



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 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 30 June 2022, and the related interim consolidated statements of income and comprehensive income for the three months and six months periods 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 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

Waleed G. Tawfiq
Certified Public Accountant
License Number 437



For PricewaterhouseCoopers

Mufaddal A. Ali
Certified Public Accountant
License Number 447



3 Muharram 1444H
(1 August 2022)

BANK ALBILAD

(A Saudi Joint Stock Company)

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

		June 30, 2022 SAR'000 (Unaudited)	December 31, 2021 SAR'000 (Audited)	June 30, 2021 SAR'000 (Unaudited)
	<u>Note</u>			
ASSETS				
Cash and balances with Saudi central bank		7,081,056	6,096,644	6,665,962
Due from banks and other financial institutions, net		2,241,742	2,136,853	1,851,602
Investments, net	5	18,274,975	17,092,232	16,788,445
Financing, net	6	91,205,869	82,933,314	79,129,992
Property, equipment and right of use assets, net		1,973,183	1,925,481	1,860,864
Other assets		733,896	669,180	1,355,274
Total assets		<u>121,510,721</u>	<u>110,853,704</u>	<u>107,652,139</u>
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, Saudi central bank and other financial institutions		10,402,936	8,777,227	5,063,288
Customers' deposits	7	89,107,961	81,110,494	81,638,058
Sukuk	8	3,024,496	3,015,411	4,078,967
Other liabilities		6,368,393	5,970,482	5,455,276
Total liabilities		<u>108,903,786</u>	<u>98,873,614</u>	<u>96,235,589</u>
Equity				
Share capital	13	10,000,000	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		59,343	439,816	751,145
Retained earnings		1,524,543	522,058	2,573,172
Proposed issuance of bonus shares	13	-	2,500,000	-
Employees' share plan reserve		6,356	10,471	6,121
Total equity		<u>12,606,935</u>	<u>11,980,090</u>	<u>11,416,550</u>
Total liabilities and equity		<u>121,510,721</u>	<u>110,853,704</u>	<u>107,652,139</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>For the three months</u> <u>period ended</u>		<u>For the six months</u> <u>period ended</u>	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	<u>Note</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
INCOME					
Income from investing and financing assets		1,139,346	910,683	2,180,093	1,822,395
Return on deposits and financial liabilities		(182,688)	(68,189)	(278,973)	(121,143)
Income from investing and financing assets, net		956,658	842,494	1,901,120	1,701,252
Fee and commission income, net		162,773	196,739	336,600	395,482
Exchange income, net		91,828	73,378	178,653	147,115
Dividend income		29,683	5,226	41,580	8,482
Gains/(losses) on FVSI investment, net		4,323	6,344	36,099	(2,039)
Other operating income		7,494	6,855	23,220	13,729
Total operating income		1,252,759	1,131,036	2,517,272	2,264,021
EXPENSES					
Salaries and employee related expenses		301,657	296,220	598,472	590,570
Depreciation and amortization		70,893	68,329	140,110	136,767
Other general and administrative expenses		190,119	166,277	382,455	329,121
Operating expenses before expected credit losses		562,669	530,826	1,121,037	1,056,458
Impairment charge for expected credit losses, net		120,434	136,345	279,963	305,845
Total operating expenses		683,103	667,171	1,401,000	1,362,303
Net income for the period before zakat		569,656	463,865	1,116,272	901,718
Zakat for the period		58,674	47,778	114,976	92,877
Net income for the period after zakat		510,982	416,087	1,001,296	808,841
Basic and diluted earnings per share (SAR)	14	0.51	0.42	1.01	0.81

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</u> <u>period ended</u>		<u>For the six months</u> <u>period ended</u>	
	<u>June 30,</u> <u>2022</u> <u>SAR'000</u>	<u>June 30,</u> <u>2021</u> <u>SAR'000</u>	<u>June 30,</u> <u>2022</u> <u>SAR'000</u>	<u>June 30,</u> <u>2021</u> <u>SAR'000</u>
Net income for the period after zakat	510,982	416,087	1,001,296	808,841
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)	(103,754)	43,004	(27,108)	66,766
- Re-measurement of employees' End of Service Benefits ("EOSB")	(449)	297	(449)	297
Items that may be reclassified to interim consolidated statement of income in subsequent periods				
- Net changes in fair value of FVOCI (debt instruments)	(127,673)	116,864	(351,727)	(204,601)
Total other comprehensive (loss)/income	<u>(231,876)</u>	<u>160,165</u>	<u>(379,284)</u>	<u>(137,538)</u>
Total comprehensive income for the period	<u>279,106</u>	<u>576,252</u>	<u>622,012</u>	<u>671,303</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 SIX MONTHS PERIOD ENDED JUNE 30, 2022**

