

**AL RAJHI BANKING AND INVESTMENT
CORPORATION**
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**
**FOR THE THREE - MONTH PERIOD ENDED
31 MARCH 2019**

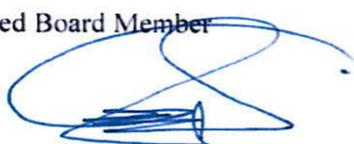
AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)	31 March 2018 SAR'000 (Unaudited)
	Notes			
ASSETS				
Cash and balances with Saudi Arabian Monetary Authority ("SAMA") and other central banks	3	39,203,328	43,246,043	49,156,755
Due from banks and other financial institutions	4	26,482,978	30,808,011	16,063,879
Investments, net	5	45,611,735	43,062,565	40,727,971
Financing, net	6	236,419,173	233,337,955	228,229,758
Investment properties, net		1,293,394	1,297,590	1,309,791
Property and equipment, net	2	10,418,839	8,897,587	8,036,092
Other assets, net		3,910,354	3,629,245	4,905,318
TOTAL ASSETS		363,339,801	364,278,996	348,429,564
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions	7	2,558,475	7,289,624	1,895,443
Customers' deposits	8	293,503,818	293,909,125	283,936,380
Other liabilities	2	16,017,494	14,526,229	12,157,523
Total liabilities		312,079,787	315,724,978	297,989,346
Shareholders' equity				
Share capital	14	16,250,000	16,250,000	16,250,000
Statutory reserve		16,250,000	16,250,000	16,250,000
Other reserves	10	(248,848)	(349,555)	5,237,622
Retained earnings		15,352,612	12,747,323	12,702,596
Proposed gross dividends		3,656,250	3,656,250	-
Total shareholders' equity		51,260,014	48,554,018	50,440,218
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		363,339,801	364,278,996	348,429,564

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

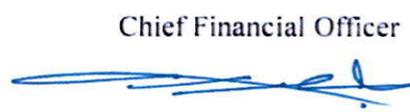
Authorized Board Member



Chief Executive Officer



Chief Financial Officer



AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 AND 2018

	<u>Notes</u>	<u>2019</u> <u>SAR'000</u>	<u>2018</u> <u>SAR'000</u>
INCOME			
Gross financing and investment income	18	4,086,623	3,557,748
Return on customers', banks' and financial institutions' time investments		<u>(142,663)</u>	<u>(116,415)</u>
Net financing and investment income		3,943,960	3,441,333
Fee from banking services, net	18	472,652	455,021
Exchange income, net		173,631	188,412
Other operating income, net		<u>48,697</u>	<u>57,639</u>
Total operating income		4,638,940	4,142,405
EXPENSES			
Salaries and employees' related benefits		685,078	677,742
Rent and premises related expenses	2	-	76,943
Depreciation	2	176,081	108,384
Other general and administrative expenses		503,075	446,299
Impairment charge for financing and other financial assets, net	6	<u>389,417</u>	<u>450,431</u>
Total operating expenses		1,753,651	1,759,799
Net income for the period		2,885,289	2,382,606
Weighted average number of share outstanding	14	<u>1,625 million</u>	<u>1,625 million</u>
Basic and diluted earnings per share (SAR)	15	<u>1.78</u>	<u>1.47</u>

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

Authorized Board Member



Chief Executive Officer



Chief Financial Officer



AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 AND 2018

	2019 SAR'000	2018 SAR'000
Net income for the period	2,885,289	2,382,606
<i>Other comprehensive income</i>		
<i>Other comprehensive income that will not be reclassified to interim condensed consolidated statement of income</i>		
- Net change in fair value of FVOCI investments	94,063	71,983
<i>Other comprehensive income that will be reclassified to interim condensed consolidated statement of income</i>		
- Exchange difference on translation of foreign operations	6,644	13,746
Total comprehensive income for the period	2,985,996	2,468,335

