

مصرف الراجحي
alrajhi bank



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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**
**FOR THE NINE-MONTH PERIOD ENDED 30
SEPTEMBER 2021**



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C.R. No. 1010425494



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**Independent auditors' 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 30 September 2021, and the interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the nine-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.

KPMG Professional Services

Khalil Ibrahim Al Sedais
Certified Public Accountant
License no. 371



**Ernst and Young & Co Public
Accountants (Professional LLC)**

Rashid S. AIRashoud
Certified Public Accountant
License no. 366

22 Rabi Awal 1443H
(28 October 2021)



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021 AND 2020

		(SAR '000)			
		30 September	31 December	30 September	
		2021	2020	2020	
Notes	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	
ASSETS					
	Cash and balances with Saudi Central Bank ("SAMA") and other central banks	3	34,420,351	47,362,522	37,451,161
	Due from banks and other financial institutions, net	4	27,518,001	28,654,842	27,517,042
	Investments, net	5	82,047,561	60,285,272	57,111,398
	Financing, net	7	420,953,774	315,712,101	289,728,720
	Investment properties, net		1,523,283	1,541,211	1,572,851
	Property and equipment, net		10,424,138	10,234,785	10,152,865
	Other assets, net		5,797,329	5,033,990	6,766,355
	TOTAL ASSETS		582,684,437	468,824,723	430,300,392
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
	Due to banks and other financial institutions	8	14,733,090	10,764,061	11,294,280
	Customers' deposits	9	478,330,787	382,631,003	345,322,278
	Other liabilities, net		25,984,027	17,311,141	18,764,832
	Total liabilities		519,047,904	410,706,205	375,381,390
Shareholders' equity					
	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	649,364	(134,728)	(212,797)
	Retained earnings		12,987,169	8,253,246	8,342,167
	Total shareholders' equity		63,636,533	58,118,518	54,919,002
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		582,684,437	468,824,723	430,300,392

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

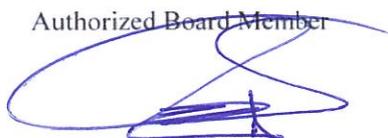
AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 AND 2020

Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2021 SAR'000 (Unaudited)	2020 SAR'000 (Unaudited)	2021 SAR'000 (Unaudited)	2020 SAR'000 (Unaudited)
INCOME				
Gross financing and investment income	5,529,829	4,282,345	15,687,725	12,617,465
Return on customers', banks' and financial institutions' time investments	(315,069)	(85,893)	(650,640)	(342,837)
Net financing and investment income	5,214,760	4,196,452	15,037,085	12,274,628
Fee from banking services, net	975,941	648,952	2,819,037	1,795,826
Exchange income, net	210,236	197,029	569,620	574,345
Other operating income, net	176,745	109,698	435,838	282,656
Total operating income	6,577,682	5,152,131	18,861,580	14,927,455
EXPENSES				
Salaries and employees' related benefits	791,661	781,813	2,329,460	2,222,429
Depreciation and amortization	297,708	271,307	837,110	829,461
Other general and administrative expenses	664,624	670,680	1,969,002	1,926,538
Total operating expenses before Impairment charge	1,753,993	1,723,800	5,135,572	4,978,428
Impairment charge for financing and other financial assets, net	593,806	464,935	1,754,762	1,615,699
Total operating expenses	2,347,799	2,188,735	6,890,334	6,594,127
Income for the period before Zakat	4,229,883	2,963,396	11,971,246	8,333,328
Zakat charge	(436,132)	(305,548)	(1,237,323)	(859,227)
Net income for the period	3,793,751	2,657,848	10,733,923	7,474,101
Basic and diluted earnings per share (SAR)	1.52	1.06	4.29	2.99

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 AND 2020**

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2021 SAR'000 (Unaudited)	2020 SAR'000 (Unaudited)	2021 SAR'000 (Unaudited)	2020 SAR'000 (Unaudited)
Net income for the period	3,793,751	2,657,848	10,733,923	7,474,101
<i>Other comprehensive income:</i>				
<i>Items that will not be reclassified to the interim condensed consolidated statement of income in subsequent periods</i>				
- Actuarial gain / (loss) on employees' end of service benefits ("EOSB")	-	-	48,810	(91,448)
- Net change in fair value of investments held at fair value through other comprehensive income ("FVOCI Investments")	173,953	313,072	739,557	113,232
<i>Items that may be reclassified to the interim condensed consolidated statement of income in subsequent periods</i>				
- Exchange difference on translation of foreign operations	(6,066)	18,057	(25,185)	(18,540)
- Share in OCI from associate	4,824	-	20,910	-
Total comprehensive income for the period	3,966,462	2,988,977	11,518,015	7,477,345

