



**AL RAJHI BANKING AND INVESTMENT  
CORPORATION**

(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)  
FOR THE SIX – MONTH PERIOD ENDED 30 JUNE 2021**



KPMG Professional Services



**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 30 June 2021, and the interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the six-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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26 Thul-Hijjah 1442H  
(5 August 2021)



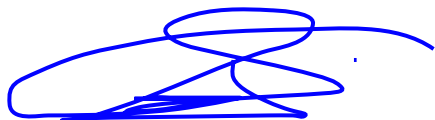
**AL RAJHI BANKING AND INVESTMENT CORPORATION**  
(A SAUDI JOINT STOCK COMPANY)

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

		(SAR '000)			
		30 June	31 December	30 June	
		2021	2020	2020	
Notes		(Unaudited)	(Audited)	(Unaudited)	
<b>ASSETS</b>					
	Cash and balances with Saudi Central Bank ("SAMA") and other central banks	3	36,913,810	47,362,522	45,021,899
	Due from banks and other financial institutions, net	4	26,212,976	28,654,842	28,214,857
	Investments, net	5	74,473,871	60,285,272	52,937,174
	Financing, net	7	390,295,755	315,712,101	274,928,261
	Investment properties, net		1,528,252	1,541,211	1,574,944
	Property and equipment, net		10,473,335	10,234,785	10,122,167
	Other assets, net		6,241,238	5,033,990	4,884,905
	<b>TOTAL ASSETS</b>		<b>546,139,237</b>	<b>468,824,723</b>	<b>417,684,207</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Liabilities</b>					
	Due to banks and other financial institutions	8	14,085,256	10,764,061	10,325,168
	Customers' deposits	9	447,506,182	382,631,003	334,664,830
	Other liabilities		24,877,728	17,311,141	20,764,183
	<b>Total liabilities</b>		<b>486,469,166</b>	<b>410,706,205</b>	<b>365,754,181</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	476,653	(134,728)	(543,925)
	Retained earnings		9,193,418	8,253,246	5,684,319
	<b>Total shareholders' equity</b>		<b>59,670,071</b>	<b>58,118,518</b>	<b>51,930,026</b>
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>546,139,237</b>	<b>468,824,723</b>	<b>417,684,207</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 SIX-MONTH PERIOD ENDED 30 JUNE 2021 AND 2020**

Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021 SAR'000	2020 SAR'000	2021 SAR'000	2020 SAR'000
<b>INCOME</b>				
Gross financing and investment income	5,243,319	4,082,236	10,157,896	8,335,120
Return on customers', banks' and financial institutions' time investments	(191,541)	(114,543)	(335,571)	(256,944)
<b>Net financing and investment income</b>	<b>5,051,778</b>	<b>3,967,693</b>	<b>9,822,325</b>	<b>8,078,176</b>
Fee from banking services, net	934,297	529,197	1,843,096	1,146,875
Exchange income, net	183,900	169,875	359,384	377,316
Other operating income, net	166,343	140,997	259,093	172,958
<b>Total operating income</b>	<b>6,336,318</b>	<b>4,807,762</b>	<b>12,283,898</b>	<b>9,775,325</b>
<b>EXPENSES</b>				
Salaries and employees' related expenses	780,161	707,211	1,537,799	1,440,616
Depreciation and amortization	281,009	282,776	539,402	558,155
Other general and administrative expenses	668,751	643,663	1,304,378	1,255,858
<b>Total operating expenses before Impairment charge</b>	<b>1,729,921</b>	<b>1,633,650</b>	<b>3,381,579</b>	<b>3,254,629</b>
Impairment charge for financing and other financial assets, net	7 583,967	457,956	1,160,956	1,150,764
<b>Total operating expenses</b>	<b>2,313,888</b>	<b>2,091,606</b>	<b>4,542,535</b>	<b>4,405,393</b>
<b>Income for the period before Zakat</b>	<b>4,022,430</b>	<b>2,716,156</b>	<b>7,741,363</b>	<b>5,369,932</b>
Zakat charge	12 (417,743)	(280,056)	(801,191)	(553,679)
<b>Net income for the period</b>	<b>3,604,687</b>	<b>2,436,100</b>	<b>6,940,172</b>	<b>4,816,253</b>
Basic and diluted earnings per share (SAR)	17 1.44	0.97	2.78	1.93

