



**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  
2021**

**Independent auditor's review report on the  
interim condensed consolidated financial statements**

To: The Shareholders of  
Al Rajhi Banking and Investment Corporation  
(A Saudi Joint Stock Company)

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Al Rajhi Banking and Investment Corporation** (the "Bank") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2021, and the interim condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is 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 International Standards on Auditing that are 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 Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 18 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 18 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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16 Ramadan 1442H  
(28 April 2021)



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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

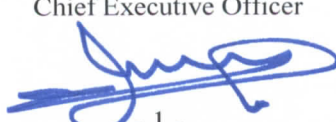
		(SAR '000)		
		31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Notes				
<b>ASSETS</b>				
Cash and balances with SAMA and other central banks	3	38,561,773	47,362,522	36,292,646
Due from banks and other financial institutions, net	4	31,730,176	28,654,842	28,013,710
Investments, net	5	67,968,266	60,285,272	49,657,859
Financing, net	7	356,143,912	315,712,101	261,385,345
Property and equipment, net		10,308,528	10,234,785	10,224,605
Investment properties, net		1,533,534	1,541,211	1,471,334
Other assets, net		5,987,416	5,033,990	4,855,870
<b>TOTAL ASSETS</b>		<b>512,233,605</b>	<b>468,824,723</b>	<b>391,901,369</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions	8	9,730,885	10,764,061	5,510,548
Customers' deposits	9	421,268,973	382,631,003	315,660,893
Other liabilities		22,011,602	17,311,141	21,143,186
<b>Total liabilities</b>		<b>453,011,460</b>	<b>410,706,205</b>	<b>342,314,627</b>
<b>Shareholders' equity</b>				
Share capital	16	25,000,000	25,000,000	25,000,000
Statutory reserve		25,000,000	25,000,000	21,789,632
Other reserves	11	133,414	(134,728)	(451,108)
Retained earnings		9,088,731	8,253,246	3,248,218
<b>Total shareholders' equity</b>		<b>59,222,145</b>	<b>58,118,518</b>	<b>49,586,742</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>512,233,605</b>	<b>468,824,723</b>	<b>391,901,369</b>

The accompanying notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements

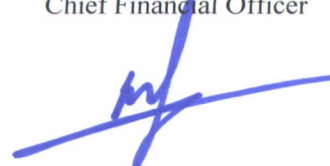
Authorized Board Member



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 2021 AND 2020**

	Notes	For the three-month period ended 31 March	
		2021 SAR'000 (Unaudited)	2020 SAR'000 (Unaudited)
<b>INCOME</b>			
Gross financing and investment income		4,914,577	4,252,884
Return on customers', banks' and financial institutions' time investments		(144,030)	(142,401)
<b>Net financing and investment income</b>		<b>4,770,547</b>	<b>4,110,483</b>
Fee from banking services, net		908,799	617,678
Exchange income, net		175,484	207,441
Other operating income, net		92,750	31,961
<b>Total operating income</b>		<b>5,947,580</b>	<b>4,967,563</b>
<b>EXPENSES</b>			
Salaries and employees' related benefits		757,638	733,406
Depreciation and amortization		258,393	275,378
Other general and administrative expenses		635,627	612,195
<b>Operating expenses before credit impairment charge</b>		<b>1,651,658</b>	<b>1,620,979</b>
Impairment charge for financing and other financial assets, net	7	576,989	692,808
<b>Total operating expenses</b>		<b>2,228,647</b>	<b>2,313,787</b>
<b>Income for the period before Zakat</b>		<b>3,718,933</b>	<b>2,653,776</b>
Zakat for the period	12	(383,448)	(273,624)
<b>NET INCOME FOR THE PERIOD</b>		<b>3,335,485</b>	<b>2,380,152</b>
Basic and diluted earnings per share (in SAR)	17	1.33	0.95

The accompanying notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

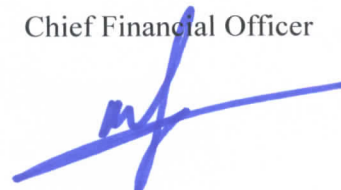
Authorized Board Member



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 2021 AND 2020**

	For the three-month period ended 31 March	
	2021 SAR'000 (Unaudited)	2020 SAR'000 (Unaudited)
<b>Net income for the period</b>	<b>3,335,485</b>	<b>2,380,152</b>
<b>Other comprehensive income:</b>		
<i>Items that cannot be reclassified to the interim condensed consolidated statement of income in subsequent periods</i>		
- Net change in fair value of equity investments held at fair value through other comprehensive income ("FVOCI Investments")	<b>279,495</b>	<b>(192,770)</b>
<i>Items that can be reclassified to the interim condensed consolidated statement of income in subsequent periods</i>		
- Exchange difference on translating foreign operations	<b>(19,704)</b>	<b>(42,297)</b>
- Share in FVOCI from associate	<b>8,351</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>3,603,627</b>	<b>2,145,085</b>

