



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022



**Ernst & Young Professional Services
(Professional LLC)**
**Paid-up capital (SR 5,500,000 – Five
million five hundred thousand Saudi Riyal)**
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**Independent auditors' review report on the
interim condensed consolidated financial statements**

To: The shareholders of Bank Albilad
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Bank Albilad (“the Bank”) and its subsidiaries (collectively referred to as “the Group”) as at 31 March 2022, and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended, and other explanatory notes (collectively referred to as “the interim condensed consolidated financial statements”). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard 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.

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

Abdulaziz A. Al-Sowailim
Certified Public Accountant
License Number 277



KPMG Professional Services

Hani Hamzah A. Bedairi
Certified Public Accountant
License Number 460

26 Ramadan 1443H
(27 April 2022)



KPMG Professional Services
(Professional Closed Joint Stock Company)
Paid-up capital SR 25,000,000
C.R. No. 1010425494

BANK ALBILAD

(A Saudi Joint Stock Company)

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

	March 31, 2022	December 31, 2021	March 31, 2021
	SAR'000	SAR'000	SAR'000
<u>Note</u>	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>
ASSETS			
Cash and balances with Saudi central bank	6,184,196	6,096,644	6,393,543
Due from banks and other financial institutions, net	3,252,292	2,136,853	1,811,703
Investments, net	5 17,975,055	17,092,232	15,880,990
Financing, net	6 86,390,823	82,933,314	75,531,389
Property, equipment and right of use assets, net	1,953,808	1,925,481	1,873,130
Other assets	685,777	669,180	1,028,938
Total assets	<u>116,441,951</u>	<u>110,853,704</u>	<u>102,519,693</u>
LIABILITIES AND EQUITY			
Liabilities			
Due to banks, Saudi central bank and other financial institutions	8,612,215	8,777,227	6,547,716
Customers' deposits	7 86,078,520	81,110,494	76,963,053
Sukuk	8 3,015,866	3,015,411	2,004,822
Other liabilities	6,409,938	5,970,482	6,165,979
Total liabilities	<u>104,116,539</u>	<u>98,873,614</u>	<u>91,681,570</u>
Equity			
Share capital	13 7,500,000	7,500,000	7,500,000
Treasury shares	(53,005)	(61,953)	(61,953)
Statutory reserve	1,069,698	1,069,698	648,065
Other reserves	291,218	439,816	595,005
Retained earnings	1,013,562	522,058	2,153,060
Proposed issuance of bonus shares	13 2,500,000	2,500,000	-
Employees' share plan reserve	3,939	10,471	3,946
Total equity	<u>12,325,412</u>	<u>11,980,090</u>	<u>10,838,123</u>
Total liabilities and equity	<u>116,441,951</u>	<u>110,853,704</u>	<u>102,519,693</u>

The accompanying notes from 1 to 19 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 period ended</u>	
		<u>March 31, 2022 SAR'000</u>	<u>March 31, 2021 SAR'000</u>
INCOME			
Income from investing and financing assets		1,040,747	911,712
Return on deposits and financial liabilities		(96,285)	(52,954)
Income from investing and financing assets, net		944,462	858,758
Fee and commission income, net		173,827	198,743
Exchange income, net		86,825	73,737
Dividend income		11,897	3,256
Gains / (losses) on FVSI Financial instruments, net		31,776	(8,383)
Other operating income		15,726	6,874
Total operating income		1,264,513	1,132,985
EXPENSES			
Salaries and employee related expenses		296,815	294,350
Depreciation and amortization		69,217	68,438
Other general and administrative expenses		192,336	162,844
Operating expenses before expected credit losses		558,368	525,632
Impairment charge for expected credit losses, net		159,529	169,500
Total operating expenses		717,897	695,132
Net income for the period before zakat		546,616	437,853
Zakat for the period		56,302	45,099
Net income for the period after zakat		490,314	392,754
Basic and diluted earnings per share (SAR)	14	0.66	0.53

The accompanying notes from 1 to 19 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, 2022	March 31, 2021
	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period after zakat	490,314	392,754
Other comprehensive 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)	76,646	23,762
Items that may be reclassified to interim consolidated statement of income in subsequent periods		
Net changes in fair value of FVOCI (debt instruments)	(224,054)	(321,465)
Total other comprehensive loss	<u>(147,408)</u>	<u>(297,703)</u>
Total comprehensive income for the period	<u>342,906</u>	<u>95,051</u>

