



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE THREE MONTHS PERIOD ENDED March 31, 2021



KPMG Professional Services



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 2021, 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.

KPMG Professional Services
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Hani Hamzah A. Bedairi
Certified Public Accountant
License Number 460



Ernst & Young & Co.
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

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

16 Ramadan 1442H
(28 April 2021)



BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31, 2021 SAR'000 (Unaudited)	December 31, 2020 SAR'000 (Audited)	March 31, 2020 SAR'000 (Unaudited)
Note			
ASSETS			
Cash and balances with central banks	6,393,543	5,745,353	5,569,469
Due from banks and other financial institutions, net	1,811,703	2,179,430	4,959,043
Investments, net	5 15,880,990	14,883,679	11,940,129
Financing, net	6 75,531,389	70,114,980	62,464,621
Property, equipment and right of use assets, net	1,873,130	1,896,092	1,921,247
Other assets	1,028,938	934,752	1,544,418
Total assets	<u>102,519,693</u>	<u>95,754,286</u>	<u>88,398,927</u>
LIABILITIES AND EQUITY			
Liabilities			
Due to banks, SAMA and other financial institutions	6,547,716	5,402,930	2,173,707
Customers' deposits	7 76,963,053	71,552,889	68,377,339
Sukuk	8 2,004,822	2,004,876	2,007,525
Other liabilities	6,165,979	6,052,694	6,284,814
Total liabilities	<u>91,681,570</u>	<u>85,013,389</u>	<u>78,843,385</u>
Equity			
Share capital	13 7,500,000	7,500,000	7,500,000
Treasury shares	(61,953)	(70,527)	(80,660)
Statutory reserve	648,065	648,065	310,935
Other reserves	595,005	897,063	429,049
Retained earnings	2,153,060	1,755,951	1,009,740
Proposed cash dividends	-	-	375,000
Employees' share plan reserve	3,946	10,345	11,478
Total equity	<u>10,838,123</u>	<u>10,740,897</u>	<u>9,555,542</u>
Total liabilities and equity	<u>102,519,693</u>	<u>95,754,286</u>	<u>88,398,927</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, 2021 SAR'000</u>	<u>March 31, 2020 SAR'000</u>
INCOME			
Income from investing and financing assets		911,712	907,706
Return on deposits and financial liabilities		(52,954)	(138,628)
Income from investing and financing assets, net		858,758	769,078
Fee and commission income, net		198,743	164,963
Exchange income, net		73,737	86,849
Dividend income		3,256	3,472
Loss on fair value through profit and loss (FVTPL) investments, net		(8,383)	(25,820)
Other operating income		6,874	5,612
Total operating income		1,132,985	1,004,154
EXPENSES			
Salaries and employee related expenses		294,350	289,537
Depreciation and amortization		68,438	62,420
Other general and administrative expenses		162,844	143,427
Operating expenses before expected credit losses		525,632	495,384
Impairment charge for expected credit losses, net		169,500	208,054
Total operating expenses		695,132	703,438
Net income for the period before zakat		437,853	300,716
Zakat for the period		45,099	30,673
Net income for the period after zakat		392,754	270,043
Basic and diluted earnings per share (SAR)	14	0.53	0.36

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, 2021 SAR'000	March 31, 2020 SAR'000
Net income for the period after zakat	392,754	270,043
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)	23,762	(61,482)
Items that may be reclassified to interim consolidated statement of income in subsequent periods		
- Net changes in fair value of FVOCI (debt instruments)	(321,465)	(94,979)
Total other comprehensive loss	(297,703)	(156,461)
Total comprehensive income for the period	95,051	113,582

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**

2021 SAR' 000	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	7,500,000	(61,953)	648,065	595,005	2,153,060	3,946	10,838,123

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, 2020**

<u>2020</u> SAR' 000	Share capital	Treasury shares	Statutory Reserve	Other reserves	Retained earnings	Proposed cash dividends	Employees' share plan reserve	Total equity
Balance at the beginning of the period	7,500,000	(80,660)	310,935	581,317	1,118,890	-	8,478	9,438,960
Net changes in fair value of FVOCI (equity instruments)				(61,482)				(61,482)
Net changes in fair value of FVOCI (debt instruments)				(94,979)				(94,979)
Total other comprehensive loss				(156,461)	-			(156,461)
Net income for the period after zakat					270,043			270,043
Total comprehensive income for the period				(156,461)	270,043			113,582
Realized loss from sale of FVOCI (equity instruments)				4,193	(4,193)			-
Employees' share plan reserve							3,000	3,000
Cash dividends					(375,000)	375,000		-
Balance at the end of the period	7,500,000	(80,660)	310,935	429,049	1,009,740	375,000	11,478	9,555,542

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 CASH FLOWS (UNAUDITED)**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021 and 2020**

