



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023



**Ernst & Young Professional Services
(Professional LLC)**
**Paid-up capital (SR 5,500,000 – Five
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 31 March 2023, and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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

For PricewaterhouseCoopers

Waleed G. Tawfiq
Certified Public Accountant
License Number 437



14 Shawwal 1444H
(04 May 2023)

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**

		March 31, 2023 SAR'000 (Unaudited)	December 31, 2022 SAR'000 (Audited)	March 31, 2022 SAR'000 (Unaudited)
	<u>Note</u>			
ASSETS				
Cash and balances with Saudi Central Bank		7,889,160	8,710,916	6,184,196
Due from banks and other financial institutions, net		7,192,580	6,067,193	3,252,292
Investments, net	5	21,316,341	20,600,125	17,975,055
Financing, net	6	95,482,928	91,179,205	86,390,823
Other assets		1,360,226	880,856	685,777
Property, equipment and right of use assets, net		2,127,112	2,104,561	1,953,808
Total assets		<u>135,368,347</u>	<u>129,542,856</u>	<u>116,441,951</u>
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, Saudi Central Bank and other financial institutions		5,749,509	10,621,441	8,612,215
Customers' deposits	7	105,482,565	94,842,747	86,078,520
Sukuk	8	3,044,412	3,040,452	3,015,866
Other liabilities		7,009,516	7,639,268	6,409,938
Total liabilities		<u>121,286,002</u>	<u>116,143,908</u>	<u>104,116,539</u>
Equity				
Share capital	13	10,000,000	10,000,000	7,500,000
Treasury shares		(53,005)	(53,005)	(53,005)
Statutory reserve		1,590,120	1,590,120	1,069,698
Other reserves		(90,783)	(239,286)	291,218
Retained earnings		2,121,559	1,589,930	1,013,562
Proposed cash dividend		500,000	500,000	-
Proposed issuance of bonus shares	13	-	-	2,500,000
Employees' share plan reserve		14,454	11,189	3,939
Total equity		<u>14,082,345</u>	<u>13,398,948</u>	<u>12,325,412</u>
Total liabilities and equity		<u>135,368,347</u>	<u>129,542,856</u>	<u>116,441,951</u>

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>For the three months period ended</u>		
	<u>Note</u>	<u>March 31, 2023 SAR'000</u>	<u>March 31, 2022 SAR'000</u>
INCOME:			
Income from investing and financing assets		1,697,717	1,040,747
Return on deposits and financial liabilities		<u>(660,281)</u>	<u>(96,285)</u>
Income from investing and financing assets, net		1,037,436	944,462
Fee and commission income		262,537	271,686
Fee and commission expenses		<u>(113,576)</u>	<u>(97,859)</u>
Fee and commission income, net		148,961	173,827
Exchange income, net		86,400	86,825
Dividend income		8,828	11,897
Gain on fair value through statement of income (FVSI) instruments, net		36,302	31,776
Other operating income		<u>17,679</u>	<u>15,726</u>
Total operating income		1,335,606	1,264,513
EXPENSES:			
Salaries and employee related expenses		320,781	296,815
Depreciation and amortization		73,726	69,217
Other general and administrative expenses		<u>188,059</u>	<u>192,336</u>
Operating expenses before expected credit losses		582,566	558,368
Impairment charge for expected credit losses, net		<u>128,851</u>	<u>159,529</u>
Total operating expenses		711,417	717,897
Net income for the period before zakat		624,189	546,616
Zakat for the period		64,291	56,302
Net income for the period after zakat		559,898	490,314
Basic and diluted earnings per share (SAR)	14	0.56	0.49

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 period ended</u>	
	March 31, 2023 SAR'000	March 31, 2022 SAR'000
Net income for the period after zakat	559,898	490,314
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)	79,305	76,646
Items that may be reclassified to interim consolidated statement of income in subsequent periods		
- Net changes in fair value of FVOCI (debt instruments)	40,929	(224,054)
Total other comprehensive income / (loss) for the period	120,234	(147,408)
Total comprehensive income for the period	680,132	342,906

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 (UNAUDITED)**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023**

	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)				79,305				79,305
Net changes in fair value of FVOCI (debt instruments)				40,929				40,929
Total other comprehensive income				120,234				120,234
Net income for the period after zakat					559,898			559,898
Total comprehensive income for the period				120,234	559,898			680,132
Realized loss from sale of FVOCI (equity instruments)				28,269	(28,269)			-
Employees' share plan reserve							3,265	3,265
Balance at March 31, 2023	10,000,000	(53,005)	1,590,120	(90,783)	2,121,559	500,000	14,454	14,082,345