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022**

<u>2022</u> 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 the beginning of the period	7,500,000	(61,953)	1,069,698	439,816	522,058	2,500,000	10,471	11,980,090
Net changes in fair value of FVOCI (equity instruments)				76,646				76,646
Net changes in fair value of FVOCI (debt instruments)				(224,054)				(224,054)
Total other comprehensive loss				(147,408)				(147,408)
Net income for the period after zakat					490,314			490,314
Total comprehensive (loss) / income for the period				(147,408)	490,314			342,906
Realized gain from sale of FVOCI (equity instruments)				(1,190)	1,190			-
Allocation of shares during the period		8,948					(8,948)	-
Employees' share plan reserve							2,416	2,416
Balance at the end of the period	7,500,000	(53,005)	1,069,698	291,218	1,013,562	2,500,000	3,939	12,325,412

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

<u>2021</u> SAR' 000	Note	Share capital	Treasury shares	Statutory Reserve	Other reserves	Retained earnings	Employees' share plan reserve	Total equity
Balance at the beginning of the period		7,500,000	(70,527)	648,065	897,063	1,755,951	10,345	10,740,897
Net changes in fair value of FVOCI (equity instruments)					23,762			23,762
Net changes in fair value of FVOCI (debt instruments)					(321,465)			(321,465)
Total other comprehensive loss					(297,703)			(297,703)
Net income for the period after zakat						392,754		392,754
Total comprehensive income for the period					(297,703)	392,754		95,051
Realized gain from sale of FVOCI (equity instruments)					(4,355)	4,355		
Treasury shares			8,574				(8,574)	
Employees' share plan reserve							2,175	2,175
Balance at the end of the period		<u>7,500,000</u>	<u>(61,953)</u>	<u>648,065</u>	<u>595,005</u>	<u>2,153,060</u>	<u>3,946</u>	<u>10,838,123</u>

The accompanying notes from 1 to 19 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 THREE MONTHS PERIOD ENDED MARCH 31, 2022 AND 2021**

	Note	2022 SAR' 000	2021 SAR' 000
OPERATING ACTIVITIES			
Net income before zakat for the period		546,616	437,853
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Profit on sukuk		19,154	14,102
(Gains)/ losses on FVSI Financial instruments, net		(31,776)	8,383
Losses on disposal of property and equipment, net		-	233
Depreciation and amortization		69,217	68,438
Impairment charge for expected credit losses, net		159,529	169,500
Employees' share plan reserve		2,416	2,175
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi central bank		(22,967)	(369,376)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(99,047)	(209,454)
Bai Alajel with Saudi central bank maturing after ninety days from the date of acquisition		388,713	388,326
Financing, net		(3,605,760)	(5,590,009)
Other assets		(16,597)	(94,186)
Net increase / (decrease) in operating liabilities:			
Due to banks, Saudi central bank and other financial institutions		(165,012)	1,144,786
Customers' deposits		4,968,026	5,410,164
Other liabilities		392,030	78,700
Net cash generated from operating activities		2,604,542	1,459,635
INVESTING ACTIVITIES			
Purchase of investments held as FVOCI		(37,715)	(33,463)
Purchase of investments held as FVSI		(64,918)	(44,079)
Purchase of investments held as amortized cost		(904,765)	(1,219,337)
Purchase of property and equipment		(64,997)	(19,627)
Net cash used in investing activities		(1,072,395)	(1,316,506)
FINANCING ACTIVITIES			
Distributed sukuk profit		(18,699)	(14,156)
Payment of lease liabilities		(41,423)	(36,596)
Net cash used in financing activities		(60,122)	(50,752)
Net increase in cash and cash equivalents		1,472,025	92,377
Cash and cash equivalents at the beginning of the period		3,470,061	2,906,729
Cash and cash equivalents at the end of the period	10	4,942,086	2,999,106
Supplemental information			
Income received from investing and financing assets during the period		946,338	1,032,509
Return paid on deposits and financial liabilities during the period		44,969	53,218

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022

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 106 banking branches (March 31, 2021: 107) and 158 exchange and remittance centers (March 31, 2021: 177) 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 the Shariah Committee resolutions and directions and within the provisions of the Bank’s 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.

BANK ALBILAD

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the three months period ended March 31, 2022, have been prepared in accordance with the 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”). 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, 2021.

The consolidated financial statements of the Group as at and for the year ended 31 December 2021, were prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and professional Accountants (SOCPA). 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

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted 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 2021.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have a significant impact on the interim condensed consolidated financial statements of the Group.