The accompanying notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements

Authorized Board Member



Chief Executive Officer



Chief Financial Officer



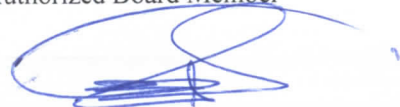
**AL RAJHI BANKING AND INVESTMENT CORPORATION**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021 AND 2020**

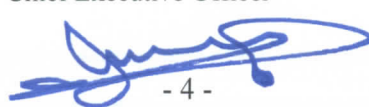
		Share capital SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed gross dividends SAR'000	Total SAR'000
<b>For the three-month period ended 31 March 2021</b>	<b>Notes</b>						
Balance at 1 January 2021		25,000,000	25,000,000	(134,728)	8,253,246	-	58,118,518
Net income for the period		-	-	-	3,335,485	-	3,335,485
Net change in fair value of FVOCI investments		-	-	279,495	-	-	279,495
Share in FVOCI from associate		-	-	8,351	-	-	8,351
Exchange difference on translation of foreign operations		-	-	(19,704)	-	-	(19,704)
Net other comprehensive income recognized directly in shareholder's equity		-	-	268,142	-	-	268,142
Total comprehensive income for the period		-	-	268,142	3,335,485	-	3,603,627
Transferred of gross dividends to other liabilities	19	-	-	-	(2,500,000)	-	(2,500,000)
<b>Balance at 31 March 2021</b>		<b>25,000,000</b>	<b>25,000,000</b>	<b>133,414</b>	<b>9,088,731</b>	<b>-</b>	<b>59,222,145</b>
		Share capital SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed gross dividends SAR'000	Total SAR'000
<b>For the three-month period ended 31 March 2020</b>	<b>Notes</b>						
Balance at 1 January 2020		25,000,000	21,789,632	(216,041)	868,066	3,750,000	51,191,657
Net income for the period		-	-	-	2,380,152	-	2,380,152
Net change in fair value of FVOCI investments		-	-	(192,770)	-	-	(192,770)
Net movement in foreign currency translation reserve		-	-	(42,297)	-	-	(42,297)
Net other comprehensive loss recognized directly in shareholder's equity		-	-	(235,067)	-	-	(235,067)
Total comprehensive income for the period		-	-	(235,067)	2,380,152	-	2,145,085
Transferred of proposed gross dividends to other liabilities		-	-	-	-	(3,750,000)	(3,750,000)
<b>Balance at 31 March 2020</b>		<b>25,000,000</b>	<b>21,789,632</b>	<b>(451,108)</b>	<b>3,248,218</b>	<b>-</b>	<b>49,586,742</b>

The accompanying notes from 1 to 22 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 2021 AND 2020**

	(SAR'000)	
	2021	2020
Notes	(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before zakat	3,718,933	2,653,776
<b>Adjustments to reconcile net income to net cash generated from operating activities:</b>		
Gain on investments held at fair value through statement of income (FVSI)	(17,043)	(5,347)
Depreciation and amortization	254,274	275,378
Depreciation on investment properties	4,119	4,000
Impairment charge for financing and other financial assets, net	7 576,989	692,808
Share in profit of an associate	(11,107)	(690)
Loss on sale of property and equipment	8,726	552
<b>(Increase) / decrease in operating assets</b>		
Statutory deposit with SAMA and other central banks	(1,289,616)	240,923
Due from banks and other financial institutions	5,003,307	3,761,271
Financing	(41,008,800)	(12,395,349)
FVSI investments	(1,042,994)	(993,905)
Other assets, net	(973,296)	(341,282)
<b>Increase / (decrease) in operating liabilities</b>		
Due to banks and other financial institutions	(1,033,175)	3,290,944
Customers' deposits	38,637,970	3,255,069
Other liabilities	4,700,461	(3,039,742)
<b>Net cash generated from operating activities</b>	<b>7,528,748</b>	<b>(2,601,594)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(332,136)	(93,052)
Purchase of FVOCI investments	(903,362)	(1,314,169)
Proceeds from disposal of FVOCI investments	64,809	-
Proceeds from maturities of investments held at amortized cost	24,074,058	15,402,281
Purchase of investments held at amortized cost	(32,436,394)	(14,308,856)
<b>Net cash used in investing activities</b>	<b>(9,533,025)</b>	<b>(313,796)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment against lease obligations	(7,446)	(128,341)