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 (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 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 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)				76,646				76,646
Net changes in fair value of FVOCI (debt instruments)				(224,054)				(224,054)
Total other comprehensive loss				(147,408)				(147,408)
Net income for the period after zakat					490,314			490,314
Total comprehensive (loss)/income for the period				(147,408)	490,314			342,906
Realized gain from sale of FVOCI (equity instruments)				(1,190)	1,190			-
Allocation of shares during the period		8,948					(8,948)	-
Employees' share plan reserve							2,416	2,416
Balance at March 31, 2022	<u>7,500,000</u>	<u>(53,005)</u>	<u>1,069,698</u>	<u>291,218</u>	<u>1,013,562</u>	<u>2,500,000</u>	<u>3,939</u>	<u>12,325,412</u>

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 CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023 AND 2022**

	Note	2023 SAR' 000	2022 SAR' 000
OPERATING ACTIVITIES			
Net income for the period before zakat		624,189	546,616
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Profit on sukuk and other investments		52,414	19,154
Gain on FVSI financial instruments, net		(36,302)	(31,776)
Gain on disposal of property and equipment, net		(277)	-
Depreciation and amortization		73,726	69,217
Impairment charge for expected credit losses, net		128,851	159,529
Employees' share plan reserve		3,265	2,416
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Central Bank		117,250	(22,967)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(581,235)	(99,047)
Bai Alajel with Saudi Central Bank maturing after ninety days from the date of acquisition		(137,496)	388,713
Financing, net		(4,431,453)	(3,605,760)
Other assets		(479,370)	(16,597)
Net increase / (decrease) in operating liabilities:			
Due to banks, Saudi Central Bank and other financial institutions		(4,871,932)	(165,012)
Customers' deposits		10,639,818	4,968,026
Other liabilities		(690,390)	392,030
Net cash generated from operating activities		411,058	2,604,542
INVESTING ACTIVITIES			
Proceeds / (purchase) of investments held as FVOCI		161,603	(37,715)
Purchase of investments held as FVSI		(149,802)	(64,918)
Purchase of investments held as amortized cost		(435,106)	(904,765)
Purchase of property and equipment		(55,539)	(64,997)
Proceeds from sale of property and equipment		279	-
Net cash used in investing activities		(478,565)	(1,072,395)
FINANCING ACTIVITIES			
Distributed sukuk profit		(48,454)	(18,699)
Payment of lease liabilities		(44,393)	(41,423)
Net cash used in financing activities		(92,847)	(60,122)
Net change in cash and cash equivalents		(160,354)	1,472,025
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	8,863,427	4,942,086
Supplemental information			
Income received from investing and financing assets during the period		1,615,044	946,338
Return paid on deposits and financial liabilities during the period		499,096	44,969

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 (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

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 (March 31, 2022: 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

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.

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the three months period ended March 31, 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 compliance 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.

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
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.
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.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023****3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS
(continued)****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 in term 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 changes to this amendment.</p>	Deferred until accounting periods starting not earlier than January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	January 1, 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	January 1, 2024

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, 2022.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023****5. INVESTMENTS, NET**

	March 31, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	March 31, 2022 SAR' 000 (Unaudited)
Fair value through other comprehensive income (FVOCI)			
Equities	556,348	637,043	761,150
Sukuk	6,578,593	6,539,267	6,962,454
	<u>7,134,941</u>	<u>7,176,310</u>	<u>7,723,604</u>
Fair value through statement of income (FVSI)			
Mutual funds and other investments	922,590	746,306	637,994
Equities	153,536	143,716	142,303
	<u>1,076,126</u>	<u>890,022</u>	<u>780,297</u>
Amortized cost			
Sukuk	10,236,141	9,802,156	8,176,537
Bai Alajel with Saudi Central Bank	2,869,133	2,731,637	1,294,617
	<u>13,105,274</u>	<u>12,533,793</u>	<u>9,471,154</u>
Total	<u>21,316,341</u>	<u>20,600,125</u>	<u>17,975,055</u>

6. FINANCING, NET

	March 31, 2023 SAR'000 (Unaudited)	December 31, 2022 SAR'000 (Audited)	March 31, 2022 SAR'000 (Unaudited)
Commercial	49,718,015	46,469,072	45,562,559
Retail	47,217,302	46,309,329	42,620,283
Performing financing	<u>96,935,317</u>	<u>92,778,401</u>	<u>88,182,842</u>
Non-performing financing	<u>1,406,242</u>	<u>1,246,435</u>	<u>993,771</u>
Gross financing	<u>98,341,559</u>	<u>94,024,836</u>	<u>89,176,613</u>
Allowance for expected credit losses	<u>(2,858,631)</u>	<u>(2,845,631)</u>	<u>(2,785,790)</u>
Financing, net	<u>95,482,928</u>	<u>91,179,205</u>	<u>86,390,823</u>

