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**BANK ALBILAD**  
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

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



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

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

**Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of Bank Albilad ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2020, and the related interim consolidated statements of income and comprehensive income for the three months and nine months periods then ended, and the interim consolidated statements of changes in equity and cash flows for the nine 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 Arabian Monetary Authority ("SAMA"), certain capital adequacy information has been disclosed in note 15 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 15 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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11 Rabi Al-Awwal 1442H  
(28 October 2020)



**BANK ALBILAD**

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>September 30, 2020 SAR'000 (Unaudited)</b>	<b>December 31, 2019 SAR'000 (Audited)</b>	<b>September 30, 2019 SAR'000 (Unaudited)</b>
	<u>Note</u>			
<b>ASSETS</b>				
Cash and balances with SAMA		<b>5,356,531</b>	7,915,852	5,604,801
Due from banks and other financial institutions, net		<b>2,306,430</b>	4,041,404	5,775,592
Investments, net	5	<b>14,026,443</b>	10,988,226	9,991,845
Financing, net	6	<b>67,762,301</b>	59,290,537	56,396,891
Property and equipment, net		<b>1,912,691</b>	1,866,329	1,928,178
Other assets		<b>929,175</b>	1,901,084	1,466,317
<b>Total assets</b>		<b><u>92,293,571</u></b>	<b><u>86,003,432</u></b>	<b><u>81,163,624</u></b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks, SAMA and other financial institutions		<b>5,468,889</b>	645,120	796,244
Customers' deposits	7	<b>68,883,194</b>	67,105,543	64,057,713
Sukuk	8	<b>2,004,982</b>	2,007,768	2,007,883
Other liabilities		<b>5,625,585</b>	6,819,078	5,229,540
<b>Total liabilities</b>		<b><u>81,982,650</u></b>	<b><u>76,577,509</u></b>	<b><u>72,091,380</u></b>
<b>Equity</b>				
Share capital	13	<b>7,500,000</b>	7,500,000	7,500,000
Statutory reserve		<b>310,935</b>	310,935	-
Other reserves		<b>848,448</b>	568,280	544,155
Retained earnings		<b>1,714,720</b>	1,118,890	1,102,329
Treasury shares		<b>(80,660)</b>	(80,660)	(80,670)
Employees' share plan reserve		<b>17,478</b>	8,478	6,430
<b>Total equity</b>		<b><u>10,310,921</u></b>	<b><u>9,425,923</u></b>	<b><u>9,072,244</u></b>
<b>Total liabilities and equity</b>		<b><u>92,293,571</u></b>	<b><u>86,003,432</u></b>	<b><u>81,163,624</u></b>

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</u> <u>period ended</u>		<u>For the nine months</u> <u>period ended</u>	
		<u>September</u> <u>30, 2020</u> <u>SAR'000</u>	<u>September</u> <u>30, 2019</u> <u>SAR'000</u>	<u>September</u> <u>30, 2020</u> <u>SAR'000</u>	<u>September</u> <u>30, 2019</u> <u>SAR'000</u>
<b>INCOME</b>					
Income from investing and financing assets		<b>911,235</b>	888,047	<b>2,726,938</b>	2,536,851
Return on deposits and financial liabilities		<b>(55,712)</b>	(159,455)	<b>(281,116)</b>	(484,209)
<b>Income from investing and financing assets, net</b>		<b>855,523</b>	728,592	<b>2,445,822</b>	2,052,642
Fee and commission income, net		<b>171,101</b>	192,318	<b>459,286</b>	533,198
Exchange income, net		<b>88,951</b>	78,247	<b>275,847</b>	229,023
Dividend income		<b>1,907</b>	6,291	<b>10,182</b>	15,097
(Loss)/ gain on fair value through profit and loss (FVTPL) investments, net		<b>(16,114)</b>	6,299	<b>(95,643)</b>	27,073
Other operating income		<b>12,099</b>	11,905	<b>21,634</b>	47,271
<b>Total operating income</b>		<b>1,113,467</b>	1,023,652	<b>3,117,128</b>	2,904,304
<b>EXPENSES</b>					
Salaries and employee related expenses		<b>290,852</b>	289,393	<b>873,977</b>	844,957
Depreciation and amortization		<b>70,518</b>	63,252	<b>197,597</b>	184,299
Other general and administrative expenses		<b>165,745</b>	165,394	<b>450,320</b>	451,278
<b>Total operating expenses before credit impairment provision</b>		<b>527,115</b>	518,039	<b>1,521,894</b>	1,480,534
Impairment charge for expected credit losses, net		<b>160,287</b>	140,754	<b>514,265</b>	403,395
<b>Total operating expenses</b>		<b>687,402</b>	658,793	<b>2,036,159</b>	1,883,929
<b>Net income for the period before zakat</b>		<b>426,065</b>	364,859	<b>1,080,969</b>	1,020,375
Zakat for the period		<b>43,459</b>	38,230	<b>110,259</b>	103,782
<b>Net income for the period after zakat</b>		<b>382,606</b>	326,629	<b>970,710</b>	916,593
<b>Basic and diluted earnings per share (SAR)</b>	14	<b>0.51</b>	0.44	<b>1.30</b>	1.23