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

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 SIX MONTHS PERIOD ENDED JUNE 30, 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)				66,766			66,766
Re-measurement of employees "End of Service Benefits ("EOSB")				297			297
Net changes in fair value of FVOCI (debt instruments)				(204,601)			(204,601)
Total other comprehensive loss				(137,538)			(137,538)
Net income for the period after zakat					808,841		808,841
Total comprehensive income for the period				(137,538)	808,841		671,303
Realized gain from sale of FVOCI (equity instruments)				(8,380)	8,380		-
Allocation of shares during the period		8,574				(8,574)	-
Employees' share plan reserve						4,350	4,350
Balance at the end of the period	7,500,000	(61,953)	648,065	751,145	2,573,172	6,121	11,416,550

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 SIX MONTHS PERIOD ENDED JUNE 30, 2022 AND 2021**

	Note	2022 SAR' 000	2021 SAR' 000
OPERATING ACTIVITIES			
Net income before zakat for the period		1,116,272	901,718
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Profit on sukuk		47,295	38,198
(Gains)/losses on FVSI Financial instruments, net		(36,099)	2,039
Gains on disposal of property and equipment, net		(17)	(205)
Depreciation and amortization		140,110	136,767
Impairment charge for expected credit losses, net		279,963	305,845
Employees' share plan reserve		4,833	4,350
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi central bank		(181,054)	(580,971)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(339,506)	743,936
Bai Alajel with Saudi central bank maturing after ninety days from the date of acquisition		(304,145)	(300,759)
Financing, net		(8,537,510)	(9,320,666)
Other assets		(64,716)	(420,522)
Net increase / (decrease) in operating liabilities:			
Due to banks, Saudi central bank and other financial institutions		1,625,709	(339,642)
Customers' deposits		7,997,467	10,085,169
Other liabilities		300,433	(667,789)
Net cash generated from operating activities		2,049,035	587,468
INVESTING ACTIVITIES			
Purchase of investments held as FVOCI		(49,923)	(31,455)
Purchase of investments held as FVSI		(64,721)	(134,234)
Purchase of investments held as amortized cost		(1,421,730)	(1,878,412)
Purchase of property and equipment		(134,191)	(58,599)
Net cash used in investing activities		(1,670,565)	(2,102,700)
FINANCING ACTIVITIES			
Distributed sukuk profit		(38,210)	(25,107)
Sukuk issuance	8	-	2,061,000
Payment of lease liabilities		(71,551)	(64,944)
Net cash (used in)/generated from financing activities		(109,761)	1,970,949
Net increase in cash and cash equivalents		268,709	455,717
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	3,738,770	3,362,446
<u>Supplemental information</u>			
Income received from investing and financing assets during the period		2,100,234	1,878,225
Return paid on deposits and financial liabilities during the period		231,006	101,135
Exchange of sukuk	8	-	939,000

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 SIX MONTHS PERIOD ENDED JUNE 30, 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 108 banking branches (June 30, 2021: 106) and 154 exchange and remittance centers (June 30, 2021: 175) 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) Sharia Committee

The Bank has established a Sharia Committee (“the Committee”). It ascertains that all the Bank’s activities are subject to its approval and control.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022****2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements of the Group as at and for the six months period ended June 30, 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 30 June 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

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022****3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)****New standards, interpretations and amendments adopted by the Group (continued)**

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 change to this amendment.</p>	Deferred until accounting periods starting not earlier than 1 January 2024

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022****3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)****Accounting standards issued but not yet effective (continued)**

Standard, interpretation or amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 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.
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 SIX MONTHS PERIOD ENDED JUNE 30, 2022****5. INVESTMENTS, NET**

	June 30, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	June 30, 2021 SAR' 000 (Unaudited)
Fair value through other comprehensive income (FVOCI)			
Equities	677,377	638,141	564,896
Sukuk	6,827,008	7,195,156	7,446,424
	<u>7,504,385</u>	<u>7,833,297</u>	<u>8,011,320</u>
Fair value through statement of income (FVSI)			
Mutual funds	633,439	607,948	871,152
Equities	150,984	75,655	67,715
	<u>784,423</u>	<u>683,603</u>	<u>938,867</u>
Amortized cost			
Sukuk	8,689,772	7,283,050	6,542,106
Bai Alajel with Saudi central bank	1,296,395	1,292,282	1,296,152
	<u>9,986,167</u>	<u>8,575,332</u>	<u>7,838,258</u>
Total	<u>18,274,975</u>	<u>17,092,232</u>	<u>16,788,445</u>