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 AND 2020

	Notes	Share capital SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed gross dividends SAR'000	Total SAR'000
For the nine-month period ended 30 September 2021							
Balance at 1 January 2021		25,000,000	25,000,000	(134,728)	8,253,246	-	58,118,518
Net income for the period		-	-	-	10,733,923	-	10,733,923
Net change in fair value of FVOCI investments		-	-	739,557	-	-	739,557
Share in OCI from associate		-	-	20,910	-	-	20,910
Exchange difference on translation of foreign operations		-	-	(25,185)	-	-	(25,185)
Net other comprehensive gain recognized directly in equity		-	-	735,282	-	-	735,282
Actuarial gain on employees' end of service benefits ("EOSB")		-	-	48,810	-	-	48,810
Total comprehensive income for the period		-	-	784,092	10,733,923	-	11,518,015
Dividend for annual year 2020	19	-	-	-	(2,500,000)	-	(2,500,000)
Interim Dividend for the first half of 2021	19	-	-	-	(3,500,000)	-	(3,500,000)
Balance at 30 September 2021		25,000,000	25,000,000	649,364	12,987,169	-	63,636,533
For the nine-month period ended 30 September 2020							
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		-	-	-	7,474,101	-	7,474,101
Net change in fair value of FVOCI investments		-	-	113,232	-	-	113,232
Exchange difference on translation of foreign operations		-	-	(18,540)	-	-	(18,540)
Net other comprehensive gain recognized directly in equity		-	-	94,692	-	-	94,692
Actuarial loss on employees' end of service benefits ("EOSB")		-	-	(91,448)	-	-	(91,448)
Total comprehensive income for the period		-	-	3,244	7,474,101	-	7,477,345
Dividend for annual year 2019	19	-	-	-	-	(3,750,000)	(3,750,000)
Balance at 30 September 2020		25,000,000	21,789,632	(212,797)	8,342,167	-	54,919,002

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 AND 2020

	(SAR'000)	
	2021	2020
Notes	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before zakat	11,971,246	8,333,328
Adjustments to reconcile net income to net cash generated from operating activities:		
Gain on investments held at fair value through statement of income (FVSI)	(9,580)	(37,907)
Depreciation and amortization	819,182	817,033
Depreciation of investment properties	17,928	12,428
Impairment charge for financing and other financial assets, net	7 1,754,762	1,615,699
Share in profit from an associate	(46,207)	(22,387)
Gain on sale of property and equipment	(43,420)	(9,148)
(Increase) / decrease in operating assets		
Statutory deposit	(4,949,764)	(1,346,498)
Due from banks and other financial institutions	744,420	7,587,800
Financing	(106,996,435)	(41,661,614)
Investments held at FVSI	(797,861)	(2,123,775)
Other assets, net	(788,524)	(2,367,092)
Increase / (decrease) in operating liabilities		
Due to banks and other financial institutions	3,969,029	9,074,676
Customers' deposits	95,699,784	32,916,455
Other liabilities	8,672,886	495,340
Zakat paid	(1,221,071)	(1,167,831)
Net cash generated from operating activities	8,796,375	12,116,507
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(965,115)	(575,079)
Purchase of FVOCI investments	(1,734,230)	(1,407,449)
Proceeds from disposal of FVOCI investments	178,363	-
Proceeds from maturities of investments held at amortized cost	4,294,800	9,737,957
Purchase of investments held at amortized cost	(22,826,368)	(16,231,677)
Net cash used in investing activities	(21,052,550)	(8,476,248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(6,000,000)	(3,750,000)
Payment against lease obligations	(28,182)	(33,035)
Net cash used in financing activities	(6,028,182)	(3,783,035)

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 AND 2020
(CONTINUED)