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 SIX-MONTH PERIOD ENDED 30 JUNE 2021 AND 2020**

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021 SAR'000	2020 SAR'000	2021 SAR'000	2020 SAR'000
<b>Net income for the period</b>	<b>3,604,687</b>	2,436,100	<b>6,940,172</b>	4,816,253
<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")	<b>48,810</b>	(91,448)	<b>48,810</b>	(91,448)
- Net change in fair value of investments held at fair value through other comprehensive income ("FVOCI Investments")	<b>286,109</b>	(7,070)	<b>565,604</b>	(199,840)
<i>Items that maybe reclassified to the interim condensed consolidated statement of income in subsequent periods</i>				
- Exchange difference on translation of foreign operations	<b>585</b>	5,700	<b>(19,119)</b>	(36,597)
- Share in OCI from associate	<b>7,735</b>	-	<b>16,086</b>	-
<b>Total comprehensive income for the period</b>	<b>3,947,926</b>	2,343,282	<b>7,551,553</b>	4,488,368

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 SIX-MONTH PERIOD ENDED 30 JUNE 2021 AND 2020**

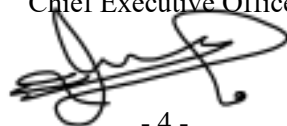
	Notes	Share capital SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed gross dividends SAR'000	Total SAR'000
<b>For the six-month period ended 30 June 2021</b>							
Balance at 1 January 2021		25,000,000	25,000,000	(134,728)	8,253,246	-	58,118,518
Net income for the period		-	-	-	6,940,172	-	6,940,172
Net change in fair value of FVOCI investments		-	-	565,604	-	-	565,604
Share in OCI from associate		-	-	16,086	-	-	16,086
Exchange difference on translation of foreign operations		-	-	(19,119)	-	-	(19,119)
Net other comprehensive gain recognized directly in equity		-	-	562,571	-	-	562,571
Actuarial gain on employees' end of service benefits ("EOSB")		-	-	48,810	-	-	48,810
Total comprehensive income for the period		-	-	611,381	6,940,172	-	7,551,553
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)
<b>Balance at 30 June 2021</b>		<b>25,000,000</b>	<b>25,000,000</b>	<b>476,653</b>	<b>9,193,418</b>	<b>-</b>	<b>59,670,071</b>
<b>For the six-month period ended 30 June 2020</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		-	-	-	4,816,253	-	4,816,253
Net change in fair value of FVOCI in investments		-	-	(199,840)	-	-	(199,840)
Exchange difference on translation of foreign operations		-	-	(36,597)	-	-	(36,597)
Net other comprehensive loss recognized directly in equity		-	-	(236,437)	-	-	(236,437)
Actuarial loss on employees' end of service benefits ("EOSB")		-	-	(91,448)	-	-	(91,448)
Total comprehensive income for the period		-	-	(327,885)	4,816,253	-	4,488,368
Dividend for annual year 2019	19	-	-	-	-	(3,750,000)	(3,750,000)
Balance at 30 June 2020		25,000,000	21,789,632	(543,925)	5,684,319	-	51,930,026

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



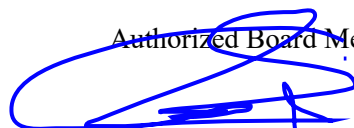
**AL RAJHI BANKING AND INVESTMENT CORPORATION**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 AND 2020**