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>For the nine months period</u>	
	<u>period ended</u>		<u>ended</u>	
	<u>September</u> <u>30, 2020</u> <u>SAR'000</u>	<u>September</u> <u>30, 2019</u> <u>SAR'000</u>	<u>September</u> <u>30, 2020</u> <u>SAR'000</u>	<u>September</u> <u>30, 2019</u> <u>SAR'000</u>
<b>Net income for the period after zakat</b>	<b>382,606</b>	326,629	<b>970,710</b>	916,593
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to the interim consolidated statement of income in subsequent periods</b>				
- Net changes in fair value of FVOCI (equity instruments)	<b>18,429</b>	8,531	<b>(32,174)</b>	17,685
- Re-measurement of employees "End of Service Benefits ("EOSB")	-	(96)	<b>143</b>	(500)
<b>Items that may be reclassified to consolidated statement of income in subsequent periods</b>				
- Net changes in fair value of FVOCI (debt instruments)	<b>54,547</b>	204,096	<b>312,319</b>	599,097
Total other comprehensive income	<u><b>72,976</b></u>	<u>212,531</u>	<u><b>280,288</b></u>	<u>616,282</u>
<b>Total comprehensive income for the period</b>	<u><b>455,582</b></u>	<u>539,160</u>	<u><b>1,250,998</b></u>	<u>1,532,875</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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

<b>2020</b> <b>SAR' 000</b>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Treasury shares</b>	<b>Employees' share plan reserve</b>	<b>Total equity</b>
<b>Balance at the beginning of the period</b>	<b>7,500,000</b>	<b>310,935</b>	<b>568,280</b>	<b>1,118,890</b>	<b>(80,660)</b>	<b>8,478</b>	<b>9,425,923</b>
Net changes in fair value of FVOCI (equity instruments)			(32,174)				(32,174)
Re-measurement of employees "End of Service Benefits ("EOSB")"			143				143
Net changes in fair value of FVOCI (debt instruments)			312,319				312,319
<b>Total other comprehensive income</b>			<b>280,288</b>	<b>-</b>			<b>280,288</b>
<b>Net income for the period after zakat</b>				<b>970,710</b>			<b>970,710</b>
<b>Total comprehensive income for the period</b>			<b>280,288</b>	<b>970,710</b>			<b>1,250,998</b>
Realized gain from sale of equity investments in FVOCI			(120)	120			-
Employees' share plan reserve						9,000	<b>9,000</b>
Cash dividends				(375,000)			<b>(375,000)</b>
<b>Balance at end of the period</b>	<b>7,500,000</b>	<b>310,935</b>	<b>848,448</b>	<b>1,714,720</b>	<b>(80,660)</b>	<b>17,478</b>	<b>10,310,921</b>