	Notes	(SAR'000)	
		2021 (Unaudited)	2020 (Unaudited)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(18,284,357)	(142,776)
Cash and cash equivalents at beginning of the period		<u>32,827,361</u>	21,111,399
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13	<u>14,543,004</u>	<u>20,968,623</u>
Gross financing and investment income received during the period		15,581,042	12,556,846
Return on customers', banks' and financial institutions' time investments paid during the period		<u>(258,538)</u>	<u>(126,993)</u>
<u>Non-cash transactions:</u>			
Net change in fair value of FVOCI investments		739,557	113,232
Share in OCI from associate		<u>20,910</u>	<u>-</u>

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

Authorized Board Member

Chief Executive Officer

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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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

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 its 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 period ended 30 September 2021 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 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 note 2. IV.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

III. SUBSIDIARIES

Subsidiaries are the investees that are 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 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 arrangements 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 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.

As at 30 September 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 BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

III. SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Shareholding %		
	2021	2020	
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.
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%	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%	-	A closed joint stock company owned by the Bank for the purpose of practicing technical work in financial services, digital payment systems, financial settlements and related services.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

III. SUBSIDIARIES (CONTINUED)

(*) During 2021, the Group has established a new subsidiary Global Digital Solutions Co. which will provide financial and digital payment 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's consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Please refer to note 21 for IBOR Transition (Profit Rate Benchmark Reforms).

3. CASH AND BALANCES WITH SAUDI CENTRAL BANK ("SAMA") AND OTHER CENTRAL BANKS

Cash and balances with Saudi Central Bank ("SAMA") and other central banks comprise of the following:

	(SAR'000)		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Cash in hand	5,489,751	7,355,940	7,168,289
Statutory deposit	28,409,304	23,459,540	22,010,001
Current account with SAMA	521,296	311,493	359,871
Mutajara with SAMA	-	16,235,549	7,913,000
Total	<u>34,420,351</u>	<u>47,362,522</u>	<u>37,451,161</u>

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 investments and other customers' accounts calculated at the end of each Gregorian month.

4. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

Due from banks and other financial institutions comprise the following:

	(SAR'000)		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Current accounts	1,465,252	1,259,634	763,259
Mutajara	26,052,749	27,395,208	26,753,783
Total	<u>27,518,001</u>	<u>28,654,842</u>	<u>27,517,042</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

5. INVESTMENTS, NET

Investments comprise the following:

	(SAR'000)		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Investment in an associate	285,386	239,179	218,622
Investments held at amortized cost			
Murabaha with Saudi Government and SAMA	22,646,364	22,904,021	25,364,916
Sukuk	44,073,225	25,240,452	24,196,768
Structured Products	1,000,000	1,000,000	-
Less: Impairment (Stage 1)	(35,068)	(26,962)	(32,192)
Total investments held at amortized cost	67,684,521	49,117,511	49,529,492
Investments held as FVSI			
Mutual funds	2,347,579	2,545,864	2,402,294
Structured Products	1,498,644	1,502,525	-
Sukuk	3,644,408	2,588,595	1,767,712
Total FVSI investments	7,490,631	6,636,984	4,170,006
FVOCI investments			
Equity investments	4,967,846	3,687,266	3,193,278
Sukuk	1,619,177	604,332	-
Total FVOCI investments	6,587,023	4,291,598	3,193,278
Total investments	82,047,561	60,285,272	57,111,398

6. SHARIAH COMPLIANT DERIVATIVES

The table below summarises the positive and negative fair values of Shariah compliant derivatives, 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) Profit rate swaps

Profit rate 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 profit rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

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6. SHARIAH COMPLIANT DERIVATIVES (CONTINUED)

C) FX Swaps

FX swaps are agreements between two parties to exchange a given amount of one currency for an amount of another currency based on the current spot rate and forward rates quoted in the interbank market. The two parties will then settle their respective foreign exchange notional amounts governed by the previously agreed specific forward rate, The forward rate locks in the exchange rate at which the funds will be exchanged in the future.

