



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020



KPMG Al Fozan & Partners
Certified Public Accountants

**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 2020, and the related interim consolidated statements of income, comprehensive income, changes in shareholders’ 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 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 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.



KPMG Al Fozan & Partners
Certified Public Accountants

**INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Other regulatory matters

As required by the Saudi Arabian Monetary Authority ("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.

PricewaterhouseCoopers

P O Box 8282
Riyadh 11482
Kingdom of Saudi Arabia

Bader I. Benmohareb
Certified Public Accountant
License Number 471

**KPMG Al Fozan & Partners
Certified Public Accountants**

P O Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Nasser Ahmed Al Shutairy
Certified Public Accountant
License Number 454

28 Ramadan 1441H
(21 May 2020)



BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	March 31, 2020 SAR'000 (Unaudited)	December 31, 2019 SAR'000 (Audited)	March 31, 2019 SAR'000 (Unaudited)
ASSETS				
Cash and balances with SAMA		5,569,469	7,915,852	5,412,810
Due from banks and other financial institutions, net		4,959,043	4,041,404	5,148,609
Investments, net	5	11,924,270	10,988,226	8,332,395
Financing, net	6	62,579,440	59,362,536	51,404,129
Property and equipment, net		1,921,247	1,866,329	1,874,663
Other assets		1,544,418	1,901,084	728,930
Total assets		<u>88,497,887</u>	<u>86,075,431</u>	<u>72,901,536</u>
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, SAMA and other financial institutions		2,173,707	645,120	1,082,282
Customers' deposits	7	68,377,339	67,105,543	57,590,932
Sukuk	8	2,007,525	2,007,768	2,008,465
Other liabilities		6,399,633	6,891,077	3,949,201
Total liabilities		<u>78,958,204</u>	<u>76,649,508</u>	<u>64,630,880</u>
Equity				
Share capital	13	7,500,000	7,500,000	6,000,000
Statutory reserve		310,935	310,935	-
Other reserves		413,190	568,280	80,748
Retained earnings		1,009,740	1,118,890	768,328
Proposed cash dividend		375,000	-	-
Proposed issuance of bonus shares		-	-	1,500,000
Treasury shares		(80,660)	(80,660)	(80,670)
Employees' share plan reserve		11,478	8,478	2,250
Total equity		<u>9,539,683</u>	<u>9,425,923</u>	<u>8,270,656</u>
Total liabilities and equity		<u>88,497,887</u>	<u>86,075,431</u>	<u>72,901,536</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, 2020 SAR'000</u>	<u>March 31, 2019 SAR'000 (Restated)</u>
Income			
Income from investing and financing assets		869,176	769,739
Return on deposits and financial liabilities		(138,628)	(172,648)
Income from investing and financing assets, net		730,548	597,091
Fee and commission income, net		203,493	204,851
Exchange income, net		86,849	73,947
Dividend income		3,472	2,897
(Loss) / gain on fair value through profit or loss (FVTPL) investments, net		(25,820)	18,580
Other operating income		5,612	24,043
Total operating income		1,004,154	921,409
Expenses			
Salaries and employee related expenses		289,537	275,499
Depreciation and amortization		62,420	59,939
Other general and administrative expenses		148,048	144,596
Impairment charge for credit and other financial assets, net		203,433	124,834
Total operating expenses		703,438	604,868
Net income for the period before zakat		300,716	316,541
Zakat for the period	4	30,673	31,654
Net income for the period after zakat		270,043	284,887
Basic and diluted earnings per share (SAR)	14	0.36	0.38

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, 2020 SAR'000	March 31, 2019 SAR'000 (Restated)
Net income for the period after zakat	270,043	284,887
Other comprehensive income:		
Items that will not be reclassified to consolidated statement of income in subsequent periods		
- Net changes in fair value of FVOCI (equity instruments)	(61,482)	16,650
Items that may be reclassified to consolidated statement of income in subsequent periods		
- Net changes in fair value of FVOCI (debt instruments)	(97,801)	133,930
Total other comprehensive (loss) / income	<u>(159,283)</u>	<u>150,580</u>
Total comprehensive income for the period	<u>110,760</u>	<u>435,467</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 CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31**