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023****6. FINANCING, NET (continued)**

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:

March 31, 2023 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	143,207	(127,908)	(15,299)	-
Transfers to lifetime ECL not credit impaired	(2,015,714)	2,027,869	(12,155)	-
Transfers to lifetime ECL credit impaired	(8,259)	(78,175)	86,434	-
Net change for the period	3,166,694	1,049,202	215,625	4,431,521
Write-offs	-	-	(114,798)	(114,798)
Gross carrying amount as at March 31, 2023	85,882,406	11,052,911	1,406,242	98,341,559
December 31, 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	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
March 31, 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	198,983	(188,150)	(10,833)	-
Transfers to lifetime ECL not credit impaired	(1,433,067)	1,434,524	(1,457)	-
Transfers to lifetime ECL credit impaired	(32,694)	(48,870)	81,564	-
Net change for the period	3,806,159	(186,073)	(18,285)	3,601,801
Gross carrying amount as at March 31, 2022	77,888,551	10,294,291	993,771	89,176,613

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023****6. FINANCING, NET (continued)**

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

March 31, 2023 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	2,559	(2,453)	(106)	-
Transfers to lifetime ECL not credit impaired	(78,873)	79,324	(451)	-
Transfers to lifetime ECL credit impaired	(30,310)	(76,871)	107,181	-
Net (reversal)/ charge for the period	(52,955)	(5,215)	185,968	127,798
Write-offs	-	-	(114,798)	(114,798)
Loss allowance as at March 31, 2023	291,969	1,495,529	1,071,133	2,858,631
December 31, 2022 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
March 31, 2022 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	1,469	(1,422)	(47)	-
Transfers to lifetime ECL not credit impaired	(48,597)	48,775	(178)	-
Transfers to lifetime ECL credit impaired	(14,607)	(38,688)	53,295	-
Net charge/(reversal) for the period	67,958	95,409	(19,075)	144,292
Loss allowance as at March 31, 2022	361,587	1,560,239	863,964	2,785,790

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Customers' deposits are comprised of the following:

	March 31, 2023 SAR'000 (Unaudited)	December 31, 2022 SAR'000 (Audited)	March 31, 2022 SAR'000 (Unaudited)
Demand	43,729,527	47,470,751	46,424,747
Direct investment	35,606,660	25,366,482	14,313,561
Albilad account (Mudarabah)	23,327,760	18,857,171	22,433,193
Others	2,818,618	3,148,343	2,907,019
Total	105,482,565	94,842,747	86,078,520

8. SUKUK

On April 15, 2021, the Bank issued 3,000 Tier 2 Sukuk Certificates (Sukuk) of SR 1 million each, and payable quarterly each year until April 15, 2031. The Bank has a call option which can be exercised on or after April 15, 2026 as per the terms mentioned in the related offering circular. 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) due during the period.

9. COMMITMENTS AND CONTINGENCIES

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

	March 31, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	March 31, 2022 SAR' 000 (Unaudited)
Letters of credit	1,980,388	1,780,819	2,391,813
Letters of guarantee	12,354,074	11,433,834	7,971,245
Acceptances	980,739	918,049	751,162
Irrevocable commitments to extend credit	618,781	358,408	681,002
Total	15,933,982	14,491,110	11,795,222

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

	March 31, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	March 31, 2022 SAR' 000 (Unaudited)
Cash and balances with Saudi Central Bank (excluding statutory deposit)	2,993,534	3,698,040	1,468,165
Due from banks and other financial institutions (maturing within ninety days from acquisition)	5,869,893	5,325,741	2,782,841
Bai Alajel with Saudi Central Bank (maturing within ninety days from acquisition)	-	-	691,080
Total	8,863,427	9,023,781	4,942,086

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			
		Level 1	Level 2	Level 3	Total
March 31, 2023 (unaudited)					
Financial assets measured at fair value					
Held as FVSI	1,076,126	479,222	596,904	-	1,076,126
Held as FVOCI (equity instruments)	556,348	399,118	-	157,230	556,348
Held as FVOCI (debt instruments)	6,578,593	635,673	5,942,920	-	6,578,593
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	7,192,580	-	-	7,192,580	7,192,580
Investments held at amortized cost	13,105,274	4,093,528	-	9,011,746	13,105,274
Financing, net	95,482,928	-	-	95,204,369	95,204,369
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
March 31, 2022 (unaudited)					
Financial assets measured at fair value					
Held as FVSI	780,297	411,586	368,711	-	780,297
Held as FVOCI (equity instruments)	761,150	657,021	-	104,129	761,150
Held as FVOCI (debt instruments)	6,962,454	678,638	6,283,816	-	6,962,454
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	3,252,292	-	-	3,252,292	3,252,292
Investments held at amortized cost	9,471,154	3,150,899	-	6,320,255	9,471,154
Financing, net	86,390,823	-	-	86,202,325	86,202,325