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

Authorized Board Member



Chief Executive Officer



Chief Financial Officer



AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED) FOR THE
THREE-MONTH PERIOD ENDED 31 MARCH 2019 AND 2018

	Share capital SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed gross dividends SAR'000	Total SAR'000
Balance at 1 January 2019	16,250,000	16,250,000	(349,555)	12,747,323	3,656,250	48,554,018
Net change in fair value of FVOCI investments	-	-	94,063	-	-	94,063
Net movement in foreign currency translation reserve	-	-	6,644	-	-	6,644
Net other comprehensive income recognized directly in equity	-	-	100,707	-	-	100,707
Net income for the period	-	-	-	2,885,289	-	2,885,289
Total comprehensive income for the period	-	-	100,707	2,885,289	-	2,985,996
Zakat charge for the period	-	-	-	(280,000)	-	(280,000)
Balance at 31 March 2019	16,250,000	16,250,000	(248,848)	15,352,612	3,656,250	51,260,014
Balance at 31 December 2017	16,250,000	16,250,000	5,281,682	13,906,736	4,062,500	55,750,918
Impact of adopting IFRS 9	-	-	(129,789)	(2,752,899)	-	(2,882,688)
Other adjustment	-	-	-	(799,356)	-	(799,356)
Restated balance at 1 January 2018	16,250,000	16,250,000	5,151,893	10,354,481	4,062,500	52,068,874
Dividends for the second half 2017	-	-	-	-	(4,062,500)	(4,062,500)
Net change in fair value of FVOCI in investments	-	-	71,983	-	-	71,983
Net movement in foreign currency translation reserve	-	-	13,746	-	-	13,746
Net other comprehensive income recognized directly in equity	-	-	85,729	-	-	85,729
Net income for the period	-	-	-	2,382,606	-	2,382,606
Total comprehensive income for the period	-	-	85,729	2,382,606	-	2,468,335
Zakat charge for the period	-	-	-	(34,491)	-	(34,491)
Balance at 31 March 2018	16,250,000	16,250,000	5,237,622	12,702,596	-	50,440,218

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

Authorized Board Member

Chief Executive Officer

Chief Financial Officer





AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 AND 2018

	Note	2019 SAR'000	2018 SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		2,885,289	2,382,606
Adjustments to reconcile net income to net cash (used in) / / generated from operating activities:			
(Gain) / Loss on investments held at fair value through statement of income (FVSI)		(1,062)	(2,212)
Depreciation of property, equipment, and right of use asset		176,081	108,384
Depreciation of investment properties		4,197	4,215
Impairment charge for financing and other financial assets, net	6	389,417	450,431
Share of profit of an associate		(137)	(9,738)
Net (increase) / decrease in operating assets			
Statutory deposit with SAMA and central banks		(106,717)	(566,721)
Due from banks and other financial institutions		(491,283)	(2,400,861)
Financing		(2,745,800)	1,972,694
Investments held at FVSI		11,217	139
Other assets, net		(241,550)	110,145
Net increase / (decrease) in operating liabilities			
Due to banks and other financial institutions		(4,731,149)	(3,627,124)
Customers' deposits		(405,307)	11,871,911
Other liabilities		(865,930)	(2,501,052)
Net cash (used in) / generated from operating activities		<u>(6,122,734)</u>	<u>7,792,817</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(325,080)	(286,349)
(Purchase) / disposal of FVOCI investments		(341,855)	35,312
Proceeds from sale of investments held at amortized cost		23,288,098	23,684,957
Purchase of investments held at amortized cost		(25,411,369)	(27,949,608)
Net cash used in investing activities		<u>(2,790,206)</u>	<u>(4,515,688)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	(16,344)
Payment against lease obligations		(52,808)	-
Net cash used in financing activities		<u>(52,808)</u>	<u>(16,344)</u>

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

Authorized Board Member



Chief Executive Officer



Chief Financial Officer



AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 AND 2018 (CONTINUED)