2020 SAR' 000	Note	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed cash dividends	Treasury shares	Employees' share plan reserve	Total equity
Balance at the beginning of the period		7,500,000	310,935	568,280	1,118,890	-	(80,660)	8,478	9,425,923
Net changes in fair value of FVOCI (equity instruments)				(61,482)					(61,482)
Net changes in fair value of FVOCI (debt instruments)				(97,801)					(97,801)
Total other comprehensive loss				(159,283)	-				(159,283)
Net income for the period after zakat					270,043				270,043
Total comprehensive income / (loss) for the period				(159,283)	270,043				110,760
Realized losses from sale of investments in FVOCI				4,193	(4,193)				-
Employees' share plan reserve								3,000	3,000
Proposed cash dividends					(375,000)	375,000			-
Balance at end of the period		7,500,000	310,935	413,190	1,009,740	375,000	(80,660)	11,478	9,539,683

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 SHAREHOLDERS' EQUITY (UNAUDITED)**FOR THE THREE MONTHS PERIOD ENDED MARCH 31**

<u>2019</u> SAR' 000	Note	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed issuance of bonus shares	Treasury shares	Employees' share plan reserve	Total equity
Balance at the beginning of the period		6,000,000	-	(69,832)	483,441	1,500,000	(90,780)	10,120	7,832,949
Net changes in fair value of FVOCI (equity instruments)				16,650					16,650
Net changes in fair value of FVOCI (debt instruments)				133,930					133,930
Total other comprehensive income				150,580	-				150,580
Net income for the period after zakat (restated)	4				284,887				284,887
Total comprehensive income for the period (restated)				150,580	284,887				435,467
Treasury shares							10,110		10,110
Employees' share plan reserve								(7,870)	(7,870)
Balance at end of the period		6,000,000	-	80,748	768,328	1,500,000	(80,670)	2,250	8,270,656

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**

	<u>Note</u>	<u>2020</u> <u>SAR' 000</u>	<u>2019</u> <u>SAR' 000</u>
OPERATING ACTIVITIES			
Net income before zakat for the period		300,716	316,541
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Profit on Sukuk		21,178	24,296
Loss/ (gains) on FVTPL investments, net		25,820	(18,580)
(Gains)/ loss from disposal of property and equipment, net		(32)	155
Depreciation and amortization		62,420	59,939
Impairment charge for expected credit losses, net		203,433	124,834
Treasury shares and employees' share plan		3,000	2,240
Net (increase)/ decrease in operating assets:			
Statutory deposit with SAMA		68,945	(110,824)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		1,061,137	(262,139)
Commodity murabaha with SAMA maturing after ninety days from the date of acquisition		(1,441)	(51,488)
Financing		(3,413,732)	(931,089)
Other assets		356,666	(70,880)
Net increase/ (decrease) in operating liabilities:			
Due to banks, SAMA and other financial institutions		1,528,587	(2,018,509)
Customers' deposits		1,271,796	415,338
Other liabilities		(496,241)	(184,824)
Net cash generated from / (used in) operating activities		<u>992,252</u>	<u>(2,704,990)</u>
INVESTING ACTIVITIES			
Purchase of investments held as FVOCI		(15,920)	(1,696,436)
Proceeds/ (purchase) of investments held as FVTPL		303,852	(3,750)
Purchase of investments held as amortized cost		(1,414,243)	-
Purchase of property and equipment		(102,075)	(122,646)
Net cash used in investing activities		<u>(1,228,386)</u>	<u>(1,822,832)</u>
FINANCING ACTIVITIES			
Distributed Sukuk profit		(21,421)	(24,418)
Cash payment for principle portion of lease liability		(41,107)	(81,096)
Net cash used in financing activities		<u>(62,528)</u>	<u>(105,514)</u>
Net change in cash and cash equivalents		(298,662)	(4,633,336)
Cash and cash equivalents at the beginning of the period		<u>5,757,872</u>	<u>9,574,966</u>
Cash and cash equivalents at the end of the period	10	<u>5,459,210</u>	<u>4,941,630</u>
Supplemental information			
Income received from investing and financing assets		977,985	884,264
Return paid on deposits and financial liabilities		156,644	166,832