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019**

<u>2019</u> SAR' 000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed issuance of bonus shares	Treasury shares	Employees' share plan reserve	Total equity
<b>Balance at the beginning of the period</b>	6,000,000	-	(69,832)	483,441	1,500,000	(90,780)	10,120	7,832,949
Net changes in fair value of FVOCI (equity instruments)			17,685					17,685
Re-measurement of employees "End of Service Benefits ("EOSB")			(500)					(500)
Net changes in fair value of FVOCI (debt instruments)			599,097					599,097
<b>Total other comprehensive income</b>			616,282	-				616,282
<b>Net income for the period after zakat</b>				916,593				916,593
<b>Total comprehensive income for the period</b>			616,282	916,593				1,532,875
Realized gain from sale of equity investments in FVOCI			(2,295)	2,295				-
Treasury shares						10,110		10,110
Employees' share plan reserve							(3,690)	(3,690)
Cash dividends				(300,000)				(300,000)
Issuance of bonus shares	1,500,000				(1,500,000)			-
<b>Balance at end of the period</b>	<b>7,500,000</b>	<b>-</b>	<b>544,155</b>	<b>1,102,329</b>	<b>-</b>	<b>(80,670)</b>	<b>6,430</b>	<b>9,072,244</b>

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30**

	<u>Note</u>	<u>2020</u> <u>SAR' 000</u>	<u>2019</u> <u>SAR' 000</u>
<b>OPERATING ACTIVITIES</b>			
<b>Net income before zakat for the period</b>		<b>1,080,969</b>	1,020,375
<b>Adjustments to reconcile net income to net cash generated from / (used in) operating activities:</b>			
Profit on Sukuk		55,726	73,089
Loss/ (gains) on FVTPL investments, net		95,643	(27,073)
(Gains) from disposal of property and equipment, net		(48)	(73)
Depreciation and amortization		197,597	184,299
Impairment charge for expected credit losses, net		514,265	403,395
Employees' share plan		9,000	6,420
<b>Net (increase)/ decrease in operating assets:</b>			
Statutory deposit with SAMA		(26,991)	(399,249)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		1,338,940	(392,335)
Bai Alajel with SAMA maturing after ninety days from the date of acquisition		(3,695)	(301,973)
Financing		(8,975,570)	(6,163,541)
Other assets		971,909	(803,347)
<b>Net increase/ (decrease) in operating liabilities:</b>			
Due to banks, SAMA and other financial institutions		4,823,769	(2,304,547)
Customers' deposits		1,777,651	6,882,119
Other liabilities		(1,258,146)	992,539
<b>Net cash generated from / (used in) operating activities</b>		<b>601,019</b>	<b>(829,902)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds/ (purchase) of investments held as FVOCI		286,588	(2,548,098)
(Purchase) of investments held as FVTPL		(26,338)	(333,041)
(Purchase) of investments held as amortized cost		(3,120,729)	-
(Purchase) of property and equipment		(189,683)	(262,488)
<b>Net cash (used in) investing activities</b>		<b>(3,050,162)</b>	<b>(3,143,627)</b>
<b>FINANCING ACTIVITIES</b>			
Distributed Sukuk profit		(58,512)	(73,793)
Dividend Paid		(375,000)	(300,000)
Cash payment for principle portion of lease liability		(99,691)	(136,004)
<b>Net cash (used in) financing activities</b>		<b>(533,203)</b>	<b>(509,797)</b>
<b>Net change in cash and cash equivalents</b>		<b>(2,982,346)</b>	<b>(4,483,326)</b>
Cash and cash equivalents at the beginning of the period		5,757,872	9,574,966
<b>Cash and cash equivalents at the end of the period</b>	10	<b>2,775,526</b>	<b>5,091,640</b>
<b>Supplemental information</b>			
Income received from investing and financing assets		2,872,587	2,448,422
Return paid on deposits and financial liabilities		328,779	485,776

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

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#### **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 111 banking branches (September 30, 2019: 110) and 178 exchange and remittance centers (September 30, 2019: 179) 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 nine months period ended September 30, 2020 and 2019, have been prepared in accordance with the International Accounting Standard 34 (“IAS 34”) Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

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The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019.

The consolidated financial statements of the Group as at and for the year ended 31 December 2019, 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 consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as set forth in note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

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

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

**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 followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the policy explained below for Government grant.