	Derivative financial instruments 30 September 2021 (SAR'000)		
	Positive fair value	Negative fair value	Notional amount Total
Held for trading:			
Profit rate swaps	148,307	119,859	15,708,188
Foreign exchange forward contracts	7,256	5,549	181,879
FX Swaps	3,624	4,035	8,722,333

	Derivative financial instruments 31 December 2020 (SAR'000)		
	Positive fair value	Negative fair value	Notional amount Total
Held for trading:			
Profit rate swaps	30,460	22,157	9,127,752
Foreign exchange forward contracts	2,151	1,889	1,353,546
FX Swaps	-	-	-

	Derivative financial instruments 30 September 2020 (SAR'000)		
	Positive fair value	Negative fair value	Notional amount Total
Held for trading:			
Profit rate swaps	37,001	33,357	4,276,978
Foreign exchange forward contracts	1,922	234	1,047,307
FX Swaps	-	-	-

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7. FINANCING, NET

7.1 Net financing held at amortized cost:

30 September 2021 (unaudited) SAR' 000	Retail	Corporate	Total
Performing financing	344,527,409	82,421,974	426,949,383
Non-performing financing	1,299,208	1,590,430	2,889,638
Gross financing	345,826,617	84,012,404	429,839,021
Provision for financing impairment	(5,182,075)	(3,703,172)	(8,885,247)
Financing, net	340,644,542	80,309,232	420,953,774

31 December 2020 (audited) SAR' 000	Retail	Corporate	Total
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

30 September 2020 (unaudited) SAR' 000	Retail	Corporate	Total
Performing financing	228,721,976	65,753,479	294,475,455
Non-performing financing	606,142	1,853,667	2,459,809
Gross financing	229,328,118	67,607,146	296,935,264
Provision for financing impairment	(4,145,854)	(3,060,690)	(7,206,544)
Financing, net	225,182,264	64,546,456	289,728,720

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

For the nine-month period ended SAR' 000	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Balance at the beginning of the period	7,471,356	7,019,596
Provided for the period	2,944,252	2,522,934
Bad debt written off	(1,530,361)	(2,335,986)
Balance at the end of the period	8,885,247	7,206,544

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7. FINANCING, NET (CONTINUED)

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

For the nine-month period ended SAR' 000	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Provided for the period	2,851,713	2,522,934
Recovery of written off financing for the period	<u>(1,096,951)</u>	<u>(907,235)</u>
Allowance for financing impairment, net	<u>1,754,762</u>	<u>1,615,699</u>

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

30 September 2021 (unaudited)	Credit loss allowance (SAR'000)			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
ECL allowances for impairment of financing				
At 1 January 2021	2,944,807	2,030,356	2,496,193	7,471,356
Transfers:				
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(72,989)	157,247	(84,258)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(17,900)	(156,718)	174,618	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	269,440	(269,440)	-	-
Write-offs	-	-	(1,530,361)	(1,530,361)
Net Charge for the Period	464,870	678,879	1,800,503	2,944,252
At 30 September 2021	3,588,228	2,440,324	2,856,695	8,885,247

30 September 2020 (unaudited)	Credit loss allowance (SAR'000)			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
ECL allowances for impairment of financing				
At 1 January 2020	2,501,529	2,325,951	2,192,116	7,019,596
Transfers:				
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(66,758)	115,584	(48,826)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(15,680)	(347,636)	363,316	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	258,712	(258,712)	-	-
Write-offs	-	-	(2,335,986)	(2,335,986)
Net Charge for the Period	65,892	96,445	2,360,597	2,522,934
At 30 September 2020	2,743,695	1,931,632	2,531,217	7,206,544

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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)

Allowances for impairment of financing closing balance as of 30 September 2021 does not includes impairment allowance related to off balance sheet and other financial assets items amounting to SAR 486 million (30 September 2020: SAR 546 million) which is accounted for in other liabilities.

7.5 The movement of financing by stages is as follows:

30 September 2021 (unaudited)	Gross carrying amount (SAR'000)			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
Financing				
At 1 January 2021	311,275,457	8,460,233	3,447,767	323,183,457
Transfers:				
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(3,039,322)	3,194,000	(154,678)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(567,065)	(336,561)	903,626	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,403,156	(1,403,156)	-	-
Write-offs	-	-	(1,530,361)	(1,530,361)
New business/ Other movements	107,992,965	(1,127,658)	1,320,618	108,185,925
At 30 September 2021	417,065,191	8,786,858	3,986,972	429,839,021