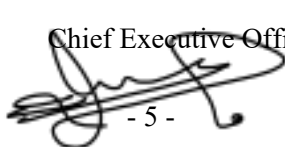
	(SAR'000)	
Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before zakat	7,741,363	5,369,932
<b>Adjustments to reconcile net income to net cash generated from operating activities:</b>		
Gain on investments held at fair value through statement of income (FVSI)	(42,033)	(26,115)
Depreciation and amortization	526,443	550,106
Depreciation of investment properties	12,959	8,048
Impairment charge for financing and other financial assets, net	7 1,160,956	1,150,764
Share in (profit) loss from an associate	(32,726)	2,354
Loss (gain) on sale of property and equipment	8,511	(8,930)
<b>(Increase) / decrease in operating assets</b>		
Statutory deposit	(4,015,070)	(895,216)
Due from banks and other financial institutions	(964,435)	2,237,844
Financing	(75,744,610)	(26,396,220)
Investments held at FVSI / FVOCI	(535,159)	(1,381,351)
Other assets, net	(1,226,369)	(487,092)
<b>Increase / (decrease) in operating liabilities</b>		
Due to banks and other financial institutions	3,321,195	8,105,564
Customers' deposits	64,875,179	22,259,007
Other liabilities	6,936,208	2,494,691
Zakat paid	(1,221,071)	-
<b>Net cash generated from operating activities</b>	<b>801,341</b>	<b>12,983,386</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(773,504)	(273,074)
Purchase of FVOCI investments	(922,240)	(872,303)
Proceeds from disposal of FVSI / FVOCI investments	178,363	-
Proceeds from maturities of investments held at amortized cost	45,201,935	18,057,813
Purchase of investments held at amortized cost	(59,837,102)	(22,074,763)
<b>Net cash used in investing activities</b>	<b>(16,152,548)</b>	<b>(5,162,327)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(2,500,000)	(3,750,000)
Payment against lease obligations	(18,876)	(113,799)
<b>Net cash used in financing activities</b>	<b>(2,518,876)</b>	<b>(3,863,799)</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) (CONTINUED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 AND 2020**

		<u>(SAR'000)</u>	
	Notes	2021	2020
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(17,870,083)</b>	3,957,260
Cash and cash equivalents at beginning of the period		<u>32,827,361</u>	21,111,399
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	13	<u><b>14,957,278</b></u>	<u>25,068,659</u>
Gross financing and investment income received during the period		<b>10,030,887</b>	7,981,326
Return on customers', banks' and financial institutions' time investments paid during the period		<u>(119,106)</u>	<u>(109,502)</u>
<b><u>Non-cash transactions:</u></b>			
Net change in fair value of FVOCI investments		<b>565,604</b>	(199,840)
Share in OCI from associate		<u>16,086</u>	<u>-</u>

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

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 SIX-MONTH PERIOD ENDED 30 JUNE 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 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 June 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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

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

**II. BASIS OF CONSOLIDATION (CONTINUED)**

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

**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 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 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 June 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 SIX-MONTH PERIOD ENDED 30 JUNE 2021**

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**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 Al Rajhi 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 SIX-MONTH PERIOD ENDED 30 JUNE 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. The subsidiary is yet to commence its commercial activities.

**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. 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:

	<b>(SAR'000)</b>		
	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>	<b>30 June 2020 (Unaudited)</b>
Cash in hand	<b>7,397,518</b>	7,355,940	8,351,204
Statutory deposit	<b>27,474,610</b>	23,459,540	21,558,720
Current account with SAMA	<b>718,682</b>	311,493	193,171
Mutajara with SAMA	<b>1,323,000</b>	16,235,549	14,918,804
<b>Total</b>	<b>36,913,810</b>	47,362,522	45,021,899

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, NET**

Due from banks and other financial institutions comprise the following:

	<b>(SAR'000)</b>		
	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>	<b>30 June 2020 (Unaudited)</b>
Current accounts	<b>1,117,039</b>	1,259,634	1,258,401
Mutajara	<b>25,095,937</b>	27,395,208	26,956,456
<b>Total</b>	<b>26,212,976</b>	28,654,842	28,214,857

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**5. INVESTMENTS, NET**

Investments comprise the following:

	(SAR'000)		
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
<b>Investment in an associate</b>	<b>271,904</b>	239,179	193,881
<b>Investments held at amortized cost</b>			
Murabaha with Saudi Government and SAMA	22,654,808	22,904,021	25,281,831
Sukuk	37,762,912	25,240,452	21,708,488
Structured Products	1,000,000	1,000,000	-
Less: Impairment (Stage 1)	(31,008)	(26,962)	(30,262)
<b>Total investments held at amortized cost</b>	<b>61,386,712</b>	49,117,511	46,960,057
<b>Investments held as FVSI</b>			
Mutual funds	2,499,459	2,545,864	2,326,465
Structured Products	1,498,644	1,502,525	-
Sukuk	3,216,072	2,588,595	1,111,712
<b>Total FVSI investments</b>	<b>7,214,175</b>	6,636,984	3,438,177
<b>FVOCI investments</b>			
Equity investments	4,493,692	3,687,266	2,345,059
Sukuk	1,107,388	604,332	-
<b>Total FVOCI investments</b>	<b>5,601,080</b>	4,291,598	2,345,059
<b>Total investments</b>	<b>74,473,871</b>	60,285,272	52,937,174

