September 30, 2023 SAR'000 (Unaudited)	December 31, 2022 SAR'000 (Audited)	September 30, 2022 SAR'000 (Unaudited)
Commercial	53,490,291	46,469,072	48,645,662
Retail	49,539,020	46,309,329	45,248,243
Performing financing	103,029,311	92,778,401	93,893,905
Non-performing financing	1,530,260	1,246,435	1,183,166
Gross financing	104,559,571	94,024,836	95,077,071
Allowance for expected credit losses	(2,956,930)	(2,845,631)	(2,788,953)
Financing, net	101,602,641	91,179,205	92,288,118

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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, 2023 (Unaudited) 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, 2023	84,596,478	8,181,923	1,246,435	94,024,836
Transfers to 12-month ECL	443,946	(394,684)	(49,262)	-
Transfers to lifetime ECL not credit impaired	(2,456,755)	2,465,509	(8,754)	-
Transfers to lifetime ECL credit impaired	(114,564)	(440,286)	554,850	-
Net change for the period	10,548,182	199,562	(41,751)	10,705,993
Write-offs	-	-	(171,258)	(171,258)
Gross carrying amount as at September 30, 2023	93,017,287	10,012,024	1,530,260	104,559,571
December 31, 2022 (Audited) 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	986,965	(931,080)	(55,885)	-
Transfers to lifetime ECL not credit impaired	(1,344,795)	1,367,029	(22,234)	-
Transfers to lifetime ECL credit impaired	(119,284)	(278,425)	397,709	-
Net change for the year	9,724,422	(1,258,461)	310,381	8,776,342
Write-offs	-	-	(326,318)	(326,318)
Gross carrying amount as at December 31, 2022	84,596,478	8,181,923	1,246,435	94,024,836
September 30, 2022 (Unaudited) 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

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

September 30, 2023 (Unaudited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2023	451,548	1,500,744	893,339	2,845,631
Transfers to 12-month ECL	3,868	(3,522)	(346)	-
Transfers to lifetime ECL not credit impaired	(129,421)	131,462	(2,041)	-
Transfers to lifetime ECL credit impaired	(69,311)	(289,094)	358,405	-
Net charge for the period	40,477	203,604	38,476	282,557
Write-offs	-	-	(171,258)	(171,258)
Loss allowance as at September 30, 2023	297,161	1,543,194	1,116,575	2,956,930
December 31, 2022 (Audited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2022	355,364	1,456,165	829,969	2,641,498
Transfers to 12-month ECL	3,431	(3,022)	(409)	-
Transfers to lifetime ECL not credit impaired	(91,015)	91,951	(936)	-
Transfers to lifetime ECL credit impaired	(88,212)	(241,118)	329,330	-
Net charge for the year	271,980	196,768	61,703	530,451
Write-offs	-	-	(326,318)	(326,318)
Loss allowance as at December 31, 2022	451,548	1,500,744	893,339	2,845,631
September 30, 2022 (Unaudited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2022	355,364	1,456,165	829,969	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 for the period	124,552	260,630	2,751	387,933
Write-offs	-	-	(240,478)	(240,478)
Loss allowance as at September 30, 2022	312,628	1,529,738	946,587	2,788,953

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Customers' deposits are comprised of the following:

	September 30, 2023	December 31, 2022	September 30, 2022
	SAR'000	SAR'000	SAR'000
	(Unaudited)	(Audited)	(Unaudited)
Demand	41,875,649	47,470,751	48,147,130
Direct investment	39,303,978	25,366,482	19,689,137
Albilad account (Mudarabah)	24,891,096	18,857,171	22,823,367
Others	2,844,441	3,148,343	3,226,540
Total	108,915,164	94,842,747	93,886,174

8. SUKUK

On April 15, 2021, the Bank issued 3,000 Tier 2 Sukuk Certificates (Sukuk) of SAR 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. The expected profit distribution on the Sukuk is the base rate for three months in addition to a profit margin of 1.65%. The Bank has not defaulted on any of payments (profit / principal) that were due during the period.