Standard, interpretation or amendments	Description	Effective date
Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs	Effective 1 April 2021; practical expedient extended to 30 June 2022.

BANK ALBILAD

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022**

Standard, interpretation or amendments	Description	Effective date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after 1 January 2022.

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which will be effective from periods on or after January 1, 2023. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim 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 1 January 2024
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 1 January 2023
IFRS 17, 'Insurance contracts', as amended in June 2020	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 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	<p>The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.</p> <p>IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.</p> <p>The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p>	Annual periods beginning on or after 1 January 2023.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022**

Standard, interpretation or amendments	Description	Effective date
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 1 January 2023.

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, 2021.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022****5. INVESTMENTS, NET**

	March 31, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	March 31, 2021 SAR' 000 (Unaudited)
Fair value through other comprehensive income (FVOCI)			
Equities	761,150	638,141	520,543
Sukuk	<u>6,962,454</u>	<u>7,195,156</u>	<u>7,332,917</u>
	<u>7,723,604</u>	<u>7,833,297</u>	<u>7,853,460</u>
Fair value through statement of income (FVSI)			
Mutual funds	637,994	607,948	837,324
Equities	<u>142,303</u>	<u>75,655</u>	<u>5,044</u>
	<u>780,297</u>	<u>683,603</u>	<u>842,368</u>
Amortized cost			
Sukuk	8,176,537	7,283,050	5,887,322
Bai Alajel with Saudi central bank	<u>1,294,617</u>	<u>1,292,282</u>	<u>1,297,840</u>
	<u>9,471,154</u>	<u>8,575,332</u>	<u>7,185,162</u>
Total	<u>17,975,055</u>	<u>17,092,232</u>	<u>15,880,990</u>

6. FINANCING, NET

	March 31, 2022 SAR'000 (Unaudited)	December 31, 2021 SAR'000 (Audited)	March 31, 2021 SAR'000 (Unaudited)
Commercial	45,562,559	43,442,371	38,733,148
Retail	<u>42,620,283</u>	<u>41,189,659</u>	<u>38,489,032</u>
Performing financing	88,182,842	84,632,030	77,222,180
Non-performing financing	<u>993,771</u>	<u>942,782</u>	<u>849,932</u>
Gross financing	89,176,613	85,574,812	78,072,112
Allowance for expected credit losses	<u>(2,785,790)</u>	<u>(2,641,498)</u>	<u>(2,540,723)</u>
Financing, net	<u>86,390,823</u>	<u>82,933,314</u>	<u>75,531,389</u>

BANK ALBILAD

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022****7. CUSTOMERS' DEPOSITS**

Customers' deposits are comprised of the following:

	March 31, 2022 SAR'000 (Unaudited)	December 31, 2021 SAR'000 (Audited)	March 31, 2021 SAR'000 (Unaudited)
Demand	46,424,747	41,833,517	42,833,362
Albilad account (Mudarabah)	22,433,193	21,975,738	18,226,782
Direct investment	14,313,561	14,116,446	13,258,033
Others	2,907,019	3,184,793	2,644,876
Total	86,078,520	81,110,494	76,963,053

8. SUKUK

On August 30, 2016, the Bank issued 2,000 Tier 2 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. During the year 2021, the Bank exercised the call option on its previous sukuk and recalled Sukuk amounting to SAR 1,061 million. These arrangements were approved by the regulatory authorities and the Board of Directors of the Bank.

On April 15, 2021, the Bank issued 3,000 Tier 2 Sukuk Certificates (Sukuk) of SR 1 million each, and payable quarterly each year until April 15, 2031. The Bank has a call option which can be exercised on or after April 15, 2026 as per the terms mentioned in the related offering circular. The expected profit distribution on the sukuk is the base rate for three months in addition to a profit margin of 1.65%.

The offer also included an option for the holders of the SAR 2 billion Sukuk (due 2026) that were previously issued by the Bank (the "Previous Sukuk") to exchange their investment in the Previous Sukuk with an investment in the Tier 2 Sukuk, subject to the terms and conditions of the Sukuk. Certain Sukuk holders with carrying value of SR 939 million have exercised their exchange option and subscribed into the investment in the Tier 2 Sukuk.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022****9. COMMITMENTS AND CONTINGENCIES**

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

	March 31, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	March 31, 2021 SAR' 000 (Unaudited)
Letters of guarantee	7,971,245	7,419,476	5,773,678
Letters of credit	2,391,813	1,952,644	1,238,839
Acceptances	751,162	472,012	583,720
Irrevocable commitments to extend credit	681,002	787,775	1,867,816
Total	11,795,222	10,631,907	9,464,053

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, 2021.