**6. SHARIAH COMPLIANT DERIVATIVES**

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) 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)**

	Shariah compliant derivatives 30 June 2021 (SAR'000)		
	Positive fair value	Negative fair value	Notional amount Total
<b>Held for trading:</b>			
Profit rate swaps	121,619	101,288	12,318,407
Foreign exchange forward contracts	6,356	5,504	333,676
FX Swaps	215	414	3,188

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

	Shariah compliant derivatives 30 June 2020 (SAR'000)		
	Positive fair value	Negative fair value	Notional amount Total
<b>Held for trading:</b>			
Profit rate swaps	51,216	47,576	4,276,978
Foreign exchange forward contracts	369	1,212	756,632
FX Swaps	-	-	-

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**7. FINANCING, NET**

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

<b>30 June 2021 (unaudited)</b> <b>SAR' 000</b>	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
Performing financing	315,521,807	80,583,040	396,104,847
Non-performing financing	1,059,678	1,603,552	2,663,230
Gross financing	316,581,485	82,186,592	398,768,077
Provision for financing impairment	(4,986,563)	(3,485,759)	(8,472,322)
Financing, net	311,594,922	78,700,833	390,295,755
<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>30 June 2020 (unaudited)</b> <b>SAR' 000</b>	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
Performing financing	211,851,134	67,493,707	279,344,841
Non-performing financing	843,753	2,046,189	2,889,942
Gross financing	212,694,887	69,539,896	282,234,783
Provision for financing impairment	(3,971,425)	(3,335,097)	(7,306,522)
Financing, net	208,723,462	66,204,799	274,928,261

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

<b>For the six-month period ended</b> <b>SAR' 000</b>	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 June 2020</b> <b>(Unaudited)</b>
Balance at the beginning of the period	7,471,356	7,019,596
Provided for the period	1,969,530	1,731,374
Bad debt written off	(968,564)	(1,444,448)
Balance at the end of the period	8,472,322	7,306,522

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

**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 six-month period ended SAR' 000</b>	<b>30 June 2021 (Unaudited)</b>	30 June 2020 (Unaudited)
Provided for the period	<b>1,979,058</b>	1,731,374
Recovery of written off financing for the period	<b>(818,102)</b>	(580,610)
Allowance for financing impairment, net	<b><u>1,160,956</u></b>	<u>1,150,764</u>

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

<b>30 June 2021 (unaudited)</b>	<b>12 months ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
<b>SAR' 000</b>				
Balance at the beginning of the period	<b>2,944,807</b>	<b>2,030,356</b>	<b>2,496,193</b>	<b>7,471,356</b>
Provided for the period	<b>524,513</b>	<b>350,854</b>	<b>1,094,163</b>	<b>1,969,530</b>
Bad debt written off	<b>-</b>	<b>-</b>	<b>(968,564)</b>	<b>(968,564)</b>
Balance at the end of the period	<b><u>3,469,320</u></b>	<b><u>2,381,210</u></b>	<b><u>2,621,792</u></b>	<b><u>8,472,322</u></b>
<b>30 June 2020 (unaudited)</b>	<b>12 months ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
<b>SAR' 000</b>				
Balance at the beginning of the period	2,501,529	2,325,951	2,192,116	7,019,596
Provided (reversal) for the period	74,868	(293,102)	1,949,608	1,731,374
Bad debt written off	-	-	(1,444,448)	(1,444,448)
Balance at the end of the period	<b><u>2,576,397</u></b>	<b><u>2,032,849</u></b>	<b><u>2,697,276</u></b>	<b><u>7,306,522</u></b>

Allowances for impairment of financing closing balance as of 30 June 2021 does not includes impairment allowance related to off balance sheet items amounting to SAR 522 million (30 June 2020: SAR 420 million) which is accounted for in other liabilities.



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

Due to banks and other financial institutions comprise the following:

	<b>(SAR'000)</b>		
	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Current accounts	<b>1,314,974</b>	448,288	501,246
Banks' time investments	<b>12,770,282</b>	10,315,773	9,823,922
<b>Total</b>	<b>14,085,256</b>	10,764,061	10,325,168

In order to offset the modification losses that the Bank is expected to incur in deferring the payments of Private Sector Financing Support Program as disclosed in note 20, during 2020 and the 6 months period ended 30 June 2021 the Bank has received certain profit free deposits of (SAR 2.97 billion with an original maturity of 3 years SAR 674 million with an original maturity of 1.5 years, and SAR 3.5 billion with an original maturity of 3 months ) some of these deposits' tenures have been extended by SAMA. The bank has received (SAR 5.2 billion for 1 year that has matured during Q2 2021). Please refer to note 20 for further details.