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, 2020

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 21 Ramadan 1425H (corresponding to November 4, 2004) in accordance with the Counsel of Ministers’ resolution no. 258 dated 18 Ramadan 1425H (corresponding to November 1, 2004). The Bank operates under Commercial Registration No.1010208295 dated 10 Rabi Al Awal 1426H (corresponding to April 19, 2005) and the Bank provides these services through 110 banking branches (March 31, 2019: 111) and 178 exchange and remittance centers (March 31, 2019: 180) 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” and “Albilad Real Estate Company” (collectively referred to as “the Group”). Albilad Investment Company and Albilad Real Estate 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 Islamic Shariah and within the provisions of the By-laws and the Banking Control Law.

b) Shariah Authority

The Bank has established a Shariah Authority (“the Authority”). 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 three months period ended March 31, 2020 have been prepared in accordance with the International Accounting Standard 34 (“IAS 34”) Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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, 2019.

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

The interim consolidated financial statements of the Group as at and for the period ended 31 March 2019 was prepared in compliance with IAS 34 as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax) and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 17 July 2019, SAMA instructed the banks in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by SOCPA (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, beginning period ended June 30, 2019, the Group changed its accounting treatment for zakat by retrospectively adjusting the impact in line with International Accounting Standard 8 ("IAS 8") Accounting Policies, Changes in Accounting Estimates and Errors and the effects of this change are disclosed in note 4 to the consolidated financial statements.

3. BASIS OF CONSOLIDATION

These consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as set forth in note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which the control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank.

Inter-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the policy explained below for Government grant.

In addition, shown below is the impact of the change in the accounting for zakat as discussed in note 2 to the interim condensed consolidated financial statements.

Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of profit is measured as the difference between the initial carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognized in the statement of income on a systematic basis over the period in which the bank recognizes as expenses the related costs for which the grant is intended to compensate.

Change in the accounting for zakat

The basis of preparation has been changed beginning the period ended June 30, 2019 as a result of the issuance of latest instructions from SAMA dated July 17, 2019. Previously, zakat was recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated April 11, 2017.

With the latest instructions issued by SAMA dated July 17, 2019, zakat is recognized in the consolidated statement of income. The Group has accounted for this change in the accounting for zakat retrospectively and the effects of the change to the consolidated financial statements are disclosed below. The change has resulted in reduction of reported income of the Group, while the change has had no impact on the interim condensed consolidated statement of cash flows for the period ended March 31, 2019.

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"), and zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

The change in the accounting treatment for zakat has the following impact on the line items of the statements of income, statement of financial position and changes in equity:

As at and for the three months period ended March 31, 2019:

Financial statement impacted	Account	Before the restatement for the period ended March 31, 2019	Effect of restatement	Effect of issuance of bonus shares	As restated as at and for the period ended March 31, 2019:
Statement of changes in equity	Provision for zakat (retained earnings)	31,654	(31,654)	-	-
Statement of income	Zakat expense	-	31,654	-	31,654
Statement of income	Earnings per share	0.53	(0.05)	(0.10)	0.38

5. INVESTMENTS, NET

	March 31, 2020 SAR' 000 (Unaudited)	December 31, 2019 SAR' 000 (Audited)	March 31, 2019 SAR' 000 (Unaudited)
Fair value through other comprehensive income (FVOCI)			
Equities	418,944	457,426	395,153
Sukuk	7,466,620	7,571,501	6,219,812
	<u>7,885,564</u>	<u>8,028,927</u>	<u>6,614,965</u>
Fair value through profit or loss (FVTPL)			
Mutual funds	<u>536,620</u>	<u>866,292</u>	<u>422,383</u>
Amortized cost			
Sukuk	2,207,849	800,211	-
Commodity murabaha with SAMA	1,294,237	1,292,796	1,295,047
	<u>3,502,086</u>	<u>2,093,007</u>	<u>1,295,047</u>
Total	<u>11,924,270</u>	<u>10,988,226</u>	<u>8,332,395</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, 2020****6. FINANCING, NET**

