



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019



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)
Riyadh
Kingdom of Saudi Arabia

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 2019, and the related interim consolidated statements of income, comprehensive income for the three months and six months period then ended, and the interim consolidated statements of changes in equity and cash flows for the six 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 International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review 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.



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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 16 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 16 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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4 Dhul-Hijjah 1440H
(5 August 2019)



BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	June 30, 2019 SAR'000 (Unaudited)	December 31, 2018 SAR'000 (Audited)	June 30, 2018 SAR'000 (Unaudited)
Note			
ASSETS			
Cash and balances with SAMA	6,110,292	6,438,201	5,428,079
Due from banks and other financial institutions, net	5,194,816	8,334,284	8,571,313
Investments, net	6 9,210,853	6,465,710	5,408,200
Financing, net	7 53,652,521	50,593,033	47,339,993
Property and equipment, net	1,786,391	1,146,848	898,119
Other assets	1,033,971	658,050	761,178
Total assets	<u>76,988,844</u>	<u>73,636,126</u>	<u>68,406,882</u>
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions	1,391,222	3,100,791	4,144,730
Customers' deposits	8 59,315,376	57,175,594	52,178,863
Sukuk	9 2,008,355	2,008,587	2,007,398
Other liabilities	5,442,865	3,518,205	2,362,197
Total liabilities	<u>68,157,818</u>	<u>65,803,177</u>	<u>60,693,188</u>
Equity			
Share capital	14 7,500,000	6,000,000	6,000,000
Statutory reserve	-	-	866,508
Other reserves	333,919	(69,832)	(77,833)
Retained earnings	1,073,405	483,441	1,016,470
Proposed issuance of bonus shares	14 -	1,500,000	-
Treasury shares	(80,670)	(90,780)	(96,335)
Employee share plan reserve	4,372	10,120	4,884
Total equity	<u>8,831,026</u>	<u>7,832,949</u>	<u>7,713,694</u>
Total liabilities and equity	<u>76,988,844</u>	<u>73,636,126</u>	<u>68,406,882</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>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>2019</u> <u>SAR'000</u>	<u>June 30,</u> <u>2018</u> <u>SAR'000</u> <u>(restated)</u>	<u>June 30,</u> <u>2019</u> <u>SAR'000</u>	<u>June 30,</u> <u>2018</u> <u>SAR'000</u> <u>(restated)</u>
INCOME					
Income from investing and financing assets		822,963	652,509	1,592,702	1,252,064
Return on deposits and financial liabilities		(152,106)	(131,108)	(324,754)	(242,427)
Income from investing and financing assets, net		670,857	521,401	1,267,948	1,009,637
Fee and commission income, net		198,269	208,810	407,931	408,661
Exchange income, net		76,829	79,398	150,776	154,347
Dividend income		5,909	10,822	8,806	13,351
Gains on fair value through profit or loss investments, net		2,194	4,605	20,774	14,239
Other operating income		5,185	17,641	24,417	33,416
Total operating income		959,243	842,677	1,880,652	1,633,651
EXPENSES					
Salaries and employee related expenses		280,065	253,835	555,564	508,643
Rent and premises related expenses		23,639	59,882	50,814	125,227
Depreciation and amortization		61,108	22,464	121,047	44,517
Other general and administrative expenses		117,649	95,348	235,070	192,890
Impairment charge for credit and other financial assets, net		137,807	135,250	262,641	230,364
Total operating expenses		620,268	566,779	1,225,136	1,101,641
Net Income for the period before zakat		338,975	275,898	655,516	532,010
Zakat expense	5	34,062	10,000	65,552	20,000
Net income for the period after zakat		304,913	265,898	589,964	512,010
Basic and diluted earnings per share (SAR)	15	0.41	0.36	0.79	0.69

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>	
	<u>June 30,</u> <u>2019</u> <u>SAR'000</u>	<u>June 30,</u> <u>2018</u> <u>SAR'000</u> <u>(restated)</u>	<u>June 30,</u> <u>2019</u> <u>SAR'000</u>	<u>June 30,</u> <u>2018</u> <u>SAR'000</u> <u>(restated)</u>
Net income for the period after zakat	304,913	265,898	589,964	512,010
Other comprehensive income:				
Items that will not be reclassified to the consolidated statement of income in subsequent periods				
- Net movement in fair value reserve (equity instruments)	(7,496)	(8,530)	9,154	5,102
- Re-measurement of employees "End of Service Benefits ("EOSB")	(404)	-	(404)	-
Items that may be reclassified to the consolidated statement of income in subsequent periods				
- Debt instrument at fair value through other comprehensive income:				
• Net changes in fair value	261,071	(26,530)	395,001	(76,072)
Total other comprehensive income	253,171	(35,060)	403,751	(70,970)
Total comprehensive income for the period	558,084	230,838	993,715	441,040