**9. CUSTOMERS' DEPOSITS**

Customers' deposits by type comprise the following:

	<b>(SAR'000)</b>		
	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Demand deposits	<b>358,010,783</b>	332,918,203	313,612,080
Customers' time investments	<b>82,873,024</b>	43,017,282	13,255,279
Other customer accounts	<b>6,622,375</b>	6,695,518	7,797,471
<b>Total</b>	<b>447,506,182</b>	382,631,003	334,664,830

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

**10. CONTINGENT LIABILITIES**

Contingent liabilities comprise the following:

	<b>(SAR'000)</b>		
	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Letters of credit	<b>4,331,889</b>	2,379,433	1,355,378
Acceptances	<b>646,167</b>	670,768	537,644
Letters of guarantee	<b>6,453,379</b>	5,443,188	5,502,183
Irrevocable commitments to extend credit	<b>7,976,697</b>	10,662,701	8,012,145
<b>Total</b>	<b>19,408,132</b>	19,156,090	15,407,350

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 ("ZTCA"). 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:

	<b>(SAR'000)</b>		
	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Cash in hand	<b>7,397,518</b>	7,355,940	8,351,204
Due from banks and other financial institutions maturing within 90 days from the date of purchase	<b>5,518,078</b>	8,924,379	1,605,480
Balances with SAMA and other central banks (current accounts)	<b>718,682</b>	311,493	193,171
Mutajara with SAMA	<b>1,323,000</b>	16,235,549	14,918,804
<b>Cash and cash equivalents</b>	<b>14,957,278</b>	32,827,361	25,068,659

**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 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.

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**14. OPERATING SEGMENTS (CONTINUED)**

For management purposes, the Group 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.

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

	<b>Retail segment</b>	<b>Corporate segment</b>	<b>Treasury segment</b>	<b>Investment services and brokerage segment</b>	<b>Total</b>
	<b>SAR'000</b>	<b>SAR'000</b>	<b>SAR'000</b>	<b>SAR'000</b>	<b>SAR'000</b>
<b>30 June 2021 (unaudited)</b>					
<b>Total assets</b>	<b>332,209,414</b>	<b>77,760,702</b>	<b>131,723,082</b>	<b>4,446,039</b>	<b>546,139,237</b>
<b>Total liabilities</b>	<b>313,043,064</b>	<b>152,073,157</b>	<b>21,162,189</b>	<b>190,756</b>	<b>486,469,166</b>
Financing and investment income from external customers	8,007,551	1,171,760	948,133	30,452	10,157,896
Inter-segment operating income / (expense)	(1,794,971)	(14,832)	1,809,803	-	-
Gross financing and investment income	6,212,580	1,156,928	2,757,936	30,452	10,157,896
Return on customers', banks' and financial institutions' time investments	(122,669)	(158,420)	(54,482)	-	(335,571)
<b>Net financing and investment income</b>	<b>6,089,911</b>	<b>998,508</b>	<b>2,703,454</b>	<b>30,452</b>	<b>9,822,325</b>
Fee from banking services, net	860,314	488,995	28,737	465,050	1,843,096
Exchange income, net	181,815	47,339	130,230	-	359,384
Other operating income, net	71,667	-	130,809	56,617	259,093
<b>Total operating income</b>	<b>7,203,707</b>	<b>1,534,842</b>	<b>2,993,230</b>	<b>552,119</b>	<b>12,283,898</b>
Depreciation	(502,163)	(20,748)	(10,877)	(5,614)	(539,402)
Impairment charge for financing and other financial assets, net	(1,108,060)	(49,139)	(3,757)	-	(1,160,956)
Other operating expenses	(2,450,944)	(225,182)	(88,307)	(77,744)	(2,842,177)
<b>Total operating expenses</b>	<b>(4,061,167)</b>	<b>(295,069)</b>	<b>(102,941)</b>	<b>(83,358)</b>	<b>(4,542,535)</b>
<b>Income before Zakat</b>	<b>3,142,540</b>	<b>1,239,773</b>	<b>2,890,289</b>	<b>468,761</b>	<b>7,741,363</b>