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

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**Government grant**

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

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020****5. INVESTMENTS, NET**

	<b>September 30, 2020 SAR' 000 (Unaudited)</b>	<b>December 31, 2019 SAR' 000 (Audited)</b>	<b>September 30, 2019 SAR' 000 (Unaudited)</b>
<b>Fair value through other comprehensive income (FVOCI)</b>			
Equities	<b>408,487</b>	457,426	408,799
Sukuk	<b>7,613,997</b>	7,571,501	7,527,662
	<b>8,022,484</b>	8,028,927	7,936,461
<b>Fair value through profit or loss (FVTPL)</b>			
Mutual funds	<b>796,987</b>	866,292	760,197
<b>Amortized cost</b>			
Sukuk	<b>3,910,481</b>	800,211	-
Bai Alajel with SAMA	<b>1,296,491</b>	1,292,796	1,295,187
	<b>5,206,972</b>	2,093,007	1,295,187
<b>Total</b>	<b>14,026,443</b>	10,988,226	9,991,845

**6. FINANCING, NET**

	<b>September 30, 2020 SAR'000 (Unaudited)</b>	<b>December 31, 2019 SAR'000 (Audited)</b>	<b>September 30, 2019 SAR'000 (Unaudited)</b>
Commercial	<b>35,610,185</b>	32,229,091	31,456,515
Retail	<b>33,543,048</b>	28,168,320	26,028,273
<b>Performing financing</b>	<b>69,153,233</b>	60,397,411	57,484,788
Non-performing financing	<b>867,786</b>	735,913	793,170
<b>Gross financing</b>	<b>70,021,019</b>	61,133,324	58,277,958
Allowance for expected credit loss	<b>(2,258,718)</b>	(1,842,787)	(1,881,067)
<b>Financing, net</b>	<b>67,762,301</b>	59,290,537	56,396,891

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020****7. CUSTOMERS' DEPOSITS**

	<b>September 30, 2020</b>	December 31, 2019	September 30, 2019
	<b>SAR'000</b>	SAR'000	SAR'000
	<b>(Unaudited)</b>	(Audited)	(Unaudited)
Demand	<b>40,522,297</b>	33,669,863	34,971,571
Albilad account (Mudarabah)	<b>20,144,198</b>	19,315,147	20,104,737
Direct investment	<b>6,322,017</b>	12,456,218	7,632,508
Others	<b>1,894,682</b>	1,664,315	1,348,897
<b>Total</b>	<b>68,883,194</b>	67,105,543	64,057,713

**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%.

**9. COMMITMENTS AND CONTINGENCIES**

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

	<b>September 30, 2020</b>	December 31, 2019	September 30, 2019
	<b>SAR' 000</b>	SAR' 000	SAR' 000
	<b>(Unaudited)</b>	(Audited)	(Unaudited)
Letters of guarantee	<b>5,543,475</b>	5,496,676	5,026,747
Letters of credit	<b>897,133</b>	1,199,941	755,688
Acceptances	<b>527,572</b>	353,679	418,169
Irrevocable commitments to extend credit	<b>2,767,849</b>	1,149,966	1,125,000
<b>Total</b>	<b>9,736,029</b>	8,200,262	7,325,604

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

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

	<b>September 30, 2020 SAR' 000 (Unaudited)</b>	<b>December 31, 2019 SAR' 000 (Audited)</b>	<b>September 30, 2019 SAR' 000 (Unaudited)</b>
Cash and balances with SAMA (excluding statutory deposit)	<b>1,776,168</b>	4,362,480	2,054,251
Due from banks and other financial institutions (maturing within ninety days from acquisition)	<b>999,358</b>	1,395,392	3,037,389
<b>Total</b>	<b><u>2,775,526</u></b>	<b><u>5,757,872</u></b>	<b><u>5,091,640</u></b>

**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.

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed consolidated financial statements.