9. COMMITMENTS AND CONTINGENCIES

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

	September 30, 2023	December 31, 2022	September 30, 2022
	SAR' 000	SAR' 000	SAR' 000
	(Unaudited)	(Audited)	(Unaudited)
Letters of guarantee	14,430,371	11,433,834	9,093,841
Letters of credit	1,738,022	1,780,819	2,327,607
Irrevocable commitments to extend credit	1,369,153	358,408	316,703
Acceptances	804,704	918,049	544,262
Total	18,342,250	14,491,110	12,282,413

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The following tables further explains changes in gross carrying amount for commitments and contingencies:

September 30, 2023 (Unaudited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Balance as at January 1, 2023	12,954,374	1,242,085	294,651	14,491,110
Transfers to 12-month ECL	30,955	(30,955)	-	-
Transfers to lifetime ECL not credit impaired	(1,675,231)	1,675,231	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net change for the period	3,972,815	(77,040)	(44,635)	3,851,140
Balance as at September 30, 2023	15,282,913	2,809,321	250,016	18,342,250
<hr/>				
December 31, 2022 (Audited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Balance as at January 1, 2022	9,330,161	1,010,376	291,370	10,631,907
Transfers to 12-month ECL	91,066	(91,066)	-	-
Transfers to lifetime ECL not credit impaired	(424,853)	424,853	-	-
Transfers to lifetime ECL credit impaired	(348)	(12,337)	12,685	-
Net change for the year	3,958,348	(89,741)	(9,404)	3,859,203
Balance as at December 31, 2022	12,954,374	1,242,085	294,651	14,491,110
<hr/>				
September 30, 2022 (Unaudited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Balance as at January 1, 2022	9,330,161	1,010,376	291,370	10,631,907
Transfers to 12-month ECL	90,673	(90,673)	-	-
Transfers to lifetime ECL not credit impaired	(374,895)	374,895	-	-
Transfers to lifetime ECL credit impaired	(200)	(13,854)	14,054	-
Net change for the period	1,756,695	(98,024)	(8,165)	1,650,506
Balance as at September 30, 2022	10,802,434	1,182,720	297,259	12,282,413

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

September 30, 2023 (Unaudited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2023	50,526	6,161	96,873	153,560
Transfers to 12-month ECL	12	(12)	-	-
Transfers to lifetime ECL not credit impaired	(2,802)	2,802	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net charge / (reversal) for the period	14,704	8,672	(20,689)	2,687
Loss allowance as at September 30, 2023	62,440	17,623	76,184	156,247
<hr/>				
December 31, 2022 (Audited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2022	41,759	15,418	94,505	151,682
Transfers to 12-month ECL	2	(2)	-	-
Transfers to lifetime ECL not credit impaired	(630)	630	-	-
Transfers to lifetime ECL credit impaired	-	(5,140)	5,140	-
Net charge / (reversal) for the year	9,395	(4,745)	(2,772)	1,878
Loss allowance as at December 31, 2022	50,526	6,161	96,873	153,560
<hr/>				
September 30, 2022 (Unaudited) SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2022	41,759	15,418	94,505	151,682
Transfers to 12-month ECL	21	(21)	-	-
Transfers to lifetime ECL not credit impaired	(81)	81	-	-
Transfers to lifetime ECL credit impaired	-	(5,135)	5,135	-
Net reversal for the period	(18,441)	(3,519)	(2,869)	(24,829)
Loss allowance as at September 30, 2022	23,258	6,824	96,771	126,853

- 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, 2022.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Cash and cash equivalents included in the interim consolidated statement of cash flows comprise the following:

	September 30, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	September 30, 2022 SAR' 000 (Unaudited)
Cash and balances with Saudi Central Bank (excluding statutory deposit)	2,141,275	3,698,040	2,979,698
Due from banks and other financial institutions (maturing within ninety days from acquisition)	<u>1,763,409</u>	<u>5,325,741</u>	<u>4,033,708</u>
Total	<u>3,904,684</u>	<u>9,023,781</u>	<u>7,013,406</u>

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.