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SAR' 000 March 31, 2023 (unaudited) Financial liabilities not measured at fair value	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Due to banks, Saudi Central Bank and other financial institutions	5,749,509	-	-	5,749,509	5,749,509
Customers' deposits	105,482,565	-	-	105,482,565	105,482,565
Sukuk	3,044,412	-	-	3,044,412	3,044,412

SAR' 000 December 31, 2022 (audited) Financial liabilities not measured at fair value	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
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 March 31, 2022 (unaudited) Financial liabilities not measured at fair value	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Due to banks, Saudi Central Bank and other financial institutions	8,612,215	-	-	8,612,215	8,612,215
Customers' deposits	86,078,520	-	-	86,078,520	86,078,520
Sukuk	3,015,866	-	-	3,015,866	3,015,866

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 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, 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.

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

	March 31, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	March 31, 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)	53,107	(6)	-
Balance at the end of the period	157,230	104,123	104,129

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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, 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.

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The Group's total assets and liabilities as at March 31, 2023 and 2022, together with its total operating income and expenses, and net income before zakat, for the three months periods then ended, for each segment are as follows:

	March 31, 2023 (Unaudited)				Total
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	
SAR'000					
Total assets	57,319,060	48,375,464	28,659,043	1,014,780	135,368,347
Total liabilities	60,137,709	23,948,579	37,112,496	87,218	121,286,002
Income from investing and financing assets, net	485,561	369,373	154,951	27,551	1,037,436
Fee, commission and other income, net	124,971	37,932	95,497	39,770	298,170
Total operating income	610,532	407,305	250,448	67,321	1,335,606
Impairment charge for expected credit losses, net	(41,715)	188,836	(18,451)	181	128,851
Depreciation and amortization	62,256	9,364	1,356	750	73,726
Total operating expenses	394,152	274,729	10,065	32,471	711,417
Net income for the period before zakat	216,380	132,576	240,383	34,850	624,189
	March 31, 2022 (Unaudited)				
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
SAR'000					
Total assets	52,099,803	42,376,877	20,690,785	1,274,486	116,441,951
Total liabilities	61,888,095	20,195,176	21,568,571	464,697	104,116,539
Income from investing and financing assets, net	595,522	233,242	109,635	6,063	944,462
Fee, commission and other income, net	154,818	24,647	80,136	60,450	320,051
Total operating income	750,340	257,889	189,771	66,513	1,264,513
Impairment charge for expected credit losses, net	33,799	113,941	11,329	460	159,529
Depreciation and amortization	59,188	8,716	601	712	69,217
Total operating expenses	483,788	168,668	33,718	31,723	717,897
Net income for the period before zakat	266,552	89,221	156,053	34,790	546,616

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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 (March 31, 2022: 750 million shares of SAR 10 each).

The Board of Directors in their 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 was 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 was approved in the Extra-ordinary General Assembly meeting held on April 11, 2022.

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

Basic and diluted earnings per share for the three months period ended March 31, 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 March 31, 2023: 996 million shares (March 31, 2022: 996 million shares - restated) 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.

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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:

	March 31, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	March 31, 2022 SAR' 000 (Unaudited)
Credit Risk RWA	96,056,336	88,162,110	81,367,939
Operational Risk RWA	6,066,316	8,712,282	8,225,011
Market Risk RWA	3,614,648	2,242,872	552,177
Total Pillar-I RWA	105,737,299	99,117,264	90,145,127
Tier I Capital	14,106,122	13,446,502	12,372,965
Tier II Capital	4,200,704	4,102,026	4,017,099
Total Tier I & II Capital	18,306,826	17,548,528	16,390,064
Capital Adequacy Ratio %			
Tier I ratio	13.34%	13.57%	13.73%
Tier I + Tier II ratio	17.31%	17.70%	18.18%

The current period numbers are presented as per Basel III reforms in line with new regulations issued by Saudi Central Bank which is effective from January 1, 2023, while prior period numbers are based on old regulations.

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 is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and impacts the products, internal systems and processes. The Group has complied with the regulatory deadline of 31 December 2022 for the LIBOR transition and is now offering products based on overnight SOFR, Term SOFR and Islamic SOFR.

The Group is also exposed to the effects of USD LIBOR reform on its financial assets and liabilities. The Group has no exposure to any other LIBOR rates.

18. BOARD OF DIRECTORS' APPROVAL

These interim condensed consolidated financial statements were authorised for issue by the Bank's Board of Directors on 11 Shawwal, 1444H (corresponding to 01 May, 2023).