	<u>Note</u>	<u>2021</u> <u>SAR' 000</u>	<u>2020</u> <u>SAR' 000</u>
OPERATING ACTIVITIES			
Net income before zakat for the period		437,853	300,716
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Profit on Sukuk		14,102	21,178
Loss on FVTPL investments, net		8,383	25,820
Loss/ (Gains) from disposal of property and equipment, net		233	(32)
Depreciation and amortization		68,438	62,420
Impairment charge for expected credit losses, net		169,500	208,054
Employees' share plan reserve		2,175	3,000
Net (increase)/ decrease in operating assets:			
Statutory deposit with SAMA		(369,376)	68,945
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(209,454)	1,061,137
Bai Alajel with SAMA maturing after ninety days from the date of acquisition		388,326	(1,441)
Financing, net		(5,590,009)	(3,375,533)
Other assets		(94,186)	356,666
Net increase/ (decrease) in operating liabilities:			
Due to banks, SAMA and other financial institutions		1,144,786	1,528,587
Customers' deposits		5,410,164	1,271,796
Other liabilities		78,700	(539,061)
Net cash generated from operating activities		1,459,635	992,252
INVESTING ACTIVITIES			
(Purchase) of investments held as FVOCI		(33,463)	(22,525)
(Purchase)/ Proceeds of investments held as FVTPL		(44,079)	303,852
(Purchase) of investments held as amortized cost		(1,219,337)	(1,407,638)
(Purchase) of property and equipment		(19,627)	(102,075)
Net cash (used in) investing activities		(1,316,506)	(1,228,386)
FINANCING ACTIVITIES			
Distributed Sukuk profit		(14,156)	(21,421)
Payment of lease liability		(36,596)	(41,107)
Net cash (used in) financing activities		(50,752)	(62,528)
Net increase (decrease) in cash and cash equivalents		92,377	(298,662)
Cash and cash equivalents at the beginning of the period		2,906,729	5,757,872
Cash and cash equivalents at the end of the period	10	2,999,106	5,459,210
Supplemental information			
Income received from investing and financing assets		1,032,509	977,985
Return paid on deposits and financial liabilities		53,218	156,644

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)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021

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 107 banking branches (March 31, 2020: 110) and 177 exchange and remittance centers (March 31, 2020: 178) 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.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the three months period ended March 31, 2021, 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 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, 2021**

2. BASIS OF PREPARATION (continued)

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, 2020.

The consolidated financial statements of the Group as at and for the year ended 31 December 2020, 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 SOCPA.

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.

3. BASIS OF CONSOLIDATION

These condensed 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. Adjustments have been made to the interim financial statements of the subsidiaries, where necessary, to align with the Bank's consolidated interim financial statements.

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.

Balances between the Bank and its subsidiaries and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing these 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. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the policies explained below.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

4. SIGNIFICANT ACCOUNTING POLICIES (continued)**New standards, interpretations and amendments adopted by the Group**

The Group has not adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2021. 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.

- Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract;
- Annual Improvements to IFRS Standards 2018-2020;
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to IFRS 3 - Reference to the Conceptual Framework;
- Amendments to IAS 1 Classification of liabilities as current or non-current; and
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021****5. INVESTMENTS, NET**

	March 31, 2021 SAR' 000 (Unaudited)	December 31, 2020 SAR' 000 (Audited)	March 31, 2020 SAR' 000 (Unaudited)
Fair value through other comprehensive income (FVOCI)			
Equities	520,543	465,998	418,944
Sukuk	7,332,917	7,651,702	7,482,479
	<u>7,853,460</u>	<u>8,117,700</u>	<u>7,901,423</u>
Fair value through profit or loss (FVTPL)			
Mutual funds	837,324	806,672	536,620
Equities	5,044	-	-
	<u>842,368</u>	<u>806,672</u>	<u>536,620</u>
Amortized cost			
Sukuk	5,887,322	4,663,885	2,207,849
Bai Alajel with SAMA	1,297,840	1,295,422	1,294,237
	<u>7,185,162</u>	<u>5,959,307</u>	<u>3,502,086</u>
Total	<u>15,880,990</u>	<u>14,883,679</u>	<u>11,940,129</u>

6. FINANCING, NET

	March 31, 2021 SAR'000 (Unaudited)	December 31, 2020 SAR'000 (Audited)	March 31, 2020 SAR'000 (Unaudited)
Commercial	38,733,148	35,812,045	33,657,581
Retail	38,489,032	35,821,656	29,992,940
Performing financing	<u>77,222,180</u>	<u>71,633,701</u>	<u>63,650,521</u>
Non-performing financing	849,932	845,192	834,171
Gross financing	<u>78,072,112</u>	<u>72,478,893</u>	<u>64,484,692</u>
Allowance for expected credit losses	(2,540,723)	(2,363,913)	(2,020,071)
Financing, net	<u>75,531,389</u>	<u>70,114,980</u>	<u>62,464,621</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, 2021****7. CUSTOMERS' DEPOSITS**