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed consolidated financial statements.

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 for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
September 30, 2023 (unaudited)					
Financial assets measured at fair value					
Held as FVSI	1,050,729	441,451	609,278	-	1,050,729
Held as FVOCI (equity instruments)	539,188	387,658	-	151,530	539,188
Held as FVOCI (debt instruments)	5,999,960	621,517	5,378,443	-	5,999,960
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	3,731,520	-	-	3,731,520	3,731,520
Investments held at amortized cost	13,993,895	4,431,119	-	9,562,776	13,993,895
Financing, net	101,602,641	-	-	100,787,340	100,787,340
December 31, 2022 (audited)					
Financial assets measured at fair value					
Held as FVSI	890,022	393,346	496,676	-	890,022
Held as FVOCI (equity instruments)	637,043	532,920	-	104,123	637,043
Held as FVOCI (debt instruments)	6,539,267	634,184	5,905,083	-	6,539,267
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	6,067,193	-	-	6,067,193	6,067,193
Investments held at amortized cost	12,533,793	3,577,264	-	8,956,529	12,533,793
Financing, net	91,179,205	-	-	91,204,053	91,204,053
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

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SAR' 000 September 30, 2023 (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	4,044,007	-	-	4,044,007	4,044,007
Customers' deposits	108,915,164	-	-	108,915,164	108,915,164
Sukuk	3,048,727	-	-	3,048,727	3,048,727

SAR' 000 December 31, 2022 (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	10,621,441	-	-	10,621,441	10,621,441
Customers' deposits	94,842,747	-	-	94,842,747	94,842,747
Sukuk	3,040,452	-	-	3,040,452	3,040,452

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

The fair values of financial instruments which are not measured at fair value in these interim condensed consolidated financial statements are not significantly different from the carrying values included in these interim condensed consolidated financial statements.

Cash and balances with Saudi Central Bank, 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, Saudi 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.

Valuation technique and significant unobservable inputs:

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
FVSI investments	Fair value is determined based on the investee fund's most recent reported net assets value.	None	Not applicable
FVOCI equity instruments	Fair value is determined based on the latest financial statements	None	Not applicable

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

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, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	September 30, 2022 SAR' 000 (Unaudited)
Balance at the beginning of the period	104,123	104,129	104,129
Gain / (loss) included in OCI			
Net changes in fair value (unrealised)	47,407	(6)	(7)
Balance at the end of the period	151,530	104,123	104,122

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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, 2022.

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.

Transactions between the above operating segments are under the terms and conditions of the approved Fund Transfer Pricing (FTP) system. The support segments and Head Office expenses are allocated to other operating segments, based on an approved criteria.

The Group’s total operating income and expenses, and net income before zakat, for the nine months periods then ended, for each segment are as follows:

	September 30, 2023 (Unaudited)				Total
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	
SAR’000					
Income from investing and financing assets, net	1,405,963	1,234,519	385,359	79,676	3,105,517
Fee, commission and other income, net	373,593	103,087	244,592	138,701	859,973
Total operating income	1,779,556	1,337,606	629,951	218,377	3,965,490
Impairment charge for expected credit losses, net	58,300	247,234	(33,101)	4,386	276,819
Depreciation and amortization	184,860	27,026	4,299	2,182	218,367
Total operating expenses	1,356,728	486,945	43,969	113,560	2,001,202
Net income for the period before zakat	422,828	850,661	585,982	104,817	1,964,288

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SAR'000	September 30, 2022 (Unaudited)				Total
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	
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

The Group's total assets and liabilities at September 30, 2023 and 2022 and December 31, 2022, for each segment are as follows:

SAR'000	September 30, 2023 (Unaudited)				Total
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	
Total assets	59,033,201	52,199,267	25,256,004	1,084,685	137,573,157
Total liabilities	60,159,292	26,483,209	36,223,117	94,901	122,960,519

