



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 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 30 June 2023, and the related interim consolidated statements of income and comprehensive income for the three months and six months periods ended 30 June 2023, and the related interim consolidated statements of changes in equity and cash flows for the six 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 the 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 the 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



12 Muharram 1445H
(30 July 2023)

For PricewaterhouseCoopers



Mufaddal A. Ali
Certified Public Accountant
License Number 447



BANK ALBILAD

(A Saudi Joint Stock Company)

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

		June 30, 2023	December 31, 2022	June 30, 2022
	<u>Note</u>	SAR'000 (Unaudited)	SAR'000 (Audited)	SAR'000 (Unaudited)
ASSETS				
Cash and balances with Saudi Central Bank		7,741,833	8,710,916	7,081,056
Due from banks and other financial institutions, net		3,214,576	6,067,193	2,241,742
Investments, net	5	22,420,506	20,600,125	18,274,975
Financing, net	6	98,853,772	91,179,205	91,205,869
Other assets		1,049,621	880,856	733,896
Property, equipment and right of use assets, net		2,124,028	2,104,561	1,973,183
Total assets		135,404,336	129,542,856	121,510,721
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, Saudi Central Bank and other financial institutions		5,225,838	10,621,441	10,402,936
Customers' deposits	7	106,286,921	94,842,747	89,107,961
Sukuk	8	3,046,233	3,040,452	3,024,496
Other liabilities		6,674,529	7,639,268	6,368,393
Total liabilities		121,233,521	116,143,908	108,903,786
Equity				
Share capital	13	10,000,000	10,000,000	10,000,000
Treasury shares		(53,005)	(53,005)	(53,005)
Statutory reserve		1,590,120	1,590,120	1,069,698
Other reserves		(104,657)	(239,286)	59,343
Retained earnings		2,720,639	1,589,930	1,524,543
Proposed cash dividend		-	500,000	-
Employees' share plan reserve		17,718	11,189	6,356
Total equity		14,170,815	13,398,948	12,606,935
Total liabilities and equity		135,404,336	129,542,856	121,510,721

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 six months</u> <u>period ended</u>	
		<u>June 30,</u> <u>2023</u> <u>SAR'000</u>	<u>June 30,</u> <u>2022</u> <u>SAR'000</u>	<u>June 30,</u> <u>2023</u> <u>SAR'000</u>	<u>June 30,</u> <u>2022</u> <u>SAR'000</u>
INCOME:					
Income from investing and financing assets		1,840,268	1,139,346	3,537,985	2,180,093
Return on deposits and financial liabilities		(824,177)	(182,688)	(1,484,458)	(278,973)
Income from investing and financing assets, net		1,016,091	956,658	2,053,527	1,901,120
Fee and commission income		284,997	263,382	547,535	535,068
Fee and commission expenses		(117,885)	(100,609)	(231,462)	(198,468)
Fee and commission income, net		167,112	162,773	316,073	336,600
Exchange income, net		64,840	91,828	151,240	178,653
Dividend income		17,718	29,683	26,546	41,580
Gain on fair value through statement of income (FVSI) instruments, net		14,082	4,323	50,384	36,099
Other operating income		14,202	7,494	31,881	23,220
Total operating income		1,294,045	1,252,759	2,629,651	2,517,272
EXPENSES:					
Salaries and employee related expenses		324,341	301,657	645,122	598,472
Depreciation and amortization		71,455	70,893	145,181	140,110
Other general and administrative expenses		169,687	190,119	357,746	382,455
Operating expenses before expected credit losses		565,483	562,669	1,148,049	1,121,037
Impairment charge for expected credit losses, net		75,387	120,434	204,238	279,963
Total operating expenses		640,870	683,103	1,352,287	1,401,000
Net income for the period before zakat		653,175	569,656	1,277,364	1,116,272
Zakat for the period		67,277	58,674	131,568	114,976
Net income for the period after zakat		585,898	510,982	1,145,796	1,001,296
Basic and diluted earnings per share (SAR)	14	0.59	0.51	1.15	1.01

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>period ended</u>		<u>For the six months</u> <u>period ended</u>	
	June 30, 2023 SAR'000	June 30, 2022 SAR'000	June 30, 2023 SAR'000	June 30, 2022 SAR'000
Net income for the period after zakat	585,898	510,982	1,145,796	1,001,296
Other comprehensive (loss) / income:				
Items that will not be reclassified to interim consolidated statement of income in subsequent periods				
- Net changes in fair value of FVOCI (equity instruments)	44,397	(103,754)	123,702	(27,108)
- Re-measurement of employees' End of Service Benefits ("EOSB")	3,358	(449)	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)	(48,447)	(127,673)	(7,518)	(351,727)
Total other comprehensive (loss) / income	(692)	(231,876)	119,542	(379,284)
Total comprehensive income for the period	585,206	279,106	1,265,338	622,012