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

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

SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>September 30, 2020</b>					
<b>Financial assets measured at fair value</b>					
Held as FVTPL	796,987	337,606	459,381	-	796,987
Held as FVOCI	8,022,484	964,110	-	7,058,374	8,022,484
<b>Financial assets not measured at fair value</b>					
Financing, net	67,762,301	-	-	67,672,206	67,672,206
<b>December 31, 2019</b>					
<b>Financial assets measured at fair value</b>					
Held as FVTPL	866,292	326,443	539,849	-	866,292
Held as FVOCI	8,028,927	986,919	-	7,042,008	8,028,927
<b>Financial assets not measured at fair value</b>					
Financing, net	59,290,537	-	-	59,268,946	59,268,946
<b>September 30, 2019</b>					
<b>Financial assets measured at fair value</b>					
Held as FVTPL	760,197	294,760	465,437	-	760,197
Held as FVOCI	7,936,461	880,860	-	7,055,601	7,936,461
<b>Financial assets not measured at fair value</b>					
Financing, net	56,396,891	-	-	56,044,433	56,044,433

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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.

The fair values of profit bearing customer deposits, held at amortized cost investment, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since either the current market profit rates for similar financial instruments are not significantly different from the contracted rates, or for the short duration of certain financial instruments particularly due from and due to banks and other financial institutions or a combination of both. An active market for these instruments is not available and the Group intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

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

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

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

**Reconciliation of level 3 fair values held as FVOCI**

	<b>September 30, 2020 SAR' 000 (Unaudited)</b>	<b>December 31, 2019 SAR' 000 (Audited)</b>	<b>September 30, 2019 SAR' 000 (Unaudited)</b>
Beginning balance	7,042,008	3,782,086	3,782,086
Purchase	1,250	3,022,876	2,374,738
Sales	(248,933)	-	-
<b>Gains included in OCI</b>			
Net changes in fair value (unrealised)	264,049	237,046	898,777
<b>Total</b>	<b>7,058,374</b>	<b>7,042,008</b>	<b>7,055,601</b>

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**12. SEGMENT INFORMATION**

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

Transactions between operating segments are under the terms and conditions of the approved Fund Transfer Pricing (FTP) system. The support segments and Head Office expenses are allocated to operating segments based on approved criteria.

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

The Group's reportable segments are as follows:

**Retail banking**

Services and products to individuals, including deposits, financing, remittances and currency exchange.

**Corporate banking**

Services and products to corporate customers including deposits, financing and trade services.

**Treasury**

Money market and treasury services.

**Investment banking and brokerage**

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

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The Group's total assets and liabilities as at September 30, 2020 and 2019, together with its total operating income and expenses, and net income before zakat, for the nine months periods then ended, for each segment are as follows:

SAR'000	September 30, 2020 (Unaudited)				
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	41,433,310	33,376,629	16,642,757	840,875	92,293,571
Total liabilities	54,764,801	14,897,647	12,130,601	189,601	81,982,650
Net income from investing and financing assets	1,481,653	682,703	277,255	4,211	2,445,822
Fee, commission and other income, net	469,055	47,049	33,250	121,952	671,306
Total operating income	1,950,708	729,752	310,505	126,163	3,117,128
Impairment charge for expected credit losses, net	41,902	461,765	10,449	149	514,265
Depreciation and amortization	140,610	49,726	5,386	1,875	197,597
Total operating expenses	1,212,362	689,935	68,889	64,973	2,036,159
Net income for the period before zakat	738,346	39,817	241,616	61,190	1,080,969

  

SAR'000	September 30, 2019 (Unaudited)				
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	34,511,954	28,993,641	16,768,846	889,183	81,163,624
Total liabilities	46,624,795	17,201,500	7,945,489	319,596	72,091,380
Net income from investing and financing assets	1,107,592	726,157	208,329	10,564	2,052,642
Fee, commission and other income, net	601,106	29,489	110,828	110,239	851,662
Total operating income	1,708,698	755,646	319,157	120,803	2,904,304
Impairment charge for expected credit losses, net	147,651	254,803	941	-	403,395
Depreciation and amortization	142,033	35,563	4,580	2,123	184,299
Total operating expenses	1,278,339	488,172	49,807	67,611	1,883,929
Net income for the period before zakat	430,359	267,474	269,350	53,192	1,020,375

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**13. SHARE CAPITAL AND DIVIDENDS**

The authorized, issued and fully paid share capital of the Bank consists of 750 million shares of SAR 10 each (31 December 2019: 750 million shares of SAR 10 each and 30 September 2019: 750 million shares of SAR 10 each).