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

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019**

<u>2019</u> SAR' 000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed issuance of bonus shares	Treasury shares	Employees' share plan reserve	Total
Balance at 1 January 2019	6,000,000	-	(69,832)	483,441	1,500,000	(90,780)	10,120	7,832,949
Changes in the equity for the period								
Net movement in fair value reserve (equity instruments)			9,154					9,154
Re-measurement of employees "End of Service Benefits ("EOSB")			(404)					(404)
Net movement in FVOCI reserve for investments			<u>395,001</u>					<u>395,001</u>
Total other comprehensive income			403,751					403,751
Net income for the period after zakat				<u>589,964</u>				<u>589,964</u>
Total comprehensive income for the period			<u>403,751</u>	<u>589,964</u>				<u>993,715</u>
Treasury shares						10,110		10,110
Employees' share plan reserve							(5,748)	(5,748)
Proposed issuance of bonus shares	<u>1,500,000</u>				(1,500,000)			-
Balance at end of the period	7,500,000	-	333,919	1,073,405	-	(80,670)	4,372	8,831,026

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

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018**

<u>2018</u> SAR' 000		Share capital	Statutory reserve	Other reserves	Retained earnings	Treasury shares	Employees' share plan reserve	Total
Balance at 1 January 2018	Note	6,000,000	866,508	47,420	530,805	(104,575)	8,635	7,348,793
Effect of change in accounting policy				(54,283)	(26,345)			(80,628)
Balance at the beginning of the period as restated		6,000,000	866,508	(6,863)	504,460	(104,575)	8,635	7,268,165
Changes in the equity for the period								
Net movement in fair value reserve (equity instruments)				5,102				5,102
Net movement in FVOCI reserve for investments				(76,072)				(76,072)
Total other comprehensive income				(70,970)				(70,970)
Net income for the period after zakat (restated)	5				512,010			512,010
Total comprehensive income for the period (restated)				(70,970)	512,010			441,040
Treasury shares						8,240		8,240
Employees' share plan reserve							(3,751)	(3,751)
Balance at end of the period		6,000,000	866,508	(77,833)	1,016,470	(96,335)	4,884	7,713,694

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, 2019 AND 2018**

	Note	2019 SAR' 000	2018 SAR' 000
OPERATING ACTIVITIES			
Net income for the period before zakat		655,516	532,010
Adjustments to reconcile net income to net cash from / (used in) operating activities:			
Profit on Sukuk		49,035	39,851
Gains on FVTPL investments, net		(20,774)	(14,239)
Gains from disposal of property and equipment, net		(16)	(54)
Depreciation and amortization		121,047	44,517
Impairment charge for credit and other financial assets, net		262,641	230,364
Employee share plan		4,362	4,489
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(88,369)	(267,291)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		234,335	(747,922)
Commodity murabaha with SAMA maturing after ninety days from the date of acquisition		(300,116)	296,921
Financing		(3,307,777)	(4,184,759)
Other assets		(375,921)	(411,685)
Net increase / (decrease) in operating liabilities:			
Due to SAMA		-	(2,012,518)
Due to banks and other financial institutions		(1,709,569)	2,395,793
Customers' deposits		2,139,782	4,395,904
Other liabilities		1,859,108	274,302
Net cash (used in) / generated from operating activities		(476,716)	575,683
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments held as FVOCI		16,805	38,121
Purchase of investments held as FVOCI		(2,269,248)	(1,204,731)
Proceeds from sales and maturities of investments held as FVTPL		-	505,381
Purchase of investments held as FVTPL		(82,461)	(276,574)
Proceeds from sale of property and equipment		171	85
Purchase of property and equipment		(760,745)	(67,243)
Net cash used in investing activities		(3,095,478)	(1,004,961)
FINANCING ACTIVITIES			
Distributed Sukuk profit		(49,267)	(39,028)
Cash dividend		-	(240,000)
Net cash used in financing activities		(49,267)	(279,028)
Net change in cash and cash equivalents		(3,621,461)	(708,306)
Cash and cash equivalents at the beginning of the period		9,574,966	9,064,626
Cash and cash equivalents at the end of the period	11	5,953,505	8,356,320
Supplemental non cash information			
Income received from investing and financing assets		1,587,428	1,155,401
Return paid on deposits and financial liabilities		342,238	261,191
Total other comprehensive income		403,751	(70,970)

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

1. GENERAL

a) Incorporation and operation

Bank Albilad (“the Bank”), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, 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 its Head Office is located at the following address:

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

These interim condensed consolidated financial statements comprise of 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. The Bank provides these services through 111 banking branches (June 30, 2018: 112) and 180 exchange and remittance centers (June 30, 2018: 179) in the Kingdom of Saudi Arabia.