30 September 2020 (unaudited)	Gross carrying amount (SAR'000)			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
Financing				
At 1 January 2020	245,760,321	7,858,511	3,083,569	256,702,401
Transfers:				
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(3,310,831)	3,406,586	(95,755)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(475,575)	(1,080,923)	1,556,498	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,465,898	(1,465,898)	-	-
Write-offs	-	-	(2,335,986)	(2,335,986)
New business/ Other movements	41,521,660	(134,582)	1,181,771	42,568,849
At 30 September 2020	284,961,473	8,583,694	3,390,097	296,935,264

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8. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions comprise the following:

	(SAR'000)		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Current accounts	702,870	448,288	167,485
Banks' time investments	14,030,220	10,315,773	11,126,795
Total	14,733,090	10,764,061	11,294,280

In order to offset the modification losses that the Bank is expected to incur in deferring payments under the Private Sector Financing Support Program as disclosed in note 20, during 2020 and the 9 months' period ended 30 September 2021 the Bank has received certain profit free deposits of (SAR 2.97 billion with an original maturity of 3 years and SAR 674 million with an original maturity of 1.5 years) some of these deposits' tenures were subsequently extended by SAMA. The Bank has received (SAR 5.2 billion for 1 year that has matured during Q2 2021, and SAR 3.5 billion with an original maturity of 3 months that has matured during Q3 2021). In September 2021, the Bank has received SAR 4 billion with a maturity of 3 years. Please refer to note 20 for further details.

9. CUSTOMERS' DEPOSITS

Customers' deposits by type comprise the following:

	(SAR'000)		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Demand deposits	364,297,986	332,918,203	317,149,742
Customers' time investments	107,265,258	43,017,282	20,804,460
Other customer accounts	6,767,543	6,695,518	7,368,076
Total	478,330,787	382,631,003	345,322,278

All Customers' time investments are subject to Murabaha contracts and therefore are non-interest.

10. CONTINGENT LIABILITIES

Contingent liabilities comprise the following:

	(SAR'000)		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Letters of credit	4,843,484	2,379,433	1,730,386
Acceptances	583,191	670,768	427,429
Letters of guarantee	6,247,700	5,443,188	5,723,685
Irrevocable commitments to extend credit	12,506,791	10,662,701	8,067,912
Total	24,181,166	19,156,090	15,949,412

The Group is subject to legal proceedings in the ordinary course of business.

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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 Zakat, Tax and Customs Authority ("ZATCA"). 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)		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Cash in hand	5,489,751	7,355,940	7,168,289
Due from banks and other financial institutions maturing within 90 days from the date of purchase	8,531,957	8,924,379	5,527,463
Balances with SAMA and other central banks (current accounts)	521,296	311,493	359,871
Mutajara with SAMA	-	16,235,549	7,913,000
Cash and cash equivalents	14,543,004	32,827,361	20,968,623

14. OPERATING SEGMENTS

The Group identifies operating segments on the basis of internal reports about the activities of the Group 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 interim condensed consolidated statement of income. 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.

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14. OPERATING SEGMENTS (CONTINUED)

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

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

The Group's total assets and liabilities as at 30 September 2021 and 2020 together with the total operating income and expenses, and net income for the nine-month periods then ended, for each business segment, are analyzed as follows:

	Retail segment SAR'000	Corporate segment SAR'000	Treasury segment SAR'000	Investment services and brokerage segment SAR'000	Total SAR'000
30 September 2021 (unaudited)					
Total assets	358,326,990	80,889,558	138,715,969	4,751,920	582,684,437
Total liabilities	309,655,690	182,790,592	26,314,426	287,196	519,047,904
Financing and investment income from external customers	11,928,468	2,214,266	1,493,406	51,585	15,687,725
Inter-segment operating income / (expense)	(3,043,976)	(35,189)	3,079,165	-	-
Gross financing and investment income	8,884,492	2,179,077	4,572,571	51,585	15,687,725
Return on customers', banks' and financial institutions' time investments	(176,917)	(367,591)	(105,914)	(218)	(650,640)
Net financing and investment income	8,707,575	1,811,486	4,466,657	51,367	15,037,085
Fee from banking services, net	1,416,879	728,226	44,363	629,569	2,819,037
Exchange income, net	294,762	74,000	200,858	-	569,620
Other operating income, net	126,418	-	223,602	85,818	435,838
Total operating income	10,545,634	2,613,712	4,935,480	766,754	18,861,580
Depreciation and amortization	(776,685)	(34,985)	(17,081)	(8,359)	(837,110)
Impairment charge for financing and other financial assets, net	(1,557,332)	(198,697)	1,267	-	(1,754,762)
Other operating expenses	(3,711,539)	(335,843)	(131,590)	(119,490)	(4,298,462)
Total operating expenses	(6,045,556)	(569,525)	(147,404)	(127,849)	(6,890,334)
Income before Zakat	4,500,078	2,044,187	4,788,076	638,905	11,971,246