	Note	2019 SAR'000	2018 SAR'000
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS		(8,965,748)	3,260,785
Cash and cash equivalents at beginning of the period		<u>29,786,503</u>	<u>31,222,195</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	<u>20,820,755</u>	<u>34,482,980</u>
Gross financing and investment income received during the period		3,903,840	3,252,015
Return on customers', banks' and financial institutions' time investments paid during the period		<u>(276,208)</u>	<u>(42,189)</u>
<u>Non-cash transactions:</u>			
Net change in fair value of FVOCI investments		<u>94,063</u>	<u>71,983</u>

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

Authorized Board Member

Chief Executive Officer

Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2019**

1. GENERAL

Al Rajhi Banking and Investment Corporation, a Saudi Joint Stock Company, (the “Bank”) was formed and licensed pursuant to Royal Decree No. M/59 dated 3 Dhul Qada 1407H (corresponding to 29 June 1987) and in accordance with Article 6 of the Council of Ministers’ Resolution No. 245, dated 26 Shawwal 1407H (corresponding to 23 June 1987).

The Bank operates under Commercial Registration No. 1010000096 and its Head Office is located at the following address:

Al Rajhi Bank
8467 King Fahd Road - Al Muruj Dist.
Unit No 1
Riyadh 12263 - 2743
Kingdom of Saudi Arabia

The objectives of the Bank are to carry out banking and investment activities in accordance with its Articles of Association and By-laws, the Banking Control Law and the Council of Ministers Resolution referred to above. The Bank is engaged in banking and investment activities for its own account and on behalf of others inside and outside the Kingdom of Saudi Arabia (“KSA”) through network branches and subsidiaries. The Bank has established certain subsidiary companies (together with the Bank hereinafter referred to as the “Group”) in which it owns all or the majority of their shares (see note 2.III).

SHARI’A AUTHORITY

As a commitment from the Bank for its activities to be in compliance with Islamic Shari’a legislations, since its inception, the Bank has established a Shari’a Authority to ascertain that the Bank’s activities are subject to its approval and control. The Shari’a Authority had reviewed several of the Bank’s activities and issued the required decisions thereon.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Bank (Group) have been prepared in accordance with IAS 34 Interim Financial Reporting as modified by SAMA for the accounting of zakat and income tax, which requires adoption of all IFRSs as issued by the International Accounting Standards Board (“IASB”) except for the application of International Accounting Standard (IAS) 12 - “Income Taxes” and IFRIC 21 - “Levies” in so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax (“SAMA Circular”), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders’ equity under retained earnings.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. BASIS OF PREPARATION (CONTINUED)

The interim condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2018.

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, liabilities and income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2018, except for the change in the accounting policy in relation to IFRS 16, Leases effective from 1 January 2019. The nature and the effect of these changes are disclosed in note 2.IV below.

The interim condensed consolidated financial statements are expressed in Saudi Riyals (SAR) and are rounded off to the nearest thousand.

II. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Group. 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 condensed consolidated financial statements of the subsidiaries, where necessary, to align with the Bank's interim condensed consolidated financial statements.

III. SUBSIDIARIES

Subsidiaries are the entities that are controlled by the Group. The Group controls an entity when it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity.

When the Group has less than a majority of the voting or similar rights of an investee entity, it considers relevant facts and circumstances in assessing whether it has power over the entity, including:

- The contractual arrangement with the other voters of the investee entity
- Rights arising from other contractual arrangements
- The Group's current and potential voting rights granted by equity instruments such as shares

The Group re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more elements of control.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are ceased to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the period are included in the interim condensed consolidated statements of comprehensive income from the date of the acquisition or up to the date of disposal, as appropriate.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

III. SUBSIDIARIES (CONTINUED)

As at 31 March, the following subsidiaries were included in the interim condensed consolidated financial statements:

Name of subsidiaries	Shareholding %		
	2019	2018	
Al Rajhi Capital Company – KSA	100%	100%	A limited liability company registered in Kingdom of Saudi Arabia to act as principal agent and/or to provide brokerage, underwriting, managing, advisory, arranging and custodial services.
Al Rajhi Development Company – KSA	100 %	100%	A limited liability company registered in Kingdom of Saudi Arabia to support the mortgage programs of the Bank through transferring and holding the title deeds of real estate properties under its name on behalf of the Bank, collection of revenue of certain properties sold by the Bank, provide real estate and engineering consulting services, provide documentation service to register the real estate properties and overseeing the evaluation of real estate properties.
Al Rajhi Corporation Limited – Malaysia	100 %	100%	A licensed Islamic Bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia.
Al Rajhi Takaful Agency Company – KSA	99 %	99%	A limited liability company registered in Kingdom of Saudi Arabia to act as an agent for insurance brokerage activities per the agency agreement with Al Rajhi Cooperative insurance company.
Al Rajhi Company for management services – KSA	100 %	100%	A limited liability company registered in Kingdom of Saudi Arabia to provide recruitment services.
Al Rajhi Bank – Kuwait	100 %	100%	A foreign branch registered with the Central Bank of Kuwait.
Al Rajhi Bank – Jordan	100%	100%	A foreign branch operating in Hashemie Kingdom of Jordan, providing all financial, banking, and investments services and importing and trading in precious metals and stones in accordance with Islamic Sharia'a rules and under the applicable banking law.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

III. SUBSIDIARIES (CONTINUED)

Since the subsidiaries are wholly or substantially owned by the Bank, the non-controlling interest is insignificant and therefore not disclosed. All the above-mentioned subsidiaries have been consolidated.

IV. ADOPTION OF NEW STANDARDS

Effective 1 January 2019 the Group adopted IFRS 16, Leases and the impact of the adoption of this standard is explained below.

In addition to the adoption of IFRS 16, several other amendments and interpretations apply for the first time in 2019, but these do not have an impact on the interim condensed consolidated financial statements of the Bank.

Adoption of IFRS 16 – Leases

The standard replaces the existing guidance on leases, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Bank’s statement of financial position, unless the term is 12 months or less or the lease is for low value assets. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, which is amortized over the useful life.

The Bank has opted for the modified retrospective application method that is permitted by IFRS 16. As a result, of the initial application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the incremental financing rate that is applicable to the Bank at 1 January 2019 (the time of initial application), which was approximately 4.6%. The right of use is classified under PPE. On the other hand, the lease liability is classified under other liabilities.

RECONCILIATION OF LEASE LIABILITIES AS OF 1 JANUARY 2019

	SAR’000
Off-balance sheet lease obligations as of 31 December 2018	1,256,100
Lease liability of reasonably certain extension or termination options	203,605
Discounting of lease liability using the Bank’s incremental financing rate	(51,946)
Non-lease payments	(55,398)
Total lease liability recognized as of 1 January 2019	1,352,361

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for the policies explained below due to the adoption of IFRS 16. The following accounting policies are applicable effective 1 January 2019 replacing/amending or adding to the corresponding accounting policies set out in the 2018 consolidated financial statements.

Right of Use (RoU) Assets / Lease Liabilities

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

Right of Use Assets

The bank applies the cost model, and measures right of use assets at cost:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any re-measurement of the lease liability for lease modifications.

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

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the bank measures the lease liability by:

- a) Increasing the carrying amount to reflect incremental financing rate on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

Right of use assets are classified under property and equipment, while lease liabilities are classified under other liabilities in the interim condensed consolidated statement of financial position.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2019**

3. CASH AND BALANCES WITH SAMA AND OTHER CENTRAL BANKS

Cash and balances with SAMA and central banks comprise of the following:

	31 March 2019 (Unaudited) SAR'000	31 December 2018 (Audited) SAR'000	31 March 2018 (Unaudited) SAR'000
Cash in hand	8,633,362	8,133,635	8,807,148
Statutory deposit	19,550,911	19,444,194	18,518,974
Current account with SAMA	383,055	293,214	711,713
Mutajara with SAMA	10,636,000	15,375,000	21,118,920
Total	39,203,328	43,246,043	49,156,755

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA and other central banks at stipulated percentages of its customers' demand deposits, customers' time investment and other customers' accounts calculated at the end of each Gregorian month.

4. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Due from banks and other financial institutions comprise the following:

	31 March 2019 (Unaudited) SAR'000	31 December 2018 (Audited) SAR'000	31 March 2018 (Unaudited) SAR'000
Current accounts	699,078	778,769	878,598
Mutajara	25,783,900	30,029,242	15,185,281
Total	26,482,978	30,808,011	16,063,879

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2019**

5. INVESTMENTS

Investments comprise the following:

	31 March 2019 (Unaudited) SAR'000	31 December 2018 (Audited) SAR'000	31 March 2018 (Unaudited) SAR'000
Investment in an associate	172,890	172,753	134,563
Investments held at amortized cost			
Murabaha with Saudi Government and SAMA	24,921,392	22,477,145	23,447,306
Sukuk	17,074,981	17,395,957	14,075,353
Less: Impairment (Stage 1)	(28,337)	(28,337)	-
Total investments held at amortized cost	41,968,036	39,844,765	37,522,659
Investments held at fair value through statement of income (FVSI)			
Mutual funds	1,224,598	1,141,584	1,493,081
Sukuk	800,000	800,000	800,000
Total FVSI investments	2,024,598	1,941,584	2,293,081
FVOCI investments			
Equity investments	1,446,211	1,103,463	777,668
Total investments	45,611,735	43,062,565	40,727,971

AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2019**

6. FINANCING, NET

Net financing comprises the following:

	31 March 2019 (Unaudited) SAR'000	31 December 2018 (Audited) SAR'000	31 March 2018 (Unaudited) SAR'000
Held at amortized cost			
Installment sales	175,919,820	174,683,067	171,672,728
Mutajara	48,318,887	47,552,342	48,319,738
Murabaha	15,559,181	14,671,326	14,266,867
Credit cards	2,256,595	1,973,379	505,840
Performing financing	242,054,483	238,880,114	234,765,173
By Segments			
Retail	172,392,431	170,482,453	164,844,418
Corporate	69,662,052	68,397,661	69,920,755
Performing financing	242,054,483	238,880,114	234,765,173
Non-performing financing	2,290,718	2,290,312	1,706,526
Gross financing	244,345,201	241,170,426	236,471,699
Provision for financing impairment	(7,926,028)	(7,832,471)	(8,241,941)
Financing, net	236,419,173	233,337,955	228,229,758

The movement in the allowance for impairment of financing for the three-month period ended 31 March is as follows:

<u>2019</u>	<u>Total SAR'000</u>
Opening impairment allowance as at 1 January 2019	7,832,471
Provided for the period	634,973
Bad debts written off against provision	(541,416)
Balance at the end of the period	7,926,028

Allowance for impairment of financing charged to the interim condensed consolidated statement of income for the three-month period ended 31 March comprise of the followings:

Provided for the period	SAR'000 634,973
Recovery of written off financing, net	(245,556)
Allowance for impairment, net	389,417

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2019**

7. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions comprise the following:

	31 March 2019	31 December 2018	31 March 2018
	(Unaudited)	(Audited)	(Unaudited)
	SAR'000	SAR'000	SAR'000
Current accounts	1,278,136	925,945	411,776
Banks' time investments	1,280,339	6,363,679	1,483,667
Total	2,558,475	7,289,624	1,895,443

8. CUSTOMERS' DEPOSITS

Customers' deposits by type comprise the following:

	31 March 2019	31 December 2018	31 March 2018
	(Unaudited)	(Audited)	(Unaudited)
	SAR'000	SAR'000	SAR'000
Demand deposits	276,963,793	268,416,842	263,613,225
Customers' time investments	11,173,460	18,689,225	15,905,717
Other customer accounts	5,366,565	6,803,058	4,417,438
Total	293,503,818	293,909,125	283,936,380

9. CONTINGENT LIABILITIES

Contingent liabilities comprise the following:

	31 March 2019	31 December 2018	31 March 2018
	(Unaudited)	(Audited)	(Unaudited)
	SAR'000	SAR'000	SAR'000
Letters of credit	1,176,278	982,769	665,455
Acceptances	542,658	469,889	770,058
Letters of guarantee	4,629,842	4,877,161	4,286,227
Irrevocable commitments to extend credit	9,245,618	6,482,436	6,608,306
Total	15,594,396	12,812,255	12,330,046

The Bank is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed as at 31st December, 2018.