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 period ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia.

The consolidated financial statements of the Group as at and for the period and year ended 31 March 2019 and 31 December 2018, respectively, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards (“IFRS”) respectively, as modified by 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 related to zakat and

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

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 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 the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

Accordingly, the Group changed its accounting treatment for zakat by retrospectively adjusting the impact in line with the International Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and the effects of this change are disclosed in note 5 to the interim condensed consolidated financial statements.

The Bank has adopted IFRS 16 Leases from 1 January 2019 and accounting policies for this new standard are disclosed in note 5.

3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries as set out 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 the 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 interim condensed 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.

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

Effective 1 January 2019 the Group has adopted a new accounting standard; the impact of the adoption of this standard is explained below:

IFRS 16 Leases

Prior to 1 January 2019, the Bank applied the following policy for the accounting of leases:

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

(i) Where the Bank is the lessee

Leases that do not transfer to the Group substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Consequently, all of the leases entered into by the Group are operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

(ii) Where the Bank is the lessor

When assets are transferred under Ijara Muntahia Bittamleek, the present value of the lease payments is recognized as a receivable and disclosed under "Financing". The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

The Bank adopted IFRS 16 Leases, the accounting standard that replaces the previous guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 is effective for annual periods commencing on or after January 1, 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Bank's Financial Position, unless the term is 12 months or less or the lease is a low value asset. Thus, the classification required under IAS 17 into either an operating or a finance leases is eliminated for the Lessees. For each lease, the lessee recognizes a liability for the lease obligations to be incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs. The right to use leased asset is amortized over the useful life.

The Bank adopted IFRS 16 prospectively, in that, comparative periods are not restated. The Bank elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Bank will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Bank applied the weighted average incremental borrowing rate to lease liabilities recognized in the statement of financial position at the data of initial application.

5. 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 2018, except for the policies explained below for the change in the accounting for zakat, and based on the adoption of new standards explained in note 4, the following accounting policies are applicable effective 1 January 2019 replacing / amending or adding to the corresponding accounting policies set out in 2018 financial statements:

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(UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019**

IFRS 16 Leases**Right of Use Asset (“RoU”) / Lease Liabilities**

On initial recognition at the inception of the contract, the Bank shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Control is identified if most of the benefits are flowing to the Bank and the Bank can direct the usage of such assets.

Right of Use Assets

The Bank applies cost model and measures the right of use asset at cost;

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any re-measurement of the lease liability for lease modifications

Generally, the RoU asset would be equate the lease liability. However, if there are additional costs such as Site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Bank measures the lease liability by:

1. Increasing the carrying amount to reflect the interest on the lease liability,
2. Reducing the carrying amount to reflect the lease payments made: and
3. Re-measuring the carrying amount to reflect any re-assessment or any lease modification.

Change in the accounting for zakat

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.

As mentioned above, the basis of preparation has been changed for the period ended 30 June 2019 as a result of the issuance of latest instructions from SAMA dated 17 July 2019. Previously, zakat was recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, zakat shall be 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 interim condensed consolidated financial statements as disclosed below. The change has resulted in reduction of reported income of the group, while the change has had no impact on the statement of cash flows for the period ended 30 June 2018.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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The change in the accounting treatment for zakat has the following impact on the line items of the statements of income, and changes in shareholders' equity:

As at and for the six-month period ended 30 June 2018:

Financial statement impacted	Account	Before the restatement for the six-month period ended 30 June 2018	Effect of restatement	Effect of issuance of bonus shares	As restated as at and for the six-month period ended 30 June 2018:
Statement of changes in Equity	Provision for zakat (retained earnings)	20,000	(20,000)	-	-
Statement of income	Zakat expense	-	20,000	-	20,000
Statement of income	Earnings per share	0.89	(0.02)	(0.18)	0.69

For the three -month period ended 30 June 2018:

Financial statement impacted	Account	Before the restatement for the three-month period ended 30 June 2018:	Effect of restatement	Effect of issuance of bonus shares	As restated as at and for the three-month period ended 30 June 2018
Statement of income	Zakat expense	-	10,000	-	10,000
Statement of income	Earnings per share	0.46	(0.01)	(0.09)	0.36