The accompanying notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

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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 2021 AND 2020 (continued)**

		(SAR'000)	
Notes		2021	2020
		(Unaudited)	(Unaudited)
	<b>Net cash used in financing activities</b>	<b>(7,446)</b>	<b>(128,341)</b>
	<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,011,723)</b>	<b>(3,043,731)</b>
	Cash and cash equivalents at beginning of the period	<b>32,827,361</b>	<b>21,111,399</b>
	<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
13		<b>30,815,638</b>	<b>18,067,668</b>
	Gross financing and investment income received during the period	<b>4,694,192</b>	<b>3,916,331</b>
	Return on customers', banks' and financial institutions' time investments paid during the period	<b>(37,561)</b>	<b>(47,476)</b>
	<b>Non-cash transactions:</b>		
	Net change in fair value of FVOCI equity investments	<b>279,495</b>	<b>(192,770)</b>
	Share in FVOCI from associate	<b>8,351</b>	<b>-</b>

The accompanying notes from 1 to 22 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 2021**

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**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 has 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 Group as at and for the periods ended 31 March 2021 and 31 March 2020, have been prepared in accordance with 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 financial statements as at 31 December 2020.

The consolidated financial statements of the Group as at and for the year ended 31 December 2020, were prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA.

The 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 31 December 2020. Except as disclosed in note 2.IV

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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

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 cease 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, if any, are included in the interim condensed consolidated statements of comprehensive income from the effective date of the acquisition or up to the effective 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.

**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 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**III. SUBSIDIARIES**

As at 31 March 2021 and 2020, the following subsidiaries were included in the interim condensed consolidated financial statements:

Name of subsidiaries	Shareholding %		
	2021	2020	
Al Rajhi Capital Company – KSA	100%	100%	A Saudi Closed Joint Stock Company authorized by the Capital Market Authority to carry on securities business in the activities of Dealing/brokerage, Managing assets, advising, Arranging, and Custody.
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 Hashemite 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.
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.
Emkan Finance Company – KSA	100%	100%	A closed joint stock company registered in the Kingdom of Saudi Arabia providing micro consumer financing, finance lease and small and medium business financing.

**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 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**III. SUBSIDIARIES (CONTINUED)**

Name of subsidiaries	Shareholding %		
	2021	2020	
Tawtheeq company – KSA	100%	100%	A closed joint stock company registered in Kingdom of Saudi Arabia providing financial leasing contracts registration to organize contracts data and streamline litigation processes.
Al Rajhi Financial Markets Ltd	100%	-	A Limited Liability Company registered in the Cayman Islands with the objective of managing certain treasury related transactions on behalf of the Bank.
Global Digital Solutions Co.	100%	-	closed joint stock company owned by Al Rajhi Bank for the purpose of practicing technical work in financial services, digital payment systems, financial settlements and related services.

**IV. AMENDMENTS TO ACCOUNTING POLICIES**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 which had no material impact on the Group consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**3. CASH AND BALANCES WITH SAMA AND OTHER CENTRAL BANKS**

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

	(SAR'000)		
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Cash in hand	6,997,138	7,355,940	10,271,617
Statutory deposit	24,749,155	23,459,540	20,422,581
Current account with SAMA	319,480	311,493	495,442
Mutajara with SAMA	6,496,000	16,235,549	5,103,006
<b>Total</b>	<b>38,561,773</b>	<b>47,362,522</b>	<b>36,292,646</b>



**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 2021**

**3. CASH AND BALANCES WITH SAMA AND OTHER CENTRAL BANKS (CONTINUED)**

In accordance with the Banking Control Law and regulations issued by SAMA and other central banks, 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:

	(SAR'000)		
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Current accounts	1,298,005	1,259,634	716,548
Mutajara	30,432,171	27,395,208	27,297,162
<b>Total</b>	<b>31,730,176</b>	<b>28,654,842</b>	<b>28,013,710</b>

**5. INVESTMENTS, NET**

Investments comprise the following:

	(SAR'000)		
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
<b>Investment in an associate</b>	<b>250,286</b>	<b>239,179</b>	<b>196,924</b>
<b>Investments held at amortized cost</b>			
Murabaha with Saudi Government and SAMA	22,601,320	22,904,021	25,041,765
Sukuk	32,000,248	25,240,452	19,599,043
Structured Products	1,000,000	1,000,000	-
Less: Impairment (Stage 1)	(29,609)	(26,962)	(28,364)
<b>Total investments held at amortized cost</b>	<b>55,571,959</b>	<b>49,117,511</b>	<b>44,612,444</b>
<b>Investments held as FVSI</b>			
Mutual funds	2,751,012	2,545,864	2,147,113
Structured Products	1,505,906	1,502,525	-
Sukuk	3,083,790	2,588,595	800,000
<b>Total investments held as FVSI</b>	<b>7,340,708</b>	<b>6,636,984</b>	<b>2,947,113</b>
<b>FVOCI investments</b>			
Equity investments	4,176,799	3,687,266	1,901,378
Sukuk	628,514	604,332	-
<b>Total FVOCI investments</b>	<b>4,805,313</b>	<b>4,291,598</b>	<b>1,901,378</b>
<b>Investments</b>	<b>67,968,266</b>	<b>60,285,272</b>	<b>49,657,859</b>