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

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

On July 18, 2019, the Board of Directors resolved on the distribution of cash dividend of SAR 300 million (SAR 0.4 per share). This was paid on August 8, 2019.

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 nine months period ended September 30, 2020 and 2019 is calculated by dividing the net income for the period by the weighted average number of outstanding shares as of September 30, 2020: 746 million shares (September 30, 2019: 746 million shares) adjusted for treasury shares.

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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.

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

	<b>September 30, 2020 SAR' 000 (Unaudited)</b>	<b>December 31, 2019 SAR' 000 (Audited)</b>	<b>September 30, 2019 SAR' 000 (Unaudited)</b>
Credit Risk RWA	<b>66,675,903</b>	63,300,773	60,298,227
Operational Risk RWA	<b>7,036,919</b>	6,384,244	6,174,649
Market Risk RWA	<b>734,358</b>	414,729	356,752
<b>Total Pillar-I RWA</b>	<b>74,447,180</b>	<b>70,099,746</b>	<b>66,829,628</b>
Tier I Capital	<b>10,382,250</b>	9,473,031	9,115,041
Tier II Capital	<b>2,833,449</b>	2,791,260	2,753,728
<b>Total Tier I &amp; II Capital</b>	<b>13,215,699</b>	<b>12,264,291</b>	<b>11,868,769</b>
<b>Capital Adequacy Ratio %</b>			
Tier I ratio	<b>13.95%</b>	13.51%	13.64%
Tier I + Tier II ratio	<b>17.75%</b>	17.50%	17.76%

**16. COMPARATIVE FIGURES**

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

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#### **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 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, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Bank continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of financing, where required.

The prevailing economic conditions do require the Bank to continue 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 Bank in the estimation of ECL or revisions to the scenario probabilities currently being used by the Bank. As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management’s ECL assessment includes sector-based analysis depending on the impacted portfolios and macroeconomic analysis. The Bank has therefore recognized overlays of SAR 73.9 million and SAR 23.2 million as at September 30, 2020 for the commercial and retail financing, respectively. The Bank will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

#### **SAMA programs and initiatives launched**

##### ***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.

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As part of the deferred payments program launched by SAMA, the Bank was required to defer payments for six months on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank effected the payment reliefs by deferring the instalments falling due within the period from March 14, 2020 to September 14, 2020 for a period of six months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of net financing income. The Bank continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk.

Further to the above, on September 1, 2020, SAMA extended the deferred payments program by allowing additional three months payment deferrals for eligible MSMEs until December 14, 2020. The Bank has affected the payment reliefs by deferring the instalments falling due within the period from September 15, 2020 to December 14, 2020 for a period of additional three months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of the arrangement. This resulted in the Bank recognizing an additional modification loss of SR 24.9 million during the period ended September 30, 2020.

Since the inception of the deferred payments program by SAMA and by the end of Q3 2020, the Bank has recognized of SAR 74.6 million of related modification losses.

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, during the nine months period ended September 30, 2020 the Bank received profit free deposits from SAMA amounting to SR 2 billion with varying maturities, which qualify as government grants. Management has determined based on the communication from SAMA, that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. By the end of September 30, 2020, total income of SR 63.4 million has been recognised in the statement of income and SR 76.3 million deferred. The management has exercised certain judgements in the recognition and measurement of this grant income.

As at September 30, 2020, the Bank has participated in SAMA's facility guarantee programs and the accounting impact for the period is immaterial.

Furthermore, during nine months period ended September 30, 2020, the Bank has recognized reimbursement from SAMA for the forgone POS and e-commerce service fee.

**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:

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- 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 SR 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 subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 25.5 million, of which SR 8.6 million has been recognized in the statement of income as at September 30, 2020 and with the remaining amount deferred.

**Bank's initiative - Health care sector support**

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

**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 Rabi' Al-Awal 5, 1442H (corresponding to October 22, 2020).