6. INVESTMENTS, NET

	June 30, 2019 SAR' 000 (Unaudited)	December 31, 2018 SAR' 000 (Audited)	June 30, 2018 SAR' 000 (Unaudited)
Fair Value Through Other Comprehensive Income (FVOCI)			
Equities	388,567	381,512	389,182
Sukuk	7,026,833	4,390,851	3,232,522
	<u>7,415,400</u>	<u>4,772,363</u>	<u>3,621,704</u>
Fair value through profit or loss (FVTPL)			
Mutual funds	<u>503,864</u>	<u>400,083</u>	<u>491,487</u>
Amortized Cost			
Commodity Murabaha with SAMA	<u>1,291,589</u>	<u>1,293,264</u>	<u>1,295,009</u>
Total	<u><u>9,210,853</u></u>	<u><u>6,465,710</u></u>	<u><u>5,408,200</u></u>

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019****7. FINANCING, NET**

	June 30, 2019 SAR'000 (Unaudited)	December 31, 2018 SAR'000 (Audited)	June 30, 2018 SAR'000 (Unaudited)
Commercial	30,440,208	30,235,333	29,719,822
Consumer	24,257,682	21,344,690	18,557,416
Performing financing	54,697,890	51,580,023	48,277,238
Non-performing financing	783,632	728,626	581,937
Gross financing	55,481,522	52,308,649	48,859,175
Allowance for expected credit loss	(1,829,001)	(1,715,616)	(1,519,182)
Financing, net	53,652,521	50,593,033	47,339,993

8. CUSTOMERS' DEPOSITS

	June 30, 2019 SAR'000 (Unaudited)	December 31, 2018 SAR'000 (Audited)	June 30, 2018 SAR'000 (Unaudited)
Demand	33,284,042	29,290,547	28,710,135
Albilad account (Mudarabah)	15,794,416	15,781,512	15,334,516
Direct investment	8,861,722	11,023,615	7,086,475
Others	1,375,196	1,079,920	1,047,737
Total	59,315,376	57,175,594	52,178,863

9. 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 29, May 30, August 30, November 30 each year until August 30, 2026, on which Sukuk will be redeemed. The Bank has a call option which can be exercised on or after August 30, 2021 and 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%.

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(UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019****10. COMMITMENTS AND CONTINGENCIES**

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

	June 30, 2019 SAR' 000 (Unaudited)	December 31, 2018 SAR' 000 (Audited)	June 30, 2018 SAR' 000 (Unaudited)
Letters of guarantee	4,743,478	4,276,157	4,204,049
Letters of credit	709,024	825,898	907,910
Acceptances	670,468	454,411	447,494
Irrevocable commitments to extend credit	-	496,104	496,104
Total	6,122,970	6,052,570	6,055,557

b) The group is subject to legal proceedings in the ordinary course of business. No material provision has been made as of 30 June 2019 as professional advice indicates that it is not probable that any significant loss will eventuate.

11. CASH AND CASH EQUIVALENTS

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

	June 30, 2019 SAR' 000 (Unaudited)	December 31, 2018 SAR' 000 (Audited)	June 30, 2018 SAR' 000 (Unaudited)
Cash	1,817,127	1,702,065	1,963,674
Due from banks and other financial institutions (maturing within ninety days from acquisition)	3,082,883	5,988,016	5,930,789
Held to maturity investment (maturing within ninety days from acquisition)	-	300,050	-
Balances with SAMA (excluding statutory deposit)	1,053,495	1,584,835	461,857
Total	5,953,505	9,574,966	8,356,320

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 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.

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:

SAR' 000	<u>Carrying value</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
June 30, 2019					
Financial assets measured at fair value					
Held as FVTPL	503,864	72,554	431,310	-	503,864
Held as FVOCI	7,415,400	6,746,882	-	668,518	7,415,400
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	5,194,816	-	-	5,194,816	5,194,816
Investments held at amortized cost	1,291,589	-	-	1,291,589	1,291,589
Financing, net	53,652,521	-	-	53,458,365	53,458,365

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SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
December 31, 2018					
Financial assets measured at fair value					
Held as FVTPL	400,083	54,496	345,587	-	400,083
Held as FVOCI	4,772,363	4,104,095	-	668,268	4,772,363
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	8,334,284	-	-	8,334,284	8,334,284
Investments held at amortized cost	1,293,264	-	-	1,293,264	1,293,264
Financing, net	50,593,033	-	-	50,014,077	50,014,077

SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
June 30, 2019					
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	1,391,222	-	-	1,391,222	1,391,222
Customers' deposits	59,315,376	-	-	59,315,376	59,315,376
Sukuk	2,008,355	-	-	2,008,355	2,008,355

SAR' 000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
December 31, 2018					
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	3,100,791	-	-	3,100,791	3,100,791
Customers' deposits	57,175,594	-	-	57,175,594	57,175,594
Sukuk	2,008,587	-	-	2,008,587	2,008,587

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.