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**6. DERIVATIVE FINANCIAL INSTRUMENTS**

The table below summarises the positive and negative fair values of derivative financial instruments, together with the notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the period-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

In the ordinary course of business, the Bank utilises the following derivative financial instruments for both trading and hedging purposes:

**a) Swaps**

Swaps are commitments to exchange one set of cash flows for another. For commission rate swaps, counterparties generally exchange fixed and floating rate commission payments in a single currency without exchanging principal. For cross-currency commission rate swaps, principal, fixed and floating commission payments are exchanged in different currencies.

**b) Forwards and futures**

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter markets. Foreign currency and commission rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

Derivative financial instruments			
31 March 2021			
(SAR'000)			
	Positive fair value	Negative fair value	Notional amount Total
<b>Held for trading:</b>			
Profit rate swaps	147,768	127,639	12,121,321
Foreign exchange forward contracts	24,706	24,313	2,201,587

Derivative financial instruments			
31 March 2020			
(SAR'000)			
	Positive fair value	Negative fair value	Notional amount Total
<b>Held for trading:</b>			
Profit rate swaps	15,895	15,895	1,647,882
Foreign exchange forward contracts	7,327	7,539	93,354

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**7. FINANCING, NET**

**7.1 Net financing held at amortized cost:**

<b>31 March 2021 (unaudited)</b>			
<b>SAR' 000</b>	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
Performing financing	287,300,061	74,408,917	361,708,978
Non-performing financing	933,999	1,622,395	2,556,394
Gross financing	288,234,060	76,031,312	364,265,372
Provision for financing impairment	(5,115,381)	(3,006,079)	(8,121,460)
Financing, net	283,118,679	73,025,233	356,143,912
<b>31 December 2020 (audited)</b>			
<b>SAR' 000</b>	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
Performing financing	254,270,867	66,467,476	320,738,343
Non-performing financing	754,249	1,690,865	2,445,114
Gross financing	255,025,116	68,158,341	323,183,457
Provision for financing impairment	(4,365,761)	(3,105,595)	(7,471,356)
Financing, net	250,659,355	65,052,746	315,712,101
<b>31 March 2020 (unaudited)</b>			
<b>SAR' 000</b>	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
Performing financing	202,571,357	63,232,681	265,804,038
Non-performing financing	875,016	2,009,473	2,884,489
Gross financing	203,446,373	65,242,154	268,688,527
Provision for financing impairment	(3,993,242)	(3,309,940)	(7,303,182)
Financing, net	199,453,131	61,932,214	261,385,345

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**7. FINANCING, NET (CONTINUED)**

**7.2 The movement in the allowance for impairment of financing is as follows:**

<b>For the three-month period ended SAR' 000</b>	<b>31 March 2021 (Unaudited)</b>	<b>31 March 2020 (Unaudited)</b>
Balance at the beginning of the period	7,471,356	7,019,596
Provided for the period	1,093,556	939,189
Bad debt written off against provision for the period	(443,452)	(655,603)
Balance at the end of the period	<u>8,121,460</u>	<u>7,303,182</u>

**7.3 The allowance for impairment of financing, investment, off balance sheet charged to the interim condensed statement of income comprise of the following:**

<b>For the three-month period ended SAR' 000</b>	<b>31 March 2021 (Unaudited)</b>	<b>31 March 2020 (Unaudited)</b>
Provided for the period	1,078,764	939,189
Recovery of written off financing for the period	(501,775)	(246,381)
Allowance for financing impairment, net	<u>576,989</u>	<u>692,808</u>

**7.4 The movement in ECL allowances for impairment of financing by stages is as follows:**

<b>31 March 2021 (unaudited)</b>	<b>12 months</b>	<b>Lifetime</b>	<b>Lifetime ECL</b>	
<b>SAR' 000</b>	<b>ECL</b>	<b>not credit impaired</b>	<b>credit impaired</b>	<b>Total</b>
Balance at the beginning of the period	2,944,807	2,030,356	2,496,193	7,471,356
Provided for the period	261,143	340,662	491,751	1,093,556
Bad debt written off against provision for the period	-	-	(443,452)	(443,452)
Balance at the end of the period	<u>3,205,950</u>	<u>2,371,018</u>	<u>2,544,492</u>	<u>8,121,460</u>