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**14. OPERATING SEGMENTS (CONTINUED)**

30 June 2020 (unaudited)	Retail segment SAR'000	Corporate segment SAR'000	Treasury segment SAR'000	Investment services and brokerage segment SAR'000	Total SAR'000
<b>Total assets</b>	231,641,529	63,611,219	119,357,436	3,074,023	417,684,207
<b>Total liabilities</b>	313,944,973	34,085,075	17,575,287	148,846	365,754,181
Financing and investment income from external customers	5,918,065	1,384,809	1,008,579	23,667	8,335,120
Inter-segment operating income / (expense)	61,955	(395,197)	333,242	-	-
Gross financing and investment income	5,980,020	989,612	1,341,821	23,667	8,335,120
Return on customers', banks' and financial institutions' time investments	(96,011)	(75,421)	(85,512)	-	(256,944)
<b>Net financing and investment income</b>	5,884,009	914,191	1,256,309	23,667	8,078,176
Fee from banking services, net	778,047	144,715	22,646	201,467	1,146,875
Exchange income, net	165,485	61,168	150,663	-	377,316
Other operating income, net	43,089	-	87,824	42,045	172,958
<b>Total operating income</b>	6,870,630	1,120,074	1,517,442	267,179	9,775,325
Depreciation	(516,018)	(5,060)	(33,192)	(3,885)	(558,155)
Impairment charge for financing and other financial assets, net	(533,557)	(601,520)	(15,687)	-	(1,150,764)
Other operating expenses	(2,278,180)	(144,951)	(204,457)	(68,886)	(2,696,474)
Total operating expenses	(3,327,755)	(751,531)	(253,336)	(72,771)	(4,405,393)
Income before Zakat	3,542,875	368,543	1,264,106	194,408	5,369,932

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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 June 2021 (unaudited)	Carrying value	Level 1	Level 2	Level 3	Total
<b><u>Financial assets</u></b>					
<b>Financial assets measured at fair value</b>					
FVSI Investments – Mutual funds	2,499,459	-	2,248,681	250,778	2,499,459
FVOCI - Equity investment	4,493,692	4,469,316	-	24,376	4,493,692
FVSI Sukuk	3,216,072	-	3,216,072	-	3,216,072
FVOCI Sukuk	1,107,388	-	1,107,388	-	1,107,388
Structured Products	1,498,644	-	-	1,498,644	1,498,644
<b>Financial assets not measured at fair value</b>					
Due from banks and other financial institutions	26,212,976	-	-	26,525,753	26,525,753
Investments held at amortized cost					
-Murabaha with Saudi Government and SAMA	22,654,808	-	-	22,975,588	22,975,588
-Sukuk	37,762,912	-	32,898,410	5,595,756	38,494,166
-Structured Products	1,000,000	-	-	1,039,226	1,039,226
Gross Financing	398,768,077	-	-	413,191,759	413,191,759
<b>Total</b>	<b>499,214,028</b>	<b>4,469,316</b>	<b>39,470,551</b>	<b>471,101,880</b>	<b>515,041,747</b>
<b><u>Financial liabilities</u></b>					
<b>Financial liabilities not measured at fair value</b>					
Due to banks and other financial institutions	14,085,256	-	-	14,166,089	14,166,089
Customers' deposits	447,506,182	-	-	447,507,128	447,507,128
<b>Total</b>	<b>461,591,438</b>	<b>-</b>	<b>-</b>	<b>461,673,217</b>	<b>461,673,217</b>

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

31 December 2020 (Audited)	(SAR '000)				Total
	Carrying value	Level 1	Level 2	Level 3	
<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/ 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.

**AL RAJHI BANKING AND INVESTMENT CORPORATION**  
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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 June 2021 (31 December 2020: 2,500 million shares of SAR 10 each and 30 June 2020: 2,500 million shares of SAR 10 each).