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10. OTHER RESERVES

Previously, the Bank used to recognize certain Zakat liabilities under other reserves until the final amount of Zakat payable can be determined.

As a major event during 2018, the Bank reached a settlement agreement with the General Authority for Zakat and Income Tax (GAZT), to settle the Zakat Liability amounting to SAR 5,405,270,925 for the years up to 31 December 2017. The settlement agreement requires the Bank to settle 20% in the first year, and the remaining will be divided equally over the period of five years. Accordingly, the aforementioned zakat liability was re-classified from other reserves to other liabilities.

In addition, other reserves includes FVOCI investments reserve, foreign currency translation reserve and employee share plan reserve.

11. CASH AND CASH EQUIVALENTS

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

	31 March 2019 (Unaudited) SAR'000	31 December 2018 (Audited) SAR'000	31 March 2018 (Unaudited) SAR'000
Cash in hand	8,633,362	8,133,635	8,807,148
Due from banks and other financial institutions maturing within 90 days from the date of purchase	1,168,338	5,984,654	3,845,199
Balances with SAMA and other central banks (current accounts)	383,055	293,214	711,713
Mutajara with SAMA	10,636,000	15,375,000	21,118,920
Cash and cash equivalents	<u>20,820,755</u>	<u>29,786,503</u>	<u>34,482,980</u>

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12. OPERATING SEGMENTS

The Bank identifies operating segments on the basis of internal reports about the activities of the Bank that are regularly reviewed by the chief operating decision maker, principally the Chief Executive Officer, in order to allocate resources to the segments and to assess its performance.

For management purposes, the Bank is organized into the following four main businesses segments:

Retail segment:	Includes individual customers' deposits, credit facilities, customer debit current accounts (overdrafts) and fees from banking services.
Corporate segment:	Incorporates deposits of VIP, corporate customers' deposits, credit facilities, and debit current accounts (overdrafts).
Treasury segment:	Includes treasury services, Murabaha with SAMA and international Mutajara portfolio and remittance business.
Investment services and brokerage segments:	Includes investments of individuals and corporate in mutual funds, local and international share trading services and investment portfolios.

Transactions between the above segments are on normal commercial terms and conditions. Assets and liabilities for the segments comprise operating assets and liabilities, which represents the majority of the Bank's assets and liabilities.

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12. OPERATING SEGMENTS (CONTINUED)

The Bank's total assets and liabilities as at 31 March 2019 and 2018 together with the total operating income and expenses, and net income for the three month periods then ended, for each business segment, are analyzed as follows:

31 March 2019 (Unaudited)	Retail segment SAR'000	Corporate segment SAR'000	Treasury segment SAR'000	Investment services and brokerage segment SAR'000	Total SAR'000
Total assets	191,018,021	64,683,384	104,672,229	2,966,167	363,339,801
Total liabilities	278,944,130	22,412,639	10,612,445	110,573	312,079,787
Financing and investment income from external customers	2,612,945	844,777	624,113	4,788	4,086,623
Inter-segment operating income / (expense)	268,177	(283,340)	15,163	-	-
Gross financing and investment income	2,881,122	561,437	639,276	4,788	4,086,623
Return on customers', banks' and financial institutions' time investments	(46,683)	(45,087)	(50,893)	-	(142,663)
Net financing and investment income	2,834,439	516,350	588,383	4,788	3,943,960
Fee from banking services, net	280,074	94,807	11,187	86,584	472,652
Exchange income, net	31,760	17,179	124,692	-	173,631
Other operating income, net	18,005	10,009	9,711	10,972	48,697
Total operating income	3,164,278	638,345	733,973	102,344	4,638,940
Depreciation	(139,670)	(5,787)	(29,335)	(1,289)	(176,081)
Impairment charge for financing and other financial assets, net	(383,818)	(14,675)	9,076	-	(389,417)
Other operating expenses	(994,233)	(77,329)	(80,164)	(36,427)	(1,188,153)
Total operating expenses	(1,517,721)	(97,791)	(100,423)	(37,716)	(1,753,651)
Net income for the period	1,646,557	540,554	633,550	64,628	2,885,289

AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
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12. OPERATING SEGMENTS (CONTINUED)

31 March 2018 (Unaudited)	Retail segment SAR'000	Corporate segment SAR'000	Treasury segment SAR'000	Investment services and brokerage segment SAR'000	Total SAR'000
Total assets	183,831,898	59,852,021	101,687,371	3,058,274	348,429,564
Total liabilities	261,326,171	30,418,208	5,673,416	571,551	297,989,346
Financing and investment income from external customers	2,410,631	726,487	414,815	5,815	3,557,748
Inter-segment operating income/ (expense)	120,484	(183,085)	62,601	-	-
Gross financing and investment income	2,531,115	543,402	477,416	5,815	3,557,748
Return on customers', banks' and financial institutions' time investments	(25,395)	(50,289)	(40,731)	-	(116,415)
Net financing and investment income	2,505,720	493,113	436,685	5,815	3,441,333
Fee from banking services, net	177,063	76,203	71,023	130,732	455,021
Exchange income, net	40,373	10,782	137,257	-	188,412
Other operating income	47,502	-	8,316	1,821	57,639
Total operating income	2,770,658	580,098	653,281	138,368	4,142,405
Depreciation	(97,189)	(2,566)	(7,400)	(1,229)	(108,384)
Impairment charge for financing and others	(103,042)	(346,053)	(1,336)	-	(450,431)
Other operating expenses	(982,839)	(81,178)	(100,805)	(36,162)	(1,200,984)
Total operating expenses	(1,183,070)	(429,797)	(109,541)	(37,391)	(1,759,799)
Net income for the period	1,587,588	150,301	543,740	100,977	2,382,606

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(UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2019**

13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or additions).

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.

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

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 takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability

Assets and liabilities at fair values are as follows:

31 March 2019 (Unaudited)	(SAR'000)				Total
	Carrying value	Level 1	Level 2	Level 3	
Financial assets					
Financial assets measured at fair value					
Investments held at FVSI	1,224,598	-	1,224,598	-	1,224,598
FVOCI investment	1,446,211	1,421,857	-	24,354	1,446,211
Sukuk	800,000	-	-	800,000	800,000
Financial assets not measured at fair value					
Due from banks and other financial institutions	26,482,978	-	-	26,294,628	26,294,628
Investments held at amortized cost					
- Murabaha with Saudi Government and SAMA	24,921,392	-	-	24,921,241	24,921,241
- Sukuk	17,074,981	-	-	16,858,640	16,858,640
Gross Financing	244,345,201	-	-	257,356,211	257,356,211
Total	316,295,361	1,421,857	1,224,598	326,255,074	328,901,529
Financial liabilities					
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	2,558,475	-	-	2,557,805	2,557,805
Customers' deposits	293,503,818	-	-	293,503,818	293,503,818
Total	296,062,293	-	-	296,061,623	296,061,623

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2019**

13. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

31 December 2018 (Audited)	(SAR'000)				
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at fair value					
Financial assets held at FVSI	1,141,584	-	1,141,584	-	1,141,584
FVOCI investments	1,103,463	1,079,101	-	24,362	1,103,463
Sukuk	800,000	-	-	800,000	800,000
Financial assets not measured at fair value					
Due from banks and other financial institutions	30,808,011	-	-	30,701,027	30,701,027
Investments held at amortized cost					
- Murabaha with Saudi Government and SAMA	22,477,145	-	-	22,478,958	22,478,958
- Sukuk	17,395,957	-	-	17,274,997	17,274,997
Gross Financing	241,170,426	-	-	250,516,284	250,516,284
Total	314,896,586	1,079,101	1,141,584	321,795,628	324,016,313
Financial liabilities					
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	7,289,624	-	-	7,287,557	7,287,557
Customers' deposits	293,909,125	-	-	293,909,125	293,909,125
Total	301,198,749	-	-	301,196,682	301,196,682

FVSI investments classified as level 2 represent mutual funds, the fair value of which is determined based on the fund's latest reported net assets value (NAV) as at the date consolidated statement of financial position.