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**7. FINANCING, NET (CONTINUED)**

**7.4 The movement in ECL allowances for impairment of financing by stages is as follows (continued):**

31 March 2020 (unaudited)	12 months	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
SAR' 000	ECL			
Balance at the beginning of the period	2,501,529	2,325,951	2,192,116	7,019,596
Provided for the period	(144,059)	(383,891)	1,467,139	939,189
Bad debt written off against provision for the period	-	-	(655,603)	(655,603)
Balance at the end of the period	<u>2,357,470</u>	<u>1,942,060</u>	<u>3,003,652</u>	<u>7,303,182</u>

Allowances for impairment of financing closing balance as of 31 March 2021 does not include impairment allowance related to off balance sheet items amounting to SAR 527 million (31 March 2020: SAR 403 million) which is accounted for in other liabilities

**8. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS**

Due to banks and other financial institutions comprise the following:

	(SAR'000)		
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Current accounts	448,736	448,288	566,049
Banks' time investments	9,282,149	10,315,773	4,944,499
<b>Total</b>	<b>9,730,885</b>	<b>10,764,061</b>	<b>5,510,548</b>

In order to offset the modification losses that the Bank is expected to incur in deferring the payments as disclosed in note 20, the Bank has received a profit free deposits of (SAR 2.97 billion for 3 years, SAR 674 million for 1.5 years and SAR 5.2 billion for 1 year), some of these deposits tenures have been extended by SAMA during Q4 2020. Please refer to note 20.

**9. CUSTOMERS' DEPOSITS**

Customers' deposits by type comprise the following:

	(SAR'000)		
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Demand deposits	358,741,663	332,918,203	291,334,700
Customers' time investments	55,066,639	43,017,282	18,632,781
Other customer accounts	7,460,671	6,695,518	5,693,412
<b>Total</b>	<b>421,268,973</b>	<b>382,631,003</b>	<b>315,660,893</b>

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**10. COMMITMENTS AND CONTINGENCIES**

Contingent liabilities comprise the following:

	(SAR'000)		
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Letters of credit	2,849,112	2,379,433	2,962,426
Acceptances	674,781	670,768	379,264
Letters of guarantee	5,877,622	5,443,188	4,810,582
Irrevocable commitments to extend credit	11,584,902	10,662,701	8,108,692
<b>Total</b>	<b>20,986,417</b>	<b>19,156,090</b>	<b>16,260,964</b>

The Bank is subject to legal proceedings in the ordinary course of business. There have been no significant changes in the status of legal proceedings as disclosed in the 31 December 2020 year-end consolidated financial statements.

**11. OTHER RESERVES**

Other reserves include FVOCI investments reserve, foreign currency translation reserve, employees' end of service benefits reserve, and share in FVOCI from associate.

**12. ZAKAT**

The Group is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the interim condensed consolidated statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

**13. CASH AND CASH EQUIVALENTS**

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

	(SAR'000)		
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Cash in hand	6,997,138	7,355,940	10,271,617
Due from banks and other financial institutions maturing within 90 days from the date of purchase	17,003,020	8,924,379	2,197,603
Balances with SAMA and other central banks (current accounts)	319,480	311,493	495,442
Mutajara with SAMA	6,496,000	16,235,549	5,103,006
<b>Total</b>	<b>30,815,638</b>	<b>32,827,361</b>	<b>18,067,668</b>

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**14. 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.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed consolidated income statement. Segment assets and liabilities comprise operating assets and liabilities, which represents the majority of the Bank's assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2020.

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

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

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**14. OPERATING SEGMENTS (CONTINUED)**