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 SIX MONTHS PERIOD ENDED JUNE 30, 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)				123,702				123,702
Re-measurement of employees' End of Service Benefits ("EOSB")				3,358				3,358
Net changes in fair value of FVOCI (debt instruments)				(7,518)				(7,518)
Total other comprehensive income				119,542				119,542
Net income for the period after zakat				-	1,145,796			1,145,796
Total comprehensive income for the period				119,542	1,145,796			1,265,338
Realized loss from sale of FVOCI (equity instruments)				15,087	(15,087)			-
Employees' share plan reserve							6,529	6,529
Cash dividend						(500,000)		(500,000)
Balance at June 30, 2023	10,000,000	(53,005)	1,590,120	(104,657)	2,720,639	-	17,718	14,170,815

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 SIX MONTHS PERIOD ENDED JUNE 30, 2022**

	2022 (SAR' 000)							
	Share capital	Treasury shares	Statutory Reserve	Other reserves	Retained earnings	Proposed issuance of bonus shares	Employees' share plan reserve	Total equity
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)				(27,108)				(27,108)
Re-measurement of employees' End of Service Benefits ("EOSB")				(449)				(449)
Net changes in fair value of FVOCI (debt instruments)				<u>(351,727)</u>				<u>(351,727)</u>
Total other comprehensive loss				(379,284)				(379,284)
Net income for the period after zakat				-	1,001,296			1,001,296
Total comprehensive income for the period				(379,284)	1,001,296			622,012
Realized gain from sale of FVOCI (equity instruments)				(1,189)	1,189			-
Allocation of shares during the period		8,948					(8,948)	-
Employees' share plan reserve							4,833	4,833
Issuance of bonus shares	2,500,000					(2,500,000)		-
Balance at June 30, 2022	10,000,000	(53,005)	1,069,698	59,343	1,524,543	-	6,356	12,606,935

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

BANK ALBILAD

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

	Note	2023 SAR' 000	2022 SAR' 000
OPERATING ACTIVITIES			
Net income for the period before zakat		1,277,364	1,116,272
Adjustments to reconcile net income to net cash generated (used in) / from operating activities:			
Profit on sukuk and other investments		107,413	47,295
Gain on FVSI financial instruments, net		(50,384)	(36,099)
Gain on disposal of property and equipment, net		(277)	(17)
Depreciation and amortization		145,181	140,110
Impairment charge for expected credit losses, net		204,238	279,963
Employees' share plan reserve		6,529	4,833
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Central Bank		(50,979)	(181,054)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(940,305)	(339,506)
Bai Alajel with Saudi Central Bank maturing after ninety days from the date of acquisition		(172,336)	(304,145)
Financing, net		(7,871,212)	(8,537,510)
Other assets		(168,765)	(64,716)
Net increase / (decrease) in operating liabilities:			
Due to banks, Saudi Central Bank and other financial institutions		(5,395,603)	1,625,709
Customers' deposits		11,444,174	7,997,467
Other liabilities		(1,080,294)	300,433
Net cash (used in) / generated from operating activities		(2,545,256)	2,049,035
INVESTING ACTIVITIES			
Purchase of investments held as FVOCI		(36,215)	(49,923)
Purchase of investments held as FVSI		(241,548)	(64,721)
Purchase of investments held as amortized cost		(1,211,307)	(1,421,730)
Purchase of property and equipment		(114,303)	(134,191)
Proceeds from sale of property and equipment		279	-
Net cash used in investing activities		(1,603,094)	(1,670,565)
FINANCING ACTIVITIES			
Distributed sukuk profit		(101,632)	(38,210)
Dividends paid		(500,000)	-
Principal payment of lease liabilities		(63,002)	(71,551)
Net cash used in financing activities		(664,634)	(109,761)
Net change in cash and cash equivalents		(4,812,984)	268,709
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	4,210,797	3,738,770
Supplemental information			
Income received from investing and financing assets during the period		3,105,410	2,100,234
Return paid on deposits and financial liabilities during the period		1,268,283	231,006

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 SIX MONTHS PERIOD ENDED JUNE 30, 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 (June 30, 2022: 108) 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.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the six months period ended June 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.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023****2. BASIS OF PREPARATION (continued)**

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.