Customers' deposits are comprised of the following:

	March 31, 2021 SAR'000 (Unaudited)	December 31, 2020 SAR'000 (Audited)	March 31, 2020 SAR'000 (Unaudited)
Demand	42,833,362	40,185,062	38,035,439
Albilad account (Mudarabah)	18,226,782	19,800,317	18,617,692
Direct investment	13,258,033	9,522,088	9,986,423
Others	2,644,876	2,045,422	1,737,785
Total	76,963,053	71,552,889	68,377,339

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%.

On April 15, 2021, the Bank issued 3,000 Sukuk Certificates (Sukuk) of SR 1 million each, and payable quarterly in arrears 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.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021****9. COMMITMENTS AND CONTINGENCIES**

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

	March 31, 2021 SAR' 000 (Unaudited)	December 31, 2020 SAR' 000 (Audited)	March 31, 2020 SAR' 000 (Unaudited)
Letters of guarantee	5,773,678	5,603,173	5,626,594
Letters of credit	1,238,839	1,343,578	1,264,274
Acceptances	583,720	416,848	374,641
Irrevocable commitments to extend credit	1,867,816	2,192,171	712,899
Total	9,464,053	9,555,770	7,978,408

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, 2020.

10. CASH AND CASH EQUIVALENTS

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

	March 31, 2021 SAR' 000 (Unaudited)	December 31, 2020 SAR' 000 (Audited)	March 31, 2020 SAR' 000 (Unaudited)
Cash and balances with central banks (excluding statutory deposit)	2,020,043	1,741,229	2,085,042
Due from banks and other financial institutions (maturing within ninety days from acquisition)	288,290	865,471	3,374,168
Bai Alajel with SAMA (maturing within ninety days from acquisition)	690,773	300,029	-
Total	2,999,106	2,906,729	5,459,210

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

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.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021****11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

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

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					
Financial assets measured at fair value					
Held as FVTPL	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

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, 2020					
Financial assets measured at fair value					
Held as FVTPL	806,672	307,718	498,954	-	806,672
Held as FVOCI (equity instruments)	465,998	298,855	-	167,143	465,998
Held as FVOCI (debt instruments)	7,651,702	736,217	-	6,915,485	7,651,702
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	2,179,430	-	-	2,179,430	2,179,430
Investments held at amortized cost	5,959,307	2,104,355	-	3,854,952	5,959,307
Financing, net	70,114,980	-	-	70,006,017	70,006,017

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, 2020					
Financial assets measured at fair value					
Held as FVTPL	536,620	69,416	467,204	-	536,620
Held as FVOCI (equity instruments)	418,944	251,818	-	167,126	418,944
Held as FVOCI (debt instruments)	7,482,479	666,713	-	6,815,766	7,482,479
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	62,464,621	-	-	62,191,925	62,191,925

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021****11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

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					
Financial liabilities not measured at fair value					
Due to banks, SAMA 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

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, 2020					
Financial liabilities not measured at fair value					
Due to banks, SAMA and other financial institutions	5,402,930	-	-	5,402,930	5,402,930
Customers' deposits	71,552,889	-	-	71,552,889	71,552,889
Sukuk	2,004,876	-	-	2,004,876	2,004,876

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, 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

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 and other short-term receivable are assumed to have fair values that reasonably approximate their corresponding carrying values.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021****11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

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. 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, 2021 SAR' 000 (Unaudited)	December 31, 2020 SAR' 000 (Audited)	March 31, 2020 SAR' 000 (Unaudited)
Beginning balance	7,082,628	7,052,761	7,052,761
Purchase	-	1,250	-
Sales	-	(248,933)	-
Gains/ (losses) included in OCI			
Net changes in fair value (unrealised)	(300,951)	277,550	(69,869)
Total	6,781,677	7,082,628	6,982,892

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

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, 2020.

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.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021****12. OPERATING SEGMENT (continued)**

The Group's total assets and liabilities as at March 31, 2021 and 2020, 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, 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

SAR'000	March 31, 2020 (Unaudited)				
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	37,772,090	31,946,621	17,862,559	817,657	88,398,927
Total liabilities	53,647,821	13,905,872	11,079,925	209,767	78,843,385
Income from investing and financing assets, net	458,377	239,889	69,404	1,408	769,078
Fee, commission and other income, net	169,958	13,524	2,313	49,281	235,076
Total operating income	628,335	253,413	71,717	50,689	1,004,154
Impairment charge for expected credit losses, net	24,866	176,581	6,607	-	208,054
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

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

13. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 750 million shares of SAR 10 each (31 March 2020: 750 million shares of SAR 10 each).