	March 31, 2020 SAR'000 (Unaudited)	December 31, 2019 SAR'000 (Audited)	March 31, 2019 SAR'000 (Unaudited)
Commercial	33,657,581	32,229,091	29,556,246
Consumer	30,177,935	28,311,232	22,824,025
Performing financing	63,835,516	60,540,323	52,380,271
Non-performing financing	834,171	735,913	724,563
Gross financing	64,669,687	61,276,236	53,104,834
Allowance for expected credit loss	(2,090,247)	(1,913,700)	(1,700,705)
Financing, net	62,579,440	59,362,536	51,404,129

7. CUSTOMERS' DEPOSITS

	March 31, 2020 SAR'000 (Unaudited)	December 31, 2019 SAR'000 (Audited)	March 31, 2019 SAR'000 (Unaudited)
Demand	38,035,439	33,669,863	31,535,990
Albilad account (Mudarabah)	18,617,692	19,315,147	15,341,106
Direct investment	9,986,423	12,456,218	9,624,323
Others	1,737,785	1,664,315	1,089,513
Total	68,377,339	67,105,543	57,590,932

8. SUKUK

On August 30, 2016, the Bank issued 2,000 Sukuk Certificates (Sukuk) of SR 1 million each, and payable quarterly in arrears on February 28, May 30, August 30, November 30 each year until August 30, 2026, on which date the Sukuk will be redeemed. The Bank has a call option which can be exercised on or after August 30, 2021 as per the terms mentioned in the related offering circular. The Sukuk may also be called upon occurrence of certain other conditions as per the terms specified in the offering circular. The Bank has not defaulted on any of payments (profit / principal) due during the period. The expected profit distribution on the sukuk is the base rate for three months in addition to the profit margin of 2%.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020****9. COMMITMENTS AND CONTINGENCIES**

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

	March 31, 2020 SAR' 000 (Unaudited)	December 31, 2019 SAR' 000 (Audited)	March 31, 2019 SAR' 000 (Unaudited)
Letters of guarantee	5,626,594	5,496,676	4,386,428
Letters of credit	1,264,274	1,199,941	1,121,202
Acceptances	374,641	353,679	352,325
Irrevocable commitments to extend credit	712,899	1,149,966	1,666,642
Total	7,978,408	8,200,262	7,526,597

b) The group is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed at December 31, 2019.

10. CASH AND CASH EQUIVALENTS

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

	March 31, 2020 SAR' 000 (Unaudited)	December 31, 2019 SAR' 000 (Audited)	March 31, 2019 SAR' 000 (Unaudited)
Cash and balances with SAMA (excluding statutory deposit)	2,085,042	4,362,480	2,150,684
Due from banks and other financial institutions (maturing within ninety days from acquisition)	3,374,168	1,395,392	2,540,202
Investments held at amortized cost (maturing within ninety days from acquisition)	-	-	250,744
Total	5,459,210	5,757,872	4,941,630

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

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:

- In the accessible principal market for the asset or liability, or
- 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.

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

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
March 31, 2020					
Financial assets measured at fair value					
Held as FVTPL	536,620	69,416	467,204	-	536,620
Held as FVOCI	7,885,564	917,266	-	6,968,298	7,885,564
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	4,959,043	-	-	4,959,043	4,959,043
Investments held at amortized cost	3,502,086	1,179,432	-	2,322,654	3,502,086
Financing, net	62,579,440	-	-	62,191,925	62,191,925

SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
December 31, 2019					
Financial assets measured at fair value					
Held as FVTPL	866,292	326,443	539,849	-	866,292
Held as FVOCI	8,028,927	986,919	-	7,042,008	8,028,927
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	4,041,404	-	-	4,041,404	4,041,404
Investments held at amortized cost	2,093,007	468,140	-	1,624,867	2,093,007
Financing, net	59,362,536	-	-	59,268,946	59,268,946

SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
March 31, 2020					
Financial liabilities not measured at fair value					
Due to banks, SAMA and other financial institutions	2,173,707	-	-	2,173,707	2,173,707
Customers' deposits	68,377,339	-	-	68,377,339	68,377,339
Sukuk	2,007,525	-	-	2,007,525	2,007,525

SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
December 31, 2019					
Financial liabilities not measured at fair value					
Due to banks, SAMA and other financial institutions	645,120	-	-	645,120	645,120
Customers' deposits	67,105,543	-	-	67,105,543	67,105,543
Sukuk	2,007,768	-	-	2,007,768	2,007,768

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

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 the interim condensed consolidated financial statements.