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.

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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

	June 30, 2019 SAR' 000 (Unaudited)	December 31, 2018 SAR' 000 (Audited)	June 30, 2018 SAR' 000 (Unaudited)
Beginning balance	668,268	1,466,429	1,466,429
Purchase	-	256,250	1,105,000
Sales	-	(1,048,754)	(1,977,773)
Gain / (loss) included in OCI			
Net changes in fair value (unrealised)	250	(5,657)	74,487
Total	668,518	668,268	668,143

13. SEGMENT INFORMATION

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) 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.

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.

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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 operating segments, based on approved criteria.

The Group's total assets and liabilities as at June 30, 2019 and 2018, together with its total operating income and expenses, and net income before zakat, for the six months period ended, for each segment are as follows:

June 30, 2019 (Unaudited)

SAR'000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	32,602,419	27,545,663	15,980,672	860,090	76,988,844
Total liabilities	45,136,335	13,280,923	9,428,407	312,153	68,157,818
Net income from investing and financing assets	686,890	445,119	129,276	6,663	1,267,948
Fee, commission and other income, net	415,547	58,980	72,490	65,687	612,704
Total operating income	1,102,437	504,099	201,766	72,350	1,880,652
Impairment charge for Credit and other Financial Assets, net	116,837	131,487	14,317	-	262,641
Depreciation and amortization	94,907	20,840	3,947	1,353	121,047
Total operating expenses	851,178	285,155	47,898	40,905	1,225,136
Net income for the period before zakat	251,259	218,944	153,868	31,445	655,516

June 30, 2018 (Unaudited)

SAR'000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	24,647,582	26,647,669	16,321,184	790,447	68,406,882
Total liabilities	36,809,140	13,448,975	10,408,796	26,277	60,693,188
Net income from investing and financing assets	526,445	387,855	88,901	6,436	1,009,637
Fee, commission and other income, net	419,786	70,198	86,340	47,690	624,014
Total operating income	946,231	458,053	175,241	54,126	1,633,651
Impairment charge for Credit and other Financial Assets, net	73,632	155,756	976	-	230,364
Depreciation and amortization	38,269	4,640	690	918	44,517
Total operating expenses	721,766	295,281	40,591	44,003	1,101,641
Net income for the period before zakat	224,465	162,772	134,650	10,123	532,010

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14. SHARE CAPITAL AND DIVIDENDS

The authorized, issued and fully paid share capital of the Bank consists of 750 million shares of SAR 10 each (30 June 2018: 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 increasing 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.

On July 18, 2019, the Board of Directors has resolved on the distribution of cash dividend of SAR 300 million (SAR 0.4 per share).

15. EARNING PER SHARE ("EPS")

Basic and diluted earnings per share for the six months period ended June 30, 2019 and 2018 is calculated by dividing the net income for the period by the weighted average number of outstanding shares 2019: 746 million shares (2018: 746 million shares) during the period adjusted for treasury shares.

16. 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%.

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 interim consolidated statement of financial position assets and commitments at a weighted amount to reflect their relative risk.

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

	June 30, 2019 SAR' 000 (Unaudited)	December 31, 2018 SAR' 000 (Audited)	June 30, 2018 SAR' 000 (Unaudited)
Credit Risk RWA	56,224,555	55,268,406	51,575,038
Operational Risk RWA	5,944,229	5,572,623	5,203,702
Market Risk RWA	548,463	231,436	826,423
Total Pillar-I RWA	62,717,247	61,072,465	57,605,163
Tier I Capital	8,873,823	7,890,012	7,770,757
Tier II Capital	2,702,807	2,690,855	2,644,688
Total Tier I & II Capital	11,576,630	10,580,867	10,415,445
Capital Adequacy Ratio %			
Tier I ratio	14.15%	12.92%	13.49%
Tier I + Tier II ratio	18.46%	17.33%	18.08%

17. COMPARATIVE FIGURES

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

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 28 Dhul-Qa'da 1440H (corresponding to 31 July 2019).