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 SIX MONTHS PERIOD ENDED JUNE 30, 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 SIX MONTHS PERIOD ENDED JUNE 30, 2023****5. INVESTMENTS, NET**

	June 30, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	June 30, 2022 SAR' 000 (Unaudited)
Fair value through other comprehensive income (FVOCI)			
Equities	801,109	637,043	677,377
Sukuk	6,527,600	6,539,267	6,827,008
	7,328,709	7,176,310	7,504,385
Fair value through statement of income (FVSI)			
Mutual funds and other investments	953,178	746,306	633,439
Equities	228,776	143,716	150,984
	1,181,954	890,022	784,423
Amortized cost			
Sukuk	11,005,870	9,802,156	8,689,772
Bai Alajel with Saudi Central Bank	2,903,973	2,731,637	1,296,395
	13,909,843	12,533,793	9,986,167
Total	22,420,506	20,600,125	18,274,975

6. FINANCING, NET

	June 30, 2023 SAR'000 (Unaudited)	December 31, 2022 SAR'000 (Audited)	June 30, 2022 SAR'000 (Unaudited)
Commercial	52,006,343	46,469,072	48,919,665
Retail	48,222,337	46,309,329	43,743,917
Performing financing	100,228,680	92,778,401	92,663,582
Non-performing financing	1,515,042	1,246,435	1,183,655
Gross financing	101,743,722	94,024,836	93,847,237
Allowance for expected credit losses	(2,889,950)	(2,845,631)	(2,641,368)
Financing, net	98,853,772	91,179,205	91,205,869

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 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:

June 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	314,410	(280,077)	(34,333)	-
Transfers to lifetime ECL not credit impaired	(2,125,907)	2,139,786	(13,879)	-
Transfers to lifetime ECL credit impaired	(64,439)	(197,482)	261,921	-
Net change for the period	6,539,112	1,124,876	197,681	7,861,669
Write-offs	-	-	(142,783)	(142,783)
Gross carrying amount as at June 30, 2023	89,259,654	10,969,026	1,515,042	101,743,722
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
June 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	193,067	(177,153)	(15,914)	-
Transfers to lifetime ECL not credit impaired	(1,177,988)	1,181,015	(3,027)	-
Transfers to lifetime ECL credit impaired	(63,315)	(452,173)	515,488	-
Net change for the period	9,470,516	(942,417)	(20,784)	8,507,315
Write-offs	-	-	(234,890)	(234,890)
Gross carrying amount as at June 30, 2022	83,771,450	8,892,132	1,183,655	93,847,237

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023****6. FINANCING, NET (continued)**

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

June 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	2,316	(2,023)	(293)	-
Transfers to lifetime ECL not credit impaired	(107,774)	109,327	(1,553)	-
Transfers to lifetime ECL credit impaired	(39,814)	(151,410)	191,224	-
Net (reversal) / charge for the period	(2,947)	29,505	160,544	187,102
Write-offs	-	-	(142,783)	(142,783)
Loss allowance as at June 30, 2023	303,329	1,486,143	1,100,478	2,889,950
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
June 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	1,416	(1,359)	(57)	-
Transfers to lifetime ECL not credit impaired	(58,683)	59,043	(360)	-
Transfers to lifetime ECL credit impaired	(41,360)	(262,509)	303,869	-
Net charge / (reversal) for the period	116,935	136,644	(18,819)	234,760
Write-offs	-	-	(234,890)	(234,890)
Loss allowance as at June 30, 2022	373,672	1,387,984	879,712	2,641,368

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023****7. CUSTOMERS' DEPOSITS**

Customers' deposits are comprised of the following:

	June 30, 2023	December 31, 2022	June 30, 2022
	SAR'000 (Unaudited)	SAR'000 (Audited)	SAR'000 (Unaudited)
Demand	44,035,892	47,470,751	47,353,229
Direct investment	36,598,864	25,366,482	18,955,667
Albilad account (Mudarabah)	22,613,830	18,857,171	20,061,612
Others	3,038,335	3,148,343	2,737,453
Total	106,286,921	94,842,747	89,107,961

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) due during the period.