6. FINANCING, NET

	June 30, 2022 SAR'000 (Unaudited)	December 31, 2021 SAR'000 (Audited)	June 30, 2021 SAR'000 (Unaudited)
Commercial	48,919,665	43,442,371	41,272,172
Retail	43,743,917	41,189,659	39,466,603
Performing financing	92,663,582	84,632,030	80,738,775
Non-performing financing	1,183,655	942,782	1,012,499
Gross financing	93,847,237	85,574,812	81,751,274
Allowance for expected credit losses	(2,641,368)	(2,641,498)	(2,621,282)
Financing, net	<u>91,205,869</u>	<u>82,933,314</u>	<u>79,129,992</u>

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022****7. CUSTOMERS' DEPOSITS**

Customers' deposits are comprised of the following:

	June 30, 2022	December 31, 2021	June 30, 2021
	SAR'000	SAR'000	SAR'000
	(Unaudited)	(Audited)	(Unaudited)
Demand	47,353,229	41,833,517	43,923,030
Albilad account (Mudarabah)	20,061,612	21,975,738	21,301,902
Direct investment	18,955,667	14,116,446	13,609,011
Others	2,737,453	3,184,793	2,804,115
Total	89,107,961	81,110,494	81,638,058

8. SUKUK

On August 30, 2016, the Bank issued 2,000 Tier 2 Sukuk Certificates (Sukuk) of SAR 1 million each, and payable every three months 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 by the Board of Directors of the Bank.

On April 15, 2021, the Bank issued 3,000 Tier 2 Sukuk Certificates (Sukuk) of SAR 1 million each, and payable every three months each year until April 15, 2031, on which date the Sukuk will be redeemed. 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 SAR 939 million have exercised their exchange option and subscribed in the Tier 2 Sukuk.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022****9. COMMITMENTS AND CONTINGENCIES**

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

	June 30, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	June 30, 2021 SAR' 000 (Unaudited)
Letters of guarantee	8,670,963	7,419,476	6,292,832
Letters of credit	2,845,805	1,952,644	1,193,432
Acceptances	1,055,543	472,012	577,221
Irrevocable commitments to extend credit	585,221	787,775	910,505
Total	13,157,532	10,631,907	8,973,990

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:

	June 30, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	June 30, 2021 SAR' 000 (Unaudited)
Cash and balances with Saudi central bank (excluding statutory deposit)	2,206,938	1,403,580	2,080,867
Due from banks and other financial institutions (maturing within ninety days from acquisition)	1,531,832	1,766,449	1,281,579
Bai Alajel with Saudi central bank (maturing within ninety days from acquisition)	-	300,032	-
Total	3,738,770	3,470,061	3,362,446

BANK ALBILAD

(A Saudi Joint Stock Company)

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

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022****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:

		Fair value			
SAR' 000	<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2022 (unaudited)					
Financial assets measured at fair value					
Held as FVSI	784,423	383,327	401,096	-	784,423
Held as FVOCI (equity instruments)	677,377	573,248	-	104,129	677,377
Held as FVOCI (debt instruments)	6,827,008	648,953	-	6,178,055	6,827,008
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	2,241,742	-	-	2,241,742	2,241,742
Investments held at amortized cost	9,986,167	3,168,872	-	6,817,295	9,986,167
Financing, net	91,205,869	-	-	90,666,078	90,666,078

		Fair value			
SAR' 000	<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</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

		Fair value			
SAR' 000	<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2021 (unaudited)					
Financial assets measured at fair value					
Held as FVSI	938,867	399,909	538,958	-	938,867
Held as FVOCI (equity instruments)	564,896	398,464	-	166,432	564,896
Held as FVOCI (debt instruments)	7,446,424	722,872	-	6,723,552	7,446,424
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	1,851,602	-	-	1,851,602	1,851,602
Investments held at amortized cost	7,838,258	2,746,138	-	5,092,120	7,838,258
Financing, net	79,129,992	-	-	79,030,638	79,030,638

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022****11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

SAR' 000 June 30, 2022 (unaudited) Financial liabilities not measured at fair value	<u>Carrying value</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Due to banks, Saudi central bank and other financial institutions	10,402,936	-	-	10,402,936	10,402,936
Customers' deposits	89,107,961	-	-	89,107,961	89,107,961
Sukuk	3,024,496	-	-	3,024,496	3,024,496

SAR' 000 December 31, 2021 (audited) Financial liabilities not measured at fair value	<u>Carrying value</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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 June 30, 2021 (unaudited) Financial liabilities not measured at fair value	<u>Carrying value</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Due to banks, Saudi central bank and other financial institutions	5,063,288	-	-	5,063,288	5,063,288
Customers' deposits	81,638,058	-	-	81,638,058	81,638,058
Sukuk	4,078,967	-	-	4,078,967	4,078,967

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.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022****11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

The fair values of profit bearing customer deposits, held at amortized cost investments, due from and due to banks, Saudi central bank and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since either the current market profit rates for similar financial instruments are not significantly different from the contracted rates, or for the short duration of certain financial instruments particularly due from 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