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

	<b>Retail segment SAR'000</b>	<b>Corporate segment SAR'000</b>	<b>Treasury segment SAR'000</b>	<b>Investment services and brokerage segment SAR'000</b>	<b>Total SAR'000</b>
<b>31 March 2021 (unaudited)</b>					
<b>Total assets</b>	<b>302,291,703</b>	<b>73,935,394</b>	<b>131,833,033</b>	<b>4,173,475</b>	<b>512,233,605</b>
<b>Total liabilities</b>	<b>307,060,394</b>	<b>129,956,116</b>	<b>15,828,432</b>	<b>166,518</b>	<b>453,011,460</b>
Financing and investment income from external customers	3,915,265	524,569	461,007	13,736	4,914,577
Inter-segment operating income /(expense)	(763,676)	(518)	764,194	-	-
Gross financing and investment income	3,151,589	524,051	1,225,201	13,736	4,914,577
Return on customers', banks' and financial institutions' time investments	(76,627)	(43,644)	(23,759)	-	(144,030)
<b>Net financing and investment income</b>	<b>3,074,962</b>	<b>480,407</b>	<b>1,201,442</b>	<b>13,736</b>	<b>4,770,547</b>
Fee from banking services, net	562,717	80,231	13,418	252,433	908,799
Exchange income, net	32,081	26,447	116,956	-	175,484
Other operating income, net	25,143	-	39,905	27,702	92,750
<b>Total operating income</b>	<b>3,694,903</b>	<b>587,085</b>	<b>1,371,721</b>	<b>293,871</b>	<b>5,947,580</b>
Depreciation	(240,622)	(9,767)	(5,124)	(2,880)	(258,393)
Impairment charge for financing and other financial assets, net	(543,861)	(23,631)	(9,497)	-	(576,989)
Other operating expenses	(1,218,561)	(93,963)	(41,940)	(38,801)	(1,393,265)
<b>Total operating expenses</b>	<b>(2,003,044)</b>	<b>(127,361)</b>	<b>(56,561)</b>	<b>(41,681)</b>	<b>(2,228,647)</b>
<b>Income before Zakat</b>	<b>1,691,859</b>	<b>459,724</b>	<b>1,315,160</b>	<b>252,190</b>	<b>3,718,933</b>



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**14. OPERATING SEGMENTS (CONTINUED)**

	Retail segment SAR'000	Corporate segment SAR'000	Treasury segment SAR'000	Investment services and brokerage segment SAR'000	Total SAR'000
31 March 2020 (unaudited)					
<b>Total assets</b>	<b>221,170,138</b>	<b>59,218,217</b>	<b>108,294,463</b>	<b>3,218,551</b>	<b>391,901,369</b>
<b>Total liabilities</b>	<b>295,290,025</b>	<b>33,108,120</b>	<b>13,795,147</b>	<b>121,335</b>	<b>342,314,627</b>
Financing and investment income from external customers	2,957,288	756,070	527,300	12,226	4,252,884
Inter-segment operating income /(expense)	66,792	(176,697)	109,905	-	-
Gross financing and investment income	3,024,080	579,373	637,205	12,226	4,252,884
Return on customers', banks' and financial institutions' time investments	(49,239)	(44,474)	(48,688)	-	(142,401)
<b>Net financing and investment income</b>	<b>2,974,841</b>	<b>534,899</b>	<b>588,517</b>	<b>12,226</b>	<b>4,110,483</b>
Fee from banking services, net	434,984	77,710	11,516	93,468	617,678
Exchange income, net	55,703	19,288	132,450	-	207,441
Other operating income, net	4,696	-	18,081	9,184	31,961
<b>Total operating income</b>	<b>3,470,224</b>	<b>631,897</b>	<b>750,564</b>	<b>114,878</b>	<b>4,967,563</b>
Depreciation	(253,757)	(2,902)	(16,753)	(1,966)	(275,378)
Impairment charge for financing and other financial assets, net	(273,155)	(417,944)	(1,709)	-	(692,808)
Other operating expenses	(1,146,169)	(72,189)	(92,256)	(34,987)	(1,345,601)
<b>Total operating expenses</b>	<b>(1,673,081)</b>	<b>(493,035)</b>	<b>(110,718)</b>	<b>(36,953)</b>	<b>(2,313,787)</b>
Income before Zakat	1,797,143	138,862	639,846	77,925	2,653,776

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**15. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

**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 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.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value and financial instruments not measured at fair value:

31 March 2021 (unaudited)	(SAR '000)				
	Carrying value	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
<b>Financial assets measured at fair value</b>					
FVSI Investments – Mutual funds	2,751,012	-	2,500,234	250,778	2,751,012
FVOCI equity investments	4,176,799	4,152,428	-	24,371	4,176,799
FVSI Sukuk	3,083,790	-	3,083,790	-	3,083,790
FVOCI Sukuk	628,514	-	628,514	-	628,514
Structured Products	1,505,906	-	-	1,505,906	1,505,906
<b>Financial assets not measured at fair value</b>					
Due from banks and other financial institutions	31,730,176	-	-	32,317,018	32,317,018
Investments held at amortized cost					
- Murabaha with Saudi Government and SAMA	22,601,320	-	-	22,928,707	22,928,707
- Sukuk	32,000,248	-	27,666,910	4,797,389	32,464,299
Structured Products	1,000,000	-	-	1,038,673	1,038,673
Gross Financing	364,265,372	-	-	373,622,184	373,622,184
<b>Total</b>	<b>463,743,137</b>	<b>4,152,428</b>	<b>33,879,448</b>	<b>436,485,026</b>	<b>474,516,902</b>
<b>Financial liabilities</b>					
<b>Financial liabilities not measured at fair value</b>					
Due to banks and other financial institutions	9,730,885	-	-	9,847,536	9,847,536
Customers' deposits	421,268,973	-	-	421,280,944	421,280,944
<b>Total</b>	<b>430,999,858</b>	<b>-</b>	<b>-</b>	<b>431,128,480</b>	<b>431,128,480</b>