9. COMMITMENTS AND CONTINGENCIES

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

	June 30, 2023	December 31, 2022	June 30, 2022
	SAR' 000 (Unaudited)	SAR' 000 (Audited)	SAR' 000 (Unaudited)
Letters of guarantee	13,702,774	11,433,834	8,670,963
Letters of credit	1,747,645	1,780,819	2,845,805
Acceptances	886,580	918,049	1,055,543
Irrevocable commitments to extend credit	631,526	358,408	585,221
Total	16,968,525	14,491,110	13,157,532

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023****9. COMMITMENTS AND CONTINGENCIES (continued)**

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

June 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	12,954,374	1,242,085	294,651	14,491,110
Transfers to 12-month ECL	16,586	(16,586)	-	-
Transfers to lifetime ECL not credit impaired	(1,679,707)	1,679,707	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net change for the period	2,639,534	(128,756)	(33,363)	2,477,415
Gross carrying amount as at June 30, 2023	13,930,787	2,776,450	261,288	16,968,525

December 31, 2022 (Audited)	Stage 1	Stage 2	Stage 3	Total
SAR' 000	(12-month	(Lifetime ECL	(Lifetime ECL	
	ECL)	not credit	credit	
	ECL)	impaired)	impaired)	
Gross carrying amount 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
Gross carrying amount as at December 31, 2022	12,954,374	1,242,085	294,651	14,491,110

June 30, 2022 (Unaudited)	Stage 1	Stage 2	Stage 3	Total
SAR' 000	(12-month	(Lifetime ECL	(Lifetime ECL	
	ECL)	not credit	credit	
	ECL)	impaired)	impaired)	
Gross carrying amount as at January 1, 2022	9,330,161	1,010,376	291,370	10,631,907
Transfers to 12-month ECL	71,674	(71,674)	-	-
Transfers to lifetime ECL not credit impaired	(167,085)	167,085	-	-
Transfers to lifetime ECL credit impaired	-	(13,854)	13,854	-
Net change for the period	2,664,463	(131,486)	(7,352)	2,525,625
Gross carrying amount as at June 30, 2022	11,899,213	960,447	297,872	13,157,532

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023****9. COMMITMENTS AND CONTINGENCIES (continued)**

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

June 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	18	(18)	-	-
Transfers to lifetime ECL not credit impaired	(2,392)	2,392	-	-
Transfers to lifetime ECL credit impaired	-	-	-	-
Net charge / (reversal) for the period	22,062	6,996	(19,534)	9,524
Loss allowance as at June 30, 2023	70,214	15,531	77,339	163,084
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
June 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	41	(41)	-	-
Transfers to lifetime ECL not credit impaired	(547)	547	-	-
Transfers to lifetime ECL credit impaired	-	(5,131)	5,131	-
Net charge / (reversal) for the period	19,221	(2,875)	(2,042)	14,304
Loss allowance as at June 30, 2022	60,474	7,918	97,594	165,986

- 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.

BANK ALBILAD

(A Saudi Joint Stock Company)

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

10. CASH AND CASH EQUIVALENTS

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

	June 30, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	June 30, 2022 SAR' 000 (Unaudited)
Cash and balances with Saudi Central Bank (excluding statutory deposit)	2,677,978	3,698,040	2,206,938
Due from banks and other financial institutions (maturing within ninety days from acquisition)	1,532,819	5,325,741	1,531,832
Total	4,210,797	9,023,781	3,738,770

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.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023****11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

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
June 30, 2023 (unaudited)					
Financial assets measured at fair value					
Held as FVSI	1,181,954	559,685	622,269	-	1,181,954
Held as FVOCI (equity instruments)	801,109	649,579	-	151,530	801,109
Held as FVOCI (debt instruments)	6,527,600	630,406	5,897,194	-	6,527,600
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	3,214,576	-	-	3,214,576	3,214,576
Investments held at amortized cost	13,909,843	4,230,161	-	9,679,682	13,909,843
Financing, net	98,853,772	-	-	99,198,312	99,198,312
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
June 30, 2022 (unaudited)					
Financial assets measured at fair value					
Held as FVSI	784,423	383,327	401,096	-	784,423
Held as FVOCI (equity instruments)	677,377	573,248	-	104,129	677,377
Held as FVOCI (debt instruments)	6,827,008	648,953	6,178,055	-	6,827,008
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	2,241,742	-	-	2,241,742	2,241,742
Investments held at amortized cost	9,986,167	3,168,872	-	6,817,295	9,986,167
Financing, net	91,205,869	-	-	90,666,078	90,666,078

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023****11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

SAR' 000 June 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	5,225,838	-	-	5,225,838	5,225,838
Customers' deposits	106,286,921	-	-	106,286,921	106,286,921
Sukuk	3,046,233	-	-	3,046,233	3,046,233

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 June 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	10,402,936	-	-	10,402,936	10,402,936
Customers' deposits	89,107,961	-	-	89,107,961	89,107,961
Sukuk	3,024,496	-	-	3,024,496	3,024,496

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.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023****11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

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

	June 30, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	June 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)	-
Balance at the end of the period	151,530	104,123	104,129

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023****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.