SAR'000	December 31, 2022 (Audited)				Total
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	
Total assets	58,022,131	44,450,264	26,015,078	1,055,383	129,542,856
Total liabilities	59,423,524	23,526,969	33,034,229	159,186	116,143,908

SAR'000	September 30, 2022 (Unaudited)				Total
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	
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

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13. SHARE CAPITAL, BONUS SHARES AND DIVIDENDS

The authorized, issued and fully paid share capital of the Bank consists of 1,000 million shares of SAR 10 each (September 30, 2022: 1,000 million shares of SAR 10 each).

The Board of Directors' recommended to the General Assembly to distribute cash dividends of SAR 500 million to shareholders for the year 2022 in the meeting held on December 29, 2022 corresponding to Jumada Al-Thani 5, 1444. The dividends distribution has been approved in the Extraordinary General Assembly meeting that has been held on May 1, 2023 corresponding to Shawwal 11, 1444, and dividends have been distributed to the registered shareholder's starting from May 10, 2023 corresponding to Shawwal 20, 1444.

The Extra-ordinary General Assembly held on May 1, 2023 corresponding to Shawwal 11, 1444 approved to purchase a maximum of 5 million shares of its own shares to be allocated within the employee share plan program. During the period ended September 30, 2023, the bank purchased its own shares amounting to SR 48.2 million.

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

Basic and diluted earnings per share for the nine months period ended September 30, 2023 and 2022 is calculated by dividing the net income for the period attributable to the equity holders by the weighted average number of outstanding shares as of September 30, 2023: 996 million shares (September 30, 2022: 996 million shares) after accounting for treasury shares.

15. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by Saudi 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. Saudi 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 Saudi 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.

The current period numbers are presented as per Basel IV regulation issued by SAMA (circular number 44047144) effective from January 01, 2023, while the prior periods is based on Basel III regulations.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023 (UNAUDITED)****15. CAPITAL ADEQUACY (continued)**

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

	September 30, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	September 30, 2022 SAR' 000 (Unaudited)
Credit Risk RWA	100,173,953	88,162,110	87,235,216
Operational Risk RWA	6,066,316	8,712,282	8,586,593
Market Risk RWA	710,691	2,242,872	235,821
Total Pillar-I RWA	106,950,960	99,117,264	96,057,630
Tier I Capital	14,636,415	13,446,502	13,082,231
Tier II Capital	4,252,174	4,102,026	4,090,440
Total Tier I & II Capital	18,888,589	17,548,528	17,172,671
Capital Adequacy Ratio %			
Common Equity Tier I ratio	13.69%	13.57%	13.62%
Tier I ratio	13.69%	13.57%	13.62%
Tier I + Tier II ratio	17.66%	17.70%	17.88%

16. COMPARATIVE FIGURES

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

17. IBOR TRANSITION (PROFIT RATE BENCHMARK REFORMS)

Management has completed the Group's overall transition activities through engagement with various stakeholders to support an orderly transition and concluded on the transition plan for the exposures not yet transitioned to alternate benchmark profit rates. The Group was exposed to the effects of USD LIBOR reform on its financial assets and liabilities, as set out within the table below. The Group had no exposure to any other LIBOR rates.

**Yet to transitioned to an alternative benchmark profit rate as
at September 30, 2023**

	Carrying Value (SAR'000)		
	Assets	Liabilities	Transition plan
Commercial financing	216,165	-	Expected to be transitioned by the year ending December 31, 2023

The Group does not have any hedging instruments used in the Group's hedging strategies which reference USD LIBOR and which have been transitioned to SOFR or an alternative interest rate benchmark.

18. BOARD OF DIRECTORS' APPROVAL

These interim condensed consolidated financial statements were authorised for issue by the Bank's Board of Directors on 15 Rabi II, 1445H (corresponding to 30 October, 2023).