	June 30, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	June 30, 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)	(305,024)	(452,761)	(192,644)
Total	6,282,184	6,587,208	6,889,984

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

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.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022****12. OPERATING SEGMENT (continued)**

The Group's total assets and liabilities as at June 30, 2022 and 2021, together with its total operating income and expenses, and net income before zakat, for the six months periods then ended, for each segment are as follows:

SAR'000	June 30, 2022 (Unaudited)				
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	53,413,552	46,437,020	20,376,292	1,283,857	121,510,721
Total liabilities	63,579,716	19,337,557	25,529,325	457,188	108,903,786
Income from investing and financing assets, net	1,170,533	518,078	200,719	11,790	1,901,120
Fee, commission and other income, net	299,514	43,107	169,496	104,035	616,152
Total operating income	1,470,047	561,185	370,215	115,825	2,517,272
Impairment charge for expected credit losses, net	87,222	174,115	18,098	528	279,963
Depreciation and amortization	119,805	17,592	1,320	1,393	140,110
Total operating expenses	969,422	307,498	62,300	61,780	1,401,000
Net income for the period before zakat	500,625	253,687	307,915	54,045	1,116,272
SAR'000	June 30, 2021 (Unaudited)				
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	47,032,209	39,245,191	20,418,330	956,409	107,652,139
Total liabilities	60,998,470	16,497,812	18,510,896	228,411	96,235,589
Income from investing and financing assets, net	1,123,318	366,523	207,419	3,992	1,701,252
Fee, commission and other income, net	355,029	32,282	59,220	116,238	562,769
Total operating income	1,478,347	398,805	266,639	120,230	2,264,021
Impairment charge for expected credit losses, net	97,493	208,161	(2,899)	3,090	305,845
Depreciation and amortization	109,986	24,077	1,289	1,415	136,767
Total operating expenses	955,445	315,866	33,497	57,495	1,362,303
Net income for the period before zakat	522,902	82,939	233,142	62,735	901,718

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

13. SHARE CAPITAL AND BONUS SHARES

The authorized, issued and fully paid share capital of the Bank consists of 1,000 million shares of SAR 10 each (30 June 2021: 750 million shares of SAR 10 each).

The Board of Directors in its meeting held on November 8, 2021 recommended to the Extra-ordinary General Assembly an issuance of bonus shares of one share for every three shares held, thus increasing the Bank's capital from SAR 7,500 million to SAR 10,000 million. The increase has been done through capitalization of SAR 2,500 million from the retained earnings. The number of shares outstanding after the bonus issuance increased from 750 million shares to 1,000 million shares. The increase 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 six months period ended June 30, 2022 and 2021 is calculated by dividing the net income for the period by the weighted average number of outstanding shares as of June 30, 2022: 996 million shares (June 30, 2021: 996 million shares - restated) after accounting for treasury shares and issuance of bonus shares during the current period. Basic and diluted earnings per share for the six months period ended June 30, 2021 have been adjusted to take into account the issuance of bonus 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.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022****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:

	June 30, 2022 SAR' 000 (Unaudited)	December 31, 2021 SAR' 000 (Audited)	June 30, 2021 SAR' 000 (Unaudited)
Credit Risk RWA	85,434,210	77,220,576	76,730,308
Operational Risk RWA	8,407,128	8,018,819	7,647,609
Market Risk RWA	825,281	244,600	1,054,127
Total Pillar-I RWA	94,666,619	85,483,995	85,432,044
Tier I Capital	12,646,955	12,051,419	11,487,879
Tier II Capital	4,067,928	3,965,257	4,959,129
Total Tier I & II Capital	16,714,883	16,016,676	16,447,008
Capital Adequacy Ratio %			
Tier I ratio	13.36%	14.10%	13.45%
Tier I + Tier II ratio	17.66%	18.74%	19.25%

16. COMPARATIVE FIGURES

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

17. IMPACT OF SAMA PROGRAMS**Point of sale ("POS") and e-commerce service fee support program:**

During the six months period ended June 30, 2021, the Group has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 33 million.

Deferred Payments Program ("DPP"):

In response to COVID-19, SAMA launched the Deferred Payments Program ("DPP") 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 DPP program has ended on March 31, 2022.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

17. IMPACT OF SAMA PROGRAMS (continued)

During the six months period ended June 30, 2022, SAR 19 million (June 30, 2021: SAR 119 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits with an aggregate of SAR 23 million deferred grant income as at June 30, 2022 (December 31, 2021: SAR 42 million). During the three month period ended June 30, 2022, SAR 10 million (June 30, 2021: SAR 41 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits. The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic.

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 29 Dhul Hijjah, 1443H (corresponding to 28 July, 2022).