10. CASH AND CASH EQUIVALENTS

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

	March 31, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	March 31, 2021 SAR' 000 (Unaudited)
Cash and balances with Saudi central bank (excluding statutory deposit)	1,468,165	1,403,580	2,020,043
Due from banks and other financial institutions (maturing within ninety days from acquisition)	2,782,841	1,766,449	288,290
Bai Alajel with Saudi central bank (maturing within ninety days from acquisition)	691,080	300,032	690,773
Total	4,942,086	3,470,061	2,999,106

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022**

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.

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

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

SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
March 31, 2022 (unaudited)					
Financial assets measured at fair value					
Held as FVSI	780,297	411,586	368,711	-	780,297
Held as FVOCI (equity instruments)	761,150	657,021	-	104,129	761,150
Held as FVOCI (debt instruments)	6,962,454	678,638	-	6,283,816	6,962,454
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	3,252,292	-	-	3,252,292	3,252,292
Investments held at amortized cost	9,471,154	3,150,899	-	6,320,255	9,471,154
Financing, net	86,390,823	-	-	86,202,325	86,202,325

SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
December 31, 2021 (audited)					
Financial assets measured at fair value					
Held as FVSI	683,603	316,594	367,009	-	683,603
Held as FVOCI (equity instruments)	638,141	534,012	-	104,129	638,141
Held as FVOCI (debt instruments)	7,195,156	712,077	-	6,483,079	7,195,156
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	2,136,853	-	-	2,136,853	2,136,853
Investments held at amortized cost	8,575,332	3,566,351	-	5,008,981	8,575,332
Financing, net	82,933,314	-	-	83,379,249	83,379,249

SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
March 31, 2021 (unaudited)					
Financial assets measured at fair value					
Held as FVSI	842,368	351,903	490,465	-	842,368
Held as FVOCI (equity instruments)	520,543	354,111	-	166,432	520,543
Held as FVOCI (debt instruments)	7,332,917	717,672	-	6,615,245	7,332,917
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	1,811,703	-	-	1,811,703	1,811,703
Investments held at amortized cost	7,185,162	2,104,355	-	5,080,807	7,185,162
Financing, net	75,531,389	-	-	75,463,747	75,463,747

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

SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
December 31, 2021 (audited)					
Financial liabilities not measured at fair value					
Due to banks, Saudi central bank and other financial institutions	8,777,227	-	-	8,777,227	8,777,227
Customers' deposits	81,110,494	-	-	81,110,494	81,110,494
Sukuk	3,015,411	-	-	3,015,411	3,015,411

SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
March 31, 2021 (unaudited)					
Financial liabilities not measured at fair value					
Due to banks, Saudi central bank and other financial institutions	6,547,716	-	-	6,547,716	6,547,716
Customers' deposits	76,963,053	-	-	76,963,053	76,963,053
Sukuk	2,004,822	-	-	2,004,822	2,004,822

Cash and balances with central banks, due from banks and other financial institutions with maturity of less than 90 days and other short-term receivable are assumed to have fair values that reasonably approximate their corresponding carrying values due to their short-term nature.

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The fair values of profit bearing customer deposits, held at amortized cost investments, due from and due to banks and other financial institutions, 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 and due to banks, 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.

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, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	March 31, 2021 SAR' 000 (Unaudited)
Beginning balance	6,587,208	7,072,969	7,082,628
Sale	-	(33,000)	-
Gains/ (losses) included in OCI			
Net changes in fair value (unrealised)	(199,264)	(452,761)	(300,951)
Total	6,387,944	6,587,208	6,781,677

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12. OPERATING SEGMENT

Operating segments based on customer groups are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Assets and Liabilities Committee (ALCO) in order to allocate resources to the segments and to assess its performance. The Group's main business is conducted in the Kingdom of Saudi Arabia.

There has been no change to the basis of segmentation or the measurements basis for the segment profit or loss since December 31, 2021.

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.