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, 2021 and 2020 is calculated by dividing the net income for the period by the weighted average number of outstanding shares as of March 31, 2021: 746 million shares (March 31, 2020: 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 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 statement of financial position assets and commitments at a weighted amount to reflect their relative risk.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021****15. CAPITAL ADEQUACY (continued)**

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

	March 31, 2021 SAR' 000 (Unaudited)	December 31, 2020 SAR' 000 (Audited)	March 31, 2020 SAR' 000 (Unaudited)
Credit Risk RWA	72,614,256	67,979,379	63,558,174
Operational Risk RWA	7,468,472	7,243,454	6,618,825
Market Risk RWA	847,775	839,000	188,788
Total Pillar-I RWA	80,930,503	76,061,833	70,365,787
Tier I Capital	10,909,452	10,801,732	9,611,012
Tier II Capital	2,907,678	2,849,742	2,794,477
Total Tier I & II Capital	13,817,130	13,651,474	12,405,489
Capital Adequacy Ratio %			
Tier I ratio	13.48%	14.20%	13.66%
Tier I + Tier II ratio	17.07%	17.95%	17.63%

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

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a second / third wave of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government. The Government has approved number of vaccines for mass immunizations. The drive is in full swing and it is expected that majority of the population will be vaccinated in near future.

The Group continues to evaluate the current situation through conducting stress-testing scenarios on expected movements of oil prices and other macroeconomic variables and their impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the impact COVID-19 outbreak has had on its normal operations and financial performance.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

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

The steps taken by management includes ongoing review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection thereby conducting timely review and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The credit reviews also take into consideration the impact of the government and SAMA support relief programs.

The prevailing economic conditions which were significantly affected by the ongoing pandemic, require the Group to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These primarily revolve around either adjusting macroeconomic factors used by the Group in the estimation of expected credit losses or revisions to the scenario probabilities currently being used by the Group in ECL estimation. At the end of 2020, the Group made certain adjustments to the macroeconomic factors and scenario weightings. Prevailing macroeconomic conditions are in line with the forecast made at the end of 2020 therefore there is no need to adjust the economic forecasts / scenarios for the estimation of expected credit losses.

The Group’s ECL model continues to be sensitive to macroeconomic variables. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgemental and the Group will continue to reassess its position and the related impact on a regular basis.

To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. The Group has therefore recognised overlays of SAR 73 million for MSME as at 31 March 2021. These have been based on a sector-based analysis performed by the Group depending on the impacted portfolios.

The Group continues to monitor the Micro Small and Medium Enterprises (“MSME”) Deferred Payment Program (“DPP”) lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves; however, management has taken SR 73 million of overlays to reflect potential further credit deterioration in the underlying portfolio.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

17. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS (continued)**SAMA support programs and initiatives***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 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;
- Facility guarantee program; and
- Point of sale (“POS”) and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA in March 2020 and with a number of extensions to the program subsequently announced, the Group is required to defer payments on lending 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 Group has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 30 June 2021, and increasing the facility tenors accordingly. The Group continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk.

The accounting impact of above 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. This resulted in total modification losses amounting to SAR 214 million of which SAR 99 million has been recorded in current period which have been presented as part of net financing income.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

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

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, during 2020 the Bank received in aggregate SAR 2.1 billion of profit free deposit with varying maturities, which qualify as government grants. Management had determined based on the communication from SAMA, that the profit free deposits primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. The management has exercised certain judgements in the recognition and measurement of this grant income. Total income of SAR 233 million arose on these profit free deposits out of which SAR 114 million was recognised as income in prior periods. During the three months period ended 31 March 2021, SAR 78 million has been recognised to the statement of income with SAR 41 million as deferred grant income as at 31 March 2021.

As at March 31, 2021, the Bank has participated in SAMA’s facility guarantee programs and the accounting impact for the period is immaterial.

Furthermore, the three months period ended March 31, 2021, the Bank has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 33 million.

SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion

In line with its monetary and financial stability mandate, SAMA injected an amount of fifty billion riyals in order to:

- enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

In this regard, during Q2 2020, the Bank received SAR 2.6 billion profit free deposit with one-year maturity. Management has determined based on the communication received from SAMA, that this government grant primarily relates to liquidity support. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SAR 25.5 million, of which SAR 21.6 million has been recognised by the Bank to date with the remaining amount deferred. During the period ended 31 March 2021 SAR 6.4 million was recognised as income with respect to this government grant.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

18. IBOR Transition (Profit Rate Benchmark Reforms)

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board (“IASB”) is engaged in a two-phase process of amending its guidance to assist in a smoother transition.

Management is running a project on the Bank’s overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

**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 10 Ramadan, 1442H (corresponding to April 22, 2021).