**17. EARNINGS PER SHARE**

Basic and diluted earnings per share for the period ended 30 June 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>30 June 2021 (Unaudited) SAR'000</b>	<b>31 December 2020 (Audited) SAR'000</b>	<b>30 June 2020 (Unaudited) SAR'000</b>
Credit risk weighted assets	<b>334,060,240</b>	280,373,990	250,005,306
Operational risk weighted assets	<b>33,318,660</b>	33,318,660	30,784,119
Market risk weighted assets	<b>3,447,195</b>	9,316,353	8,447,972
<b>Total Pillar I - risk weighted assets</b>	<b>370,826,095</b>	323,009,003	289,237,397
Tier I capital	<b>62,552,759</b>	58,118,518	51,930,026
Tier II capital	<b>4,175,753</b>	3,504,675	3,122,725
<b>Total tier I &amp; II capital</b>	<b>66,728,512</b>	61,623,193	55,052,751
<b>Capital Adequacy Ratio %</b>			
Tier I ratio	16.87%	17.99%	17.95%
Tier I & II ratio	17.99%	19.08%	19.03%

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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.

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 as many geographies experience multiple waves of infections, despite having previously controlled the outbreak through aggressive precautionary measures. The government of the Kingdom of Saudi Arabia, however, 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 continues to make 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 situation through conducting stress-testing scenarios of expected movements in key macroeconomic indicators (e.g. oil prices, GDP etc.) and its impact on key credit, liquidity, operational and solvency ratios and performance indicators in addition to other risk management practices. The steps taken by management also includes a periodic 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.

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 Q2 2021, as more contemporary data became available, the management has further revised the scenario probabilities.

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 492 million and SAR 116 million for corporate and retail financing respectively as at 30 June 2021. These have been based on other post model adjustments performed by the Bank depending on the impacted portfolios. As with any estimates,



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

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.

**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 MSME. 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, for MSMEs that are still affected by the COVID-19 precautionary measures. SAMA clarified that for this extension MSMEs will be subject to the assessment by the banks to the extent to which these MSMEs are still affected by the COVID-19 precautionary measures, in order to be qualified for the extension in accordance with the DPP guidelines issued by SAMA on 22 June 2021. The Group has performed an assessment to determine the pool of customers eligible for deferment and accordingly has deferred the installments falling due from 1 July 2021 to 30 September 2021 amounting to SAR 0.7 billion (with aggregate financing exposure of SAR 3.1 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.

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 amounting to SAR 232.6 million for the six-month period ended 30 June 2021 (30 June 2020: SAR 94.4 million).

During the six months’ period ended 30 June 2021, SAR 121.2 million (June 30,2020: SAR 15.7 million) has been recognized in the statement of income relating to unwinding of modification losses.

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)**

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 six-month period ended 30 June 2021, the Group received profit free deposits from SAMA amounting to SAR 7.1 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 six months period ended 30 June 2021, an additional SAR 148.9 million (30 June 2020: SAR 76.8 million) had been recognized in the statement of income out of the deferred portion of the income during 2020. The Group received an additional profit free deposit from SAMA amounting to SAR 3.5 billion for a period of three months during the six-month period ended 30 June 2021.

As at 30 Jun 2021, the Group 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 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 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 28.5 million has been recognised by the Group during the period ended 30 June 2021 (period ended 30 June 2020: nil). 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 243.7 million in the 2020 comparative period, which was presented as part of net financing income. During the Six months’ period ended 30 June 2021, SR 37.7 million (30 June 2020: SR 15.2 million) has been released to the interim condensed consolidated statement of income relating to unwinding of modification losses.

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

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The IASB followed a two-phased process for amending its guidance to assist in a smooth transition away from IBOR.

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures 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.

Phase (2) - The second phase relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, 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 IBOR.

The LIBOR administrator, ICE Benchmark Administration, is consulting on ceasing publication of all sterling LIBOR settings at the end of 2021, leaving just one year for firms to remove their remaining reliance on these benchmarks. All currencies will either cease or no longer be representative immediately after the following dates:

- 31 December 2021, for Sterling, Euro, Swiss Franc and Japanese Yen LIBOR settings in all tenors, and US Dollar LIBOR 1-week and 2-month settings; and
- 30 June 2023, for US Dollar Overnight, 1-month, 3-month, 6-month and 12-month settings.

These reforms are expected to cause some interest rate benchmarks to either perform differently to the way that they do currently or to disappear. 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 June 2021 in the valuation of instruments with maturities that exceed the expected end date for IBORs in various jurisdictions and applying to various currencies.

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

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 June 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.

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

The interim condensed consolidated financial statements were approved by the Board of Directors on 23 Dhul Hijjah 1442H (corresponding to 02 August 2021).