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**15. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

	(SAR '000)				
31 December 2020 (Audited)	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets measured at fair value					
FVSI Investments – Mutual funds	2,545,864	-	2,291,749	254,115	2,545,864
FVOCI equity investments	3,687,266	3,662,877	-	24,389	3,687,266
FVSI Sukuk	2,588,595	-	2,588,595	-	2,588,595
FVOCI Sukuk	604,332	-	604,332	-	604,332
Structured Products	1,502,525	-	-	1,502,525	1,502,525
Financial assets not measured at fair value					
Due from banks and other financial institutions	28,654,842	-	-	29,128,159	29,128,159
Investments held at amortized cost					
- Murabaha with Saudi Government and SAMA	22,904,021	-	-	23,226,882	23,226,882
- Sukuk	25,240,452	-	24,143,625	2,012,090	26,155,715
- Structured Products	1,000,000	-	-	1,048,310	1,048,310
Gross Financing	323,183,457	-	-	331,028,641	331,028,641
Total	411,911,354	3,662,877	29,628,301	388,225,111	421,516,289
<u>Financial liabilities</u>					
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	10,764,061	-	-	10,909,221	10,909,221
Customers' deposits	382,631,003	-	-	382,641,604	382,641,604
Total	393,395,064	-	-	393,550,825	393,550,825

FVSI investments classified as level 2 and 3 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 of the interim condensed consolidated statement of financial position.

Gross financing classified as level 3 has been valued using expected cash flows discounted at relevant current effective profit rate. 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.

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**16. SHARE CAPITAL**

The authorized, issued and fully paid share capital of the Bank consists of 2,500 million shares of SAR 10 each as of 31 March 2021 (31 December 2020: 2,500 million shares of SAR 10 each and 31 March 2020: 2,500 million shares of SAR 10 each).

**17. EARNINGS PER SHARE**

Basic and diluted earnings per share for the period ended 31 March 2021 and 2020 is calculated by dividing the net income for the period by 2,500 million shares. The diluted earnings per share is the same as the basic earnings per share.

**18. 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:

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

	<b>31 March 2021 (Unaudited) SAR'000</b>	<b>31 December 2020 (Audited) SAR'000</b>	<b>31 March 2020 (Unaudited) SAR'000</b>
Credit risk weighted assets	<b>310,296,074</b>	280,373,990	242,340,965
Operational risk weighted assets	<b>33,318,660</b>	33,318,660	30,784,119
Market risk weighted assets	<b>9,883,537</b>	9,316,353	9,298,527
<b>Total Pillar I - risk weighted assets</b>	<b>353,498,271</b>	323,009,003	282,423,611
Tier I capital	<b>59,222,145</b>	58,118,518	49,586,742
Tier II capital	<b>3,878,701</b>	3,504,675	3,029,262
<b>Total tier I &amp; II capital</b>	<b>63,100,846</b>	61,623,193	52,616,004
<b>Capital Adequacy Ratio %</b>			
Tier I ratio	<b>16.75%</b>	17.99%	17.56%
Tier I & II ratio	<b>17.85%</b>	19.08%	18.63%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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**19. DIVIDENDS**

The Board of Directors proposed on 28 February 2021, distribution of final dividends to shareholders for the year ended 31 December 2020, amounting to SAR 2,500 million, being SAR 1 per share. The proposed final dividends for 2020 was approved from the Annual General Assembly in its meeting held on 29 March 2021. These dividends were subsequently paid on 6 April 2021.

The Board of Directors proposed on 2 February 2020, distribution of final dividends to shareholders for the year ended 31 December 2019, amounting to SAR 3,750 million, being SAR 1.5 per share. The proposed final dividends for 2019 was approved from the Annual General Assembly in its meeting held on 29 March 2020. These dividends were subsequently paid on 6 April 2020.

**20. 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 second / third waves 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 the Kingdom of Saudi Arabia has, however, managed to successfully control the outbreak to date, owing primarily to the effective measures undertaken. Including the mass immunization programme currently in progress.