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The Group's total assets and liabilities as at March 31, 2022 and 2021, 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:

SAR'000	March 31, 2022 (Unaudited)				
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	52,099,803	42,376,877	20,690,785	1,274,486	116,441,951
Total liabilities	61,888,095	20,195,176	21,568,571	464,697	104,116,539
Income from investing and financing assets, net	595,522	233,242	109,635	6,063	944,462
Fee, commission and other income, net	154,818	24,647	80,136	60,450	320,051
Total operating income	750,340	257,889	189,771	66,513	1,264,513
Impairment charge for expected credit losses, net	33,799	113,941	11,329	460	159,529
Depreciation and amortization	59,188	8,716	601	712	69,217
Total operating expenses	483,788	168,668	33,718	31,723	717,897
Net income for the period before zakat	266,552	89,221	156,053	34,790	546,616

SAR'000	March 31, 2021 (Unaudited)				
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	46,568,230	36,318,985	18,742,264	890,214	102,519,693
Total liabilities	58,482,507	15,358,457	17,647,330	193,276	91,681,570
Income from investing and financing assets, net	556,927	197,277	103,112	1,442	858,758
Fee, commission and other income, net	185,396	15,877	20,240	52,714	274,227
Total operating income	742,323	213,154	123,352	54,156	1,132,985
Impairment charge for expected credit losses, net	35,140	138,456	(4,096)	-	169,500
Depreciation and amortization	54,994	12,205	651	588	68,438
Total operating expenses	465,909	188,824	14,790	25,609	695,132
Net income for the period before zakat	276,414	24,330	108,562	28,547	437,853

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13. SHARE CAPITAL AND BONUS SHARES

The authorized, issued and fully paid share capital of the Bank consists of 750 million shares of SAR 10 each (31 March 2021: 750 million shares of SAR 10 each).

The Board of Directors recommended in its meeting held on November 8, 2021 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 will be done through capitalization of SAR 2,500 million from the retained earnings. The number of shares outstanding after the bonus issuance will be increased from 750 million shares to 1,000 million shares. The increase has been approved in the Extraordinary General Assembly meeting held on April 11, 2022.

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

Basic and diluted earnings per share for the three months period ended March 31, 2022 and 2021 is calculated by dividing the net income for the period by the weighted average number of outstanding shares as of March 31, 2022: 747 million shares (March 31, 2021: 746 million shares) adjusted for treasury shares.

15. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by 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. 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 central bank. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets and commitments at a weighted amount to reflect their relative risk.

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

	March 31, 2021 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	March 31, 2021 SAR' 000 (Unaudited)
Credit Risk RWA	81,367,939	77,220,576	72,614,256
Operational Risk RWA	8,225,011	8,018,819	7,468,472
Market Risk RWA	552,177	244,600	847,775
Total Pillar-I RWA	<u>90,145,127</u>	<u>85,483,995</u>	<u>80,930,503</u>
Tier I Capital	12,372,965	12,051,419	10,909,452
Tier II Capital	4,017,099	3,965,257	2,907,678
Total Tier I & II Capital	<u>16,390,064</u>	<u>16,016,676</u>	<u>13,817,130</u>
Capital Adequacy Ratio %			
Tier I ratio	13.73%	14.10%	13.48%
Tier I + Tier II ratio	18.18%	18.74%	17.07%

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 2020 and 2021, the Coronavirus ("COVID-19") pandemic disrupted global markets as many geographies experienced issues due to identification of multiple new variants of this infection. Significant improvement has been witnessed around the world after vaccination of mass population by various countries resulting in the reduction of active cases and relaxation of COVID restrictions.

The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures to date, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

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(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022****17. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS (continued)****Private Sector Financing Support Program (“PSFSP”)**

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises (“MSME”) as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The payment reliefs were considered as short-term liquidity support to address borrowers’ potential cash flow shortages. The accounting impact of the above changes in terms of the credit facilities were assessed and has been treated as per the requirements of IFRS 9 as modification in terms of arrangement. The Deferred Payments Program (DPP) has ended on March 31, 2022.

In order to compensate the related cost that the Group had incurred under the SAMA and other public authorities program, during 2020 and 2021, the Group received multiple profit free deposits from SAMA of varying maturities, which qualified as government grants and were accounted for as such.

During the period ended March 31, 2022, SAR 9 million (March 31, 2021: SAR 78 million) has been recognized in the interim consolidated statement of income with respect to the amortization of grant income on related deposits with an aggregate of SAR 33 million deferred grant income as at March 31, 2022 (March 31, 2021: SAR 41 million).

18. IBOR TRANSITION (PROFIT RATE BENCHMARK REFORMS)

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The International Accounting Standards Board (“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 a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate (“IBOR”) with an alternative Risk Free Rate (“RFR”).

19. 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 24 Ramadan, 1443H (corresponding to April 25, 2022).