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

	June 30, 2023 (Unaudited)				Total
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	
SAR’000					
Income from investing and financing assets, net	961,721	766,604	264,005	61,197	2,053,527
Fee, commission and other income, net	259,171	69,349	160,002	87,602	576,124
Total operating income	1,220,892	835,953	424,007	148,799	2,629,651
Impairment charge for expected credit losses, net	13,783	202,258	(15,591)	3,788	204,238
Depreciation and amortization	123,126	17,962	2,627	1,466	145,181
Total operating expenses	880,925	358,980	36,618	75,764	1,352,287
Net income for the period before zakat	339,967	476,973	387,389	73,035	1,277,364

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023****12. OPERATING SEGMENT (continued)**

SAR'000	June 30, 2022 (Unaudited)				Total
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	
Income from investing and financing assets, net	1,170,533	518,078	200,719	11,790	1,901,120
Fee, commission and other income, net	299,514	43,107	169,496	104,035	616,152
Total operating income	1,470,047	561,185	370,215	115,825	2,517,272
Impairment charge for expected credit losses, net	87,222	174,115	18,098	528	279,963
Depreciation and amortization	119,805	17,592	1,320	1,393	140,110
Total operating expenses	969,422	307,498	62,300	61,780	1,401,000
Net income for the period before zakat	500,625	253,687	307,915	54,045	1,116,272

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

SAR'000	June 30, 2023 (Unaudited)				Total
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	
Total assets	57,835,917	50,748,229	25,769,868	1,050,322	135,404,336
Total liabilities	60,603,211	24,963,268	35,577,900	89,142	121,233,521

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	June 30, 2022 (Unaudited)				Total
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	
Total assets	53,413,552	46,437,020	20,376,292	1,283,857	121,510,721
Total liabilities	63,579,716	19,337,557	25,529,325	457,188	108,903,786

BANK ALBILAD

(A Saudi Joint Stock Company)

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

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 (June 30, 2022: 1,000 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.

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 Ramadan 11, 1444, and dividends have been distributed to the registered shareholder's starting from May 10, 2023 corresponding to Ramadan 20, 1444.

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

Basic and diluted earnings per share for the six months period ended June 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 June 30, 2023: 996 million shares (June 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.

BANK ALBILAD

(A Saudi Joint Stock Company)

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

15. CAPITAL ADEQUACY (continued)

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 period is based on Basel III regulations.

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

	June 30, 2023 SAR' 000 (Unaudited)	December 31, 2022 SAR' 000 (Audited)	June 30, 2022 SAR' 000 (Unaudited)
Credit Risk RWA	97,811,548	88,162,110	85,434,210
Operational Risk RWA	6,066,316	8,712,282	8,407,128
Market Risk RWA	697,914	2,242,872	825,281
Total Pillar-I RWA	104,575,778	99,117,264	94,666,619
Tier I Capital	14,194,592	13,446,502	12,646,955
Tier II Capital	4,222,644	4,102,026	4,067,928
Total Tier I & II Capital	18,417,236	17,548,528	16,714,883
Capital Adequacy Ratio %			
Common Equity Tier I ratio	13.57%	13.57%	13.36%
Tier I ratio	13.57%	13.57%	13.36%
Tier I + Tier II ratio	17.61%	17.70%	17.66%

16. COMPARATIVE FIGURES

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

17. IBOR TRANSITION (PROFIT RATE BENCHMARK REFORMS)

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

Management had put in place a robust transition project for those contracts which reference LIBOR and to transition them to the alternate benchmarks as applicable. This transition project considered changes to systems, processes, risk management policies, and models, as well as accounting implications. Further, the Bank has actively approached customers for awareness and led communication and negotiations with affected counterparties. As of June 30, 2023, the impacted financial instruments have transitioned to alternate reference rate referencing to USD 1M, 3M & 6M IBORs and transactions which will be repriced after June 30, 2023 and will transition to alternate rate at the next repricing date. The Bank 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 8 Muharram, 1445H (corresponding to 26 July, 2023).