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14. OPERATING SEGMENTS (CONTINUED)

30 September 2020 (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	246,751,554	63,954,117	116,203,535	3,391,186	430,300,392
Total liabilities	284,147,915	75,542,937	15,527,355	163,183	375,381,390
Financing and investment income from external customers	9,004,271	2,007,162	1,571,436	34,596	12,617,465
Inter-segment operating income / (expense)	(378,976)	(406,711)	785,687	-	-
Gross financing and investment income	8,625,295	1,600,451	2,357,123	34,596	12,617,465
Return on customers', banks' and financial institutions' time investments	(149,158)	(79,521)	(114,158)	-	(342,837)
Net financing and investment income	8,476,137	1,520,930	2,242,965	34,596	12,274,628
Fee from banking services, net	1,144,771	216,872	35,604	398,579	1,795,826
Exchange income, net	235,609	87,609	251,127	-	574,345
Other operating income, net	63,193	-	126,744	92,719	282,656
Total operating income	9,919,710	1,825,411	2,656,440	525,894	14,927,455
Depreciation and amortization	(771,683)	(35,726)	(16,873)	(5,179)	(829,461)
Impairment charge for financing and other financial assets, net	(896,492)	(689,872)	(29,335)	0	(1,615,699)
Other operating expenses	(3,603,789)	(299,248)	(138,958)	(106,972)	(4,148,967)
Total operating expenses	(5,271,964)	(1,024,846)	(185,166)	(112,151)	(6,594,127)
Income before Zakat	4,647,746	800,565	2,471,274	413,743	8,333,328

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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 (unadjusted) in active markets for the same or identical instrument that an entity can access at the measurement date.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

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:

	(SAR '000)				
30 September 2021 (unaudited)	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets measured at fair value					
FVSI Investments – Mutual funds	2,347,579	-	2,096,801	250,778	2,347,579
FVOCI - Equity investments	4,967,846	4,943,479	-	24,367	4,967,846
FVSI Sukuk	3,644,408	-	3,644,408	-	3,644,408
FVOCI Sukuk	1,619,177	-	1,619,177	-	1,619,177
FVSI Structured Products	1,498,644	-	-	1,498,644	1,498,644
Derivative financial instruments	159,187	-	159,187	-	159,187
Financial assets not measured at fair value					
Due from banks and other financial institutions	27,518,001	-	-	27,731,555	27,731,555
Investments held at amortized cost					
-Murabaha with Saudi Government and SAMA	22,646,364	-	-	22,953,546	22,953,546
-Sukuk	44,073,225	-	40,007,160	4,431,551	44,438,711
-Structured Products	1,000,000	-	-	1,031,566	1,031,566
Gross Financing	429,839,021	-	-	444,550,607	444,550,607
Total	539,313,452	4,943,479	47,526,733	502,472,614	554,942,826
<u>Financial liabilities</u>					
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	14,733,090	-	-	14,863,168	14,863,168
Customers' deposits	478,330,787	-	-	478,305,437	478,305,437
Derivative financial instruments	129,443	-	129,443	-	129,443
Total	493,193,320	-	129,443	493,168,605	493,298,048

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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
FVSI Structured Products	1,502,525	-	-	1,502,525	1,502,525
Derivative financial instruments	32,611	-	32,611	-	32,611
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	411,943,965	3,662,877	29,660,912	388,225,111	421,548,900
<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
Derivative financial instruments	24,046	-	24,046	-	24,046
Total	393,419,110	-	24,046	393,550,825	393,574,871

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/ portfolio yields/ 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 30 September 2021 (31 December 2020: 2,500 million shares of SAR 10 each and 30 September 2020: 2,500 million shares of SAR 10 each).

17. EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended 30 September 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.

	30 September 2021 (Unaudited) SAR'000	31 December 2020 (Audited) SAR'000	30 September 2020 (Unaudited) SAR'000
Credit risk weighted assets	358,812,817	280,373,990	262,473,705
Operational risk weighted assets	33,318,660	33,318,660	30,784,119
Market risk weighted assets	3,634,079	9,316,353	8,405,941
Total Pillar I - risk weighted assets	395,765,556	323,009,003	301,663,765
Tier I capital	66,519,221	58,118,518	54,919,002
Tier II capital	4,485,160	3,504,675	3,280,921
Total tier I & II capital	71,004,381	61,623,193	58,199,923
Capital Adequacy Ratio %			
Tier I ratio	16.81%	17.99%	18.21%
Tier I & II ratio	17.94%	19.08%	19.29%

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19. DIVIDENDS

The Board of Directors of Al Rajhi Bank approved on 29 June 2021 to distribute cash dividends to the shareholders for the first half of 2021, amounting to SAR 3,500 million, being SAR 1.40 per share. These dividends were subsequently paid on 14 July 2021.

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 by 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 by 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, although many geographies are now starting to re-open as vaccination thresholds are met. The government of the Kingdom of Saudi Arabia has managed to successfully control the outbreak to date.

During 2020 management performed a detailed assessment to ascertain the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, on the financing portfolio. The Group made updates within its ECL model to refine the application of the staging criteria due to SICR on affected customers to be able to differentiate and reflect appropriately in its models:

- Customers whose credit quality appear to have deteriorated on a permanent basis and thus the Group is required to recognise lifetime ECL losses on such exposures;
- Customers whose credit quality have either stayed stable (due to the offsetting nature of availing government programs) or have declined but the decline is deemed to be temporary as the customer may have sound fundamentals to emerge strongly post lockdown.

The Group continues to evaluate the current macroeconomic situation and conduct review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection thereby conducting timely review and taking appropriate customer credit rating actions and initiating restructuring of financing, where required. The credit reviews also take into consideration the impact of the government and SAMA support relief programs.

During the period ended September 30, 2021, the Group has revised the scenario probabilities used for the determination of ECL. In 2020, the Bank made certain adjustments to the macroeconomic factors and scenario weightings used in the ECL 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 481 million for corporate as at 30 September 2021.

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

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Bank will continue to reassess its position and the related impact on a regular basis.

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 eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises (“MSME”) as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

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

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program subsequently announced, the Group deferred payments on lending facilities to all eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address customers’ potential cash flow shortages. The Group implemented the payment reliefs by deferring instalments falling due from 14 March 2020 to 30 June 2021 amounting to SAR 3.5 billion and extended the tenor of the applicable financing at no additional costs to the customer.

Further to the above, SAMA on 22 June 2021 announced the extension of the DPP for three additional months from 1 July 2021 to 30 September 2021, only for those MSMEs that are still affected by the COVID-19 precautionary measures. in line with guidance issued by SAMA in this regard. On September 29, 2021, for these affected MSME customers, a further extension of three additional months was announced by SAMA i.e., for the instalments falling due from 1 October 2021 to 31 December 2021. The Group has performed an assessment to determine the pool of customers eligible for deferment and accordingly has deferred the instalments falling due from 1 July 2021 to 31 December 31 2021 amounting to SAR 1.04 billion (with aggregate financing exposure of SAR 3.67 billion) and extended the tenor of the applicable Financing at no additional costs to the customer. This resulted in the Group recognizing an additional modification loss of SAR 46.2 million and SAR 57.7 million during the quarters ended 30 June 2021 and 30 September 2021 respectively.

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

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as a modification in terms of arrangement. This resulted in total modification losses of SAR 290.3 million that has been recognized for the nine-month period ended 30 September 2021 (30 September 2020: SAR 115.8 million).

During the nine months’ period ended 30 September 2021, SAR 153.4 million (September 30,2020: SAR 52.0 million) has been recognized in the statement of income relating to unwinding of modification losses.