The Group continues to evaluate the current situation through conducting stress-testing scenarios on expected movements of oil prices and other macroeconomic variables and their impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the impact COVID-19 outbreak has had on its normal operations and financial performance. The steps taken by management includes ongoing review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The credit reviews also take into consideration the impact of the Government and SAMA support relief programmes.

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 being used by the Bank. In 2020, the Bank made certain adjustments to the macroeconomic factors and scenario weightings. During Q1 2021, as more contemporary data became available, the management has further revised the scenario probabilities.

As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations. To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. The Bank has therefore recognized overlays of SAR 515 million and SAR 116 million for corporate and retail financing respectively as at 31 March 2021. These have been based on other post model adjustments performed by the Bank depending on the impacted portfolios. As with any estimates, the projections and likelihoods of occurrence are underpinned by significant judgement, and the Bank will continue to reassess as more reliable data becomes available, and accordingly determine adjustments to the ECL as appropriate in subsequent reporting periods.

The Group continues to monitor the Micro Small and Medium Enterprises (“MSME”) Deferred Payment Program (“DPP”) lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves; however, management has taken SR142 millions of overlays to reflect potential further credit deterioration in the underlying portfolio.



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**20. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS  
(CONTINUED)**

**SAMA support programs and initiatives**

***Private Sector Financing Support Program (“PSFSP”)***

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the Micro, Small and Medium Enterprises (“MSME”) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale (“POS”) and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA in March 2020, the Bank is required to defer payments for 15.5 months (the original deferment of six months was followed on by further extensions) on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from 1<sup>st</sup> of April 2020 to 30<sup>th</sup> June 2021, and increasing the facility tenors accordingly. 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 a modification in the terms of arrangement. This resulted in modification losses of SR 186.4 million in the period ended 31 March 2021 (period ended 31 March 2020: SR 76.8 million), which have been presented as part of net financing income.

The Group continues to believe that in the absence of other factors, participation in the deferment is not considered a significant increase in credit risk. During the three months period ended 31 March 2021, SR 49.4 million has been released to the interim condensed consolidated statement of income relating to unwinding of modification losses.

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**20. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA  
PROGRAMS (CONTINUED)**

In order to compensate for the related cost that the Bank is expected to incur under the SAMA and other public authorities program, during 2020 the Bank received profit free deposits from SAMA amounting to SR 3.65 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 subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. For the period ended 31 March 2021, SR 148.9 million has been recognised in the interim condensed consolidated statement of income (period ended 31 March 2020: SR 125 million), which represents a full utilisation of the balance previously deferred, given the additional modification losses booked during the period in connection with the PSFSP as referred to above. The management has exercised certain judgements in the recognition and measurement of this grant income.

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

**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 Q2 2020 in order to:

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

In this regard, during Q2 2020, the Bank received a SR 5.2 billion profit free deposit with one year maturity. The Bank’s management determined based on the communication received from SAMA that this government grant primarily related to liquidity support. The benefit of the subsidised funding rate was accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SAR 56.9 million, of which SAR 42.7 million has been recognised by the Bank to date with the remaining amount deferred”. During the period ended 31 March 2021 SR 14.2 million was recognised as income with respect to this programme.

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**20. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS  
(CONTINUED)**

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

In recognition of the significant efforts that our healthcare workers have undertaken to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Bank decided to voluntarily postpone payments for all public and private health care workers who had credit facilities with the Bank for three months from March 2020. This resulted in the Bank recognising a day 1 modification loss of 243.7 million in the 2020 comparative period, which was presented as part of net financing income. During the three months period ended 31 March 2021, SR 19.5 million has been released to the interim condensed consolidated statement of income relating to unwinding of modification losses.

**21. 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 its replacement with alternative benchmark rates. The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021. As there continues to be uncertainty as to the timing and the methods for transition, under the Phase 1 amendments, IBOR continues to be used as a reference rate in financial markets, and is used in the valuation of instruments with maturities that exceed the expected end date for IBORs in various jurisdictions and applying to various currencies.

On 5 March 2021 the UK Financial Conduct Authority (“FCA”) published dates on which all LIBOR settings for all currencies will either cease or no longer be representative, and the International Swaps and Derivatives Association (“ISDA”) has confirmed this constitutes an index cessation event under the IBOR Fallbacks Supplement and the ISDA 2020 IBOR Fallbacks Protocol. However, based on subsequent announcements by FCA and ISDA, the Bank is of the view that some degree of uncertainty in timing and other factors continues to exist as at 31 March 2021, and hence the IASB Phase 2 amendments are not triggered.

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.

**22. APPROVAL OF THE BOARD OF DIRECTORS**

The interim condensed consolidated financial statements were approved by the Board of Directors on 13 Ramadan 1442H (corresponding to 25 April 2021).