Cash and balances with SAMA, due from banks 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 the short-term nature.

The fair values of profit bearing customer deposits, held at amortized cost investment, due from and due to banks 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 and due to banks and other financial institutions or a combination of both. An active market for these instruments is not available and the Group intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

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

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

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

Reconciliation of level 3 fair values held as FVOCI

	March 31, 2020 SAR' 000 (Unaudited)	December 31, 2019 SAR' 000 (Audited)	March 31, 2019 SAR' 000 (Unaudited)
Beginning balance	7,042,008	3,781,687	3,777,436
Purchase	-	3,354,947	1,723,800
Gain / (loss) included in OCI			
Net changes in fair value (unrealised)	(73,710)	(94,626)	101,032
Total	6,968,298	7,042,008	5,602,268

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

12. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Assets and Liabilities Committee (ALCO) and the Chief Decision Maker 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.

Transactions between 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 operating segments based on approved criteria.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2019.

The Group's reportable segments are as follows:

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.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

The Group's total assets and liabilities as at March 31, 2020 and 2019, 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, 2020 (Unaudited)					
SAR'000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	37,974,622	31,858,908	17,846,700	817,657	88,497,887
Total liabilities	53,850,353	13,818,159	11,079,925	209,767	78,958,204
Net income from investing and financing assets	442,072	217,664	69,404	1,408	730,548
Fee, commission and other income, net	186,263	35,749	2,313	49,281	273,606
Total operating income	628,335	253,413	71,717	50,689	1,004,154
Impairment charge for Credit and other Financial Assets, net	20,245	176,581	6,607	-	203,433
Depreciation and amortization	44,685	14,972	1,976	787	62,420
Total operating expenses	411,234	247,334	25,050	19,820	703,438
Net income for the period before zakat	217,101	6,079	46,667	30,869	300,716
March 31, 2019 (Unaudited)					
SAR'000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	30,840,515	26,734,320	14,499,872	826,829	72,901,536
Total liabilities	43,486,452	11,587,417	9,268,792	288,219	64,630,880
Net income from investing and financing assets	333,258	212,906	47,739	3,188	597,091
Fee, commission and other income, net	216,134	32,605	36,482	39,097	324,318
Total operating income	549,392	245,511	84,221	42,285	921,409
Impairment charge for Credit and other Financial Assets, net	52,237	67,717	4,880	-	124,834
Depreciation and amortization	46,693	10,568	2,016	662	59,939
Total operating expenses	414,681	144,054	24,960	21,173	604,868
Net income for the period before zakat	134,711	101,457	59,261	21,112	316,541

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

13. SHARE CAPITAL AND DIVIDENDS

The authorized, issued and fully paid share capital of the Bank consists of 750 million shares of SAR 10 each (31 March 2019: 600 million shares of SAR 10 each).

The Board of Directors recommended in its meeting held on December 17, 2018 to the Extra-ordinary General Assembly an issuance of bonus shares of one share for every four shares held, thus increasing the Bank's capital from SAR 6,000 million to SAR 7,500 million, which has been approved in the Extraordinary General Assembly meeting held on April 9, 2019. The increase has been done through capitalization of SAR 1,500 million from the statutory reserve and the retained earnings. The number of shares outstanding after the bonus issuance has increased from 600 million shares to 750 million shares.

The Board of Directors' have recommended to the General Assembly to distribute cash dividends to shareholders for the second half of 2019 in the meeting held on February 10, 2020 corresponding to Jumada Al-Thani 16, 1441, to pay SAR 375 million. The dividends distribution has been approved in the Ordinary General Assembly meeting that has been held in April 26, 2020 corresponding to Ramadan 3, 1441, and dividends will be distributed to the registered shareholder's starting from May 4, 2020 corresponding to Ramadan 11, 1441.