The Group continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk for assessment of ECL on its MSME portfolio. The Group has performed an assessment with respect to SICR for the customers still under DPP program as at September 30, 2021 and management has taken SAR 128 million of overlays to reflect potential further credit deterioration in the underlying portfolio.

In order to compensate the related cost that the Group is expected to incur under the SAMA and other public authorities program, during the year 2020 and the nine-month period ended 30 September 2021, the Group received profit free deposits from SAMA amounting to SAR 11.1 billion with varying maturities, which qualify as government grants.

Management determined based on 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. Management has exercised certain judgements in the recognition and measurement of this grant income. By the end of the year 2020, total income of SAR 165.5 million had been recognised in the statement of income with the remaining amount deferred. During the nine months’ period ended 30 September 2021, total amount of SAR 290.3 million (30 September 2020: SAR 101.2 million) had been recognized in the statement of income with respect to related deposits with an aggregate of SAR 73.3 million deferred grant income as at 30 September 2021 (30 September 2020: SAR 107.7 million). The Group received an additional profit free deposit from SAMA amounting to SAR 3.5 billion for a period of three months during the nine-month period ended 30 September 2021. Also, the Group received an additional profit free deposit from SAMA amounting to SAR 4 billion for a period of three years during the nine-month period ended 30 September 2021.

As at 30 September 2021, the Group has participated in SAMA’s funding for lending and facility guarantee programs, and the accounting impact for the period is immaterial.

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

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

In line with its monetary and financial stability mandate, SAMA injected SAR 50 billion into the banking sector 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 2020, the Group received a SAR 5.2 billion profit free deposit with one-year maturity. The Group’s management determined based on the communication received from SAMA that this government grant primarily related to liquidity support. The benefit of the subsidized 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 28.5 million has been recognised by the Group during the period ended 30 September 2021 (period ended 30 September 2020 SAR 14.2 million). This deposit has been repaid during the quarter ended 30 June 2021.

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 recognizing a day 1 modification loss of SAR 243.7 million in the 2020 comparative period, which was presented as part of net financing income. During the Nine months’ period ended 30 September 2021, SAR 54.5 million (30 September 2020: SAR 37.6 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 the replacement of an existing Inter-Bank Offer Rate (“IBOR”) with an alternative Risk Free Rate (“RFR”). Such transition has been established through two-phased process for amending its guidance to assist in a smooth transition away from IBOR.

The Phase (1) refers to the amendments on above mentioned standards focused on hedge accounting issues and specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments were effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform. These amendments along with the hedging relief for pre-replacement hedges had no impact on the Group interim condensed consolidated financial statements.

The Phase (2) amendments are effective for annual periods beginning on or after 1 January 2021, and include practical expedients in respect of:

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21. IBOR TRANSITION (PROFIT RATE BENCHMARK REFORMS) (CONTINUED)

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective profit rate, resulting in no immediate profit or loss impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

As the Group believes 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 as at 30 September 2021 in the valuation of instruments with maturities that exceed the expected end date for IBORs in various jurisdictions and applying to various currencies. Regulatory authorities, relevant benchmark rate administrators and public and private sector working groups globally are considering, and have started to announce mechanisms for, transition to alternative benchmark rates. The Group continues to monitor this guidance as it emerges.

The Group does not have contracts which reference GBP LIBOR, including swaps which will transition under the ISDA protocols from 1 January 2022.

During 2019 the Board established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the Group's USD LIBOR transition plan. This steering committee put in place a transition project for those contracts which reference USD LIBOR to transition them to SOFR, with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications. As at 30 September 2021, changes required to systems, processes and models have been identified and have been partially implemented. There have been general communications with counterparties, but specific changes to contracts required by IBOR reform have not yet been proposed or agreed. The Group has identified that the areas of most significant risk arising from the replacement of USD LIBOR are: updating systems and processes which capture USD LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and finances transitioning from USD LIBOR and the resulting impact on economic risk management. The Group continues to engage with industry participants, to ensure an orderly transition to SOFR and to minimise the risks arising from transition and it will continue to identify and assess risks associated with USD LIBOR replacement.

22. APPROVAL OF THE BOARD OF DIRECTORS

The interim condensed consolidated financial statements were approved by the Board of Directors on 21 Rabi` Awal 1443H (corresponding to 27 October 2021).