Gross financing classified as level 3 has been valued using expected cash flows discounted at relevant SIBOR. Investments held at amortized cost, due to / from banks and other financial institutions have been valued using the actual cash flows discounted at relevant SIBOR/ SAMA murabaha rates.

The value obtained from the relevant valuation model may differ from the transaction price of a financial instrument. The difference between the transaction price and the model value commonly referred to as 'day one profit and loss' is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized immediately in the interim condensed consolidated statement of income without reversal of deferred day one profit and loss.

Sensitivity analysis

The effect on the Bank's equity investments held as FOVCI due to reasonable possible change in prices, with all other variables held constant is as follows:

Local Market Indices	31 March 2019		31 December 2018	
	Change in Equity price %	Effect in SAR 000	Change in Equity price %	Effect in SAR 000
Local Share Equity	+/- 10	+/- 142,186	+/- 10	+/- 107,910

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14. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 1,625 million shares of SAR 10 each as of 31st March 2019 (31 December 2018: 1,625 million shares). Furthermore, on the 4th of April 2019, the bank's extraordinary general assembly approved a capital increase from SAR 16,250 million to SAR 25,000 million through stocks dividends (7 shares for every 13 shares owned). The amount of Capital increase will be transferred from retained earnings.

15. EARNINGS PER SHARE

Earnings per share for the periods ended 31 March 2019 and 2018 have been calculated by dividing the net income for the period by the weighted average number of shares outstanding.

16. CAPITAL ADEQUACY

The Bank's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Bank'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 daily by the Bank's management. SAMA requires the banks to hold the minimum level of the regulatory capital and also to maintain a ratio of total regulatory capital to the risk-weighted assets at or above 8%.

The Bank monitors the adequacy of its capital using ratios established by SAMA, These ratios measure capital adequacy by comparing the Bank's eligible capital with its consolidated statement of financial position, commitments and contingencies to reflect their relative risks as shown in the following table:

	31 March 2019 (Unaudited) SAR'000	31 December 2018 (Audited) SAR'000	31 March 2018 (Unaudited) SAR'000
Credit risk weighted assets	226,138,708	222,309,112	214,238,267
Operational risk weighted assets	28,094,351	28,094,351	26,832,383
Market risk weighted assets	5,122,523	4,102,847	5,636,604
Total Pillar I - risk weighted assets	259,355,581	254,506,310	246,707,254
Tier I capital	51,260,014	48,554,018	50,440,218
Tier II capital	2,826,734	2,778,864	2,677,978
Total tier I & II capital	54,086,748	51,332,882	53,118,196
Capital Adequacy Ratio %			
Tier I ratio	19.76%	19.08%	20.44%
Tier I & II ratio	20.85%	20.17%	21.53%

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17. PROPOSED GROSS DIVIDENDS

The General Assembly Meeting held on 27 Rajab 1440H (corresponding to 3 April 2019), approved the distribution of cash dividends to shareholders for the second half of the year ended 31 December 2018, amounting to SAR 3,656,250 million, being SAR 2.25 per share net of Zakat deduction.

18. RECLASSIFICATION OF COMPARATIVE FIGURES

Financing related fee amortization, which had previously been included in fees from banking services, is now included in gross financing and investment income. The change is being made to reflect financing related fee amortization as a yield adjustment to gross financing income. Accordingly, the previously reported amounts in the interim condensed consolidated financial statements for the three-month period ended 31 March 2018 have been reclassified to conform to the current period presentation and therefore, this change increases the previously reported gross financing and investment income and reduces the fee from banking services.

19. APPROVAL OF THE BOARD OF DIRECTORS

The interim condensed consolidated financial statements were approved by the Board of Directors on 19 Sha'aban1440 (corresponding to 24 April 2019).