The Bank intends to purchase 5 million shares of its own shares, based on the Board of Directors' resolution dated April 16, 2020 to be allocated within the employee share plan, and that has been approved in the Extra Ordinary General Assembly meeting held on May 12, 2020 corresponding to Ramadan 19, 1441.

14. EARNING PER SHARE ("EPS")

Basic and diluted earnings per share for the three months period ended March 31, 2020 and 2019 is calculated by dividing the net income for the period by the weighted average number of outstanding shares of 2020: 746 million shares (2019: 746 million shares) during the period adjusted for treasury shares.

15. CAPITAL ADEQUACY

The Group's objectives when managing capital are, to comply with the capital requirements set by SAMA; 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. SAMA 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 agreed minimum of 8%.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

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

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

	March 31, 2020 SAR' 000 (Unaudited)	December 31, 2019 SAR' 000 (Audited)	March 31, 2019 SAR' 000 (Unaudited)
Credit Risk RWA	63,558,174	63,300,773	54,074,945
Operational Risk RWA	6,618,825	6,384,244	5,745,017
Market Risk RWA	188,788	414,729	290,213
Total Pillar-I RWA	70,365,787	70,099,746	60,110,175
Tier I Capital	9,611,012	9,473,031	8,313,454
Tier II Capital	2,794,477	2,791,260	2,675,937
Total Tier I & II Capital	12,405,489	12,264,291	10,989,391
Capital Adequacy Ratio %			
Tier I ratio	13.66%	13.51%	13.83%
Tier I + Tier II ratio	17.63%	17.50%	18.28%

16. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to the current period presentation.

17. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

During March 2020, the World Health Organization ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

The Bank has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. The steps taken by management also include commencing review of credit exposure concentrations at a more granular level such as the economic sectors, regions, country, counterparty etc., collateral protection, timely review and customer credit rating actions and appropriately restructuring loans, where required. These also take into consideration the impacts of government and SAMA support relief programs.

The current events and the prevailing economic condition require the Bank to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These would primarily revolve around either adjusting macroeconomic factors used by the Bank in the estimation of ECL or revisions to the scenario probabilities currently being used by the Bank. The impact of such uncertain economic environment is difficult to assess at this point in time for the purpose of ECL estimation. Alternatively, the Bank has recognized overlays of SAR 73.9 million and SAR 23.2 million for commercial and consumer financing respectively. These have been based on a sector-based analysis performed by the Bank in cognisance of the impacted portfolios. The Bank will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

SAMA programs and initiatives launched

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises (“MSME”) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompass the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale (“POS”) and e-commerce service fee support program.

As part of the deferred payments program, the Bank is required to defer payments for six months on financing facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from March 14, 2020 to September 14, 2020 for a period of six months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

This has resulted in the Bank recognizing a day 1 modification loss of SAR 28.9 million as at March 31, 2020 and this has been presented as part of the net income from investing and financing assets. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk. In order to compensate all the related cost that the Bank is expected to incur under the SAMA and other public authorities program, the Bank has received SAR 950 million as a profit free deposit from SAMA. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in an additional income of SAR 67.3 million, out of which SAR 28.9 million equivalent to the amount of modification loss incurred as a result of deferral of payments to MSMEs, as explained above, has been recognized in the statement of income as at 31 March 2020 immediately, and the remaining amount deferred. The management has exercised certain judgements in the recognition and measurement of this grant income.

As at March 31, 2020, the Bank is yet to participate in SAMA's funding for lending and loan guarantee programs. Furthermore, the POS and e-commerce service fee programs have had an immaterial impact to the Bank's financial statements.

During April 2020, SAMA has issued a guidance around Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures. The Bank will consider the guidance issued and evaluate the accounting impact in Q2 2020 accordingly.

Health care sector support

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Bank has decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months. This has resulted in the Bank recognizing a day 1 modification loss of SAR 28.8 million as at March 31, 2020 and this has been presented as part of the net income from investing and financing assets.

**18. BOARD OF DIRECTORS' APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on Ramadan 21, 1441H (corresponding to May 14, 2020).