

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)**  
**FOR THE SIX – MONTH PERIODS ENDED 30 JUNE 2020**



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



**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 June 2020, 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 Arabian Monetary Authority ("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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6 Dhul Hijjah 1441H  
(27 July 2020)



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(SAR '000)			
		30 June 2020	31 December 2019	30 June 2019 (Restated note 20)	
Notes	(Unaudited)	(Audited)	(Unaudited)		
<b>ASSETS</b>					
	Cash and balances with Saudi Arabian Monetary Authority ("SAMA") and other central banks	3	45,021,899	39,294,099	40,197,312
	Due from banks and other financial institutions	4	28,214,857	32,058,182	28,232,074
	Investments, net	5	52,937,174	46,842,630	45,867,772
	Financing, net	7	274,928,261	249,682,805	238,496,224
	Investment properties, net		1,574,944	1,383,849	1,289,469
	Property and equipment, net		10,122,167	10,407,247	10,207,834
	Other assets, net		4,884,905	4,417,764	4,905,709
	<b>TOTAL ASSETS</b>		<b>417,684,207</b>	<b>384,086,576</b>	<b>369,196,394</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Liabilities</b>					
	Due to banks and other financial institutions	8	10,325,168	2,219,604	2,138,906
	Customers' deposits	9	334,664,830	312,405,823	300,563,170
	Other liabilities		20,764,183	18,269,492	16,677,790
	<b>Total liabilities</b>		<b>365,754,181</b>	<b>332,894,919</b>	<b>319,379,866</b>
<b>Shareholders' equity</b>					
	Share capital	16	25,000,000	25,000,000	25,000,000
	Statutory reserve		21,789,632	21,789,632	19,250,000
	Other reserves	11	(543,925)	(216,041)	(284,536)
	Retained earnings		5,684,319	868,066	2,101,064
	Proposed gross dividends	19	-	3,750,000	3,750,000
	<b>Total shareholders' equity</b>		<b>51,930,026</b>	<b>51,191,657</b>	<b>49,816,528</b>
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>417,684,207</b>	<b>384,086,576</b>	<b>369,196,394</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)**

Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020 SAR'000	2019 SAR'000 (Restated note 20)	2020 SAR'000	2019 SAR'000 (Restated note 20)
<b>INCOME</b>				
Gross financing and investment income	4,082,236	4,182,540	8,335,120	8,269,163
Return on customers', banks' and financial institutions' time investments	(114,543)	(121,848)	(256,944)	(264,511)
<b>Net financing and investment income</b>	<b>3,967,693</b>	<b>4,060,692</b>	<b>8,078,176</b>	<b>8,004,652</b>
Fee from banking services, net	529,197	521,948	1,146,875	994,600
Exchange income, net	169,875	197,744	377,316	371,375
Other operating income, net	140,997	80,724	172,958	129,421
<b>Total operating income</b>	<b>4,807,762</b>	<b>4,861,108</b>	<b>9,775,325</b>	<b>9,500,048</b>
<b>EXPENSES</b>				
Salaries and employees' related benefits	707,211	704,081	1,440,616	1,389,159
Depreciation and amortization	282,776	226,144	558,155	439,529
Other general and administrative expenses	643,663	716,131	1,255,858	1,219,206
<b>Total operating expenses before Impairment charge</b>	<b>1,633,650</b>	<b>1,646,356</b>	<b>3,254,629</b>	<b>3,047,894</b>
Impairment charge for financing and other financial assets, net	7 457,956	385,631	1,150,764	775,048
<b>Total operating expenses</b>	<b>2,091,606</b>	<b>2,031,987</b>	<b>4,405,393</b>	<b>3,822,942</b>
<b>Income before Zakat</b>	<b>2,716,156</b>	<b>2,829,121</b>	<b>5,369,932</b>	<b>5,677,106</b>
Zakat	12 (280,056)	(295,213)	(553,679)	(575,213)
<b>Net income for the period</b>	<b>2,436,100</b>	<b>2,533,908</b>	<b>4,816,253</b>	<b>5,101,893</b>
Basic and diluted earnings per share (SAR)	17 0.97	1.01	1.93	2.04

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

Authorized Board Member

Chief Executive Officer

Chief Financial Officer

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020 SAR'000	2019 SAR'000 (Restated note 20)	2020 SAR'000	2019 SAR'000 (Restated note 20)
Net income for the period	2,436,100	2,533,908	4,816,253	5,101,893
<i>Other comprehensive income:</i>				
<i>Other comprehensive income that will not be reclassified to the interim condensed consolidated statement of income in subsequent period</i>				
- Actuarial loss on employees' end of service benefits ("EOSB")	(91,448)	(58,197)	(91,448)	(58,197)
- Net change in fair value of investments held at fair value through other comprehensive income ("FVOCI Investments")	(7,070)	30,451	(199,840)	124,514
<i>Other comprehensive income that may be reclassified to the interim condensed consolidated statement of income</i>				
- Exchange difference on translation of foreign operations	5,700	(7,942)	(36,597)	(1,298)
<b>Total comprehensive income for the period</b>	<b>2,343,282</b>	<b>2,498,220</b>	<b>4,488,368</b>	<b>5,166,912</b>

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

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Chief Financial Officer

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

	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 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 investments		-	-	(199,840)	-	-	(199,840)
Net movement in foreign currency translation reserve		-	-	(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
Transferred of proposed gross dividends to other liabilities	19	-	-	-	-	(3,750,000)	(3,750,000)
<b>Balance at 30 June 2020</b>		<b>25,000,000</b>	<b>21,789,632</b>	<b>(543,925)</b>	<b>5,684,319</b>	<b>-</b>	<b>51,930,026</b>
<b>For the six-month period ended 30 June 2019</b>							
Balance at 1 January 2019		16,250,000	16,250,000	(349,555)	12,747,323	3,656,250	48,554,018
Impact of depreciation of property and equipment	20	-	-	-	(248,152)	-	(248,152)
Restated balance at 1 January 2019		16,250,000	16,250,000	(349,555)	12,499,171	3,656,250	48,305,866
Restated net income for the period		-	-	-	5,101,893	-	5,101,893
Net change in fair value of FVOCI in investments		-	-	124,514	-	-	124,514
Net movement in foreign currency translation reserve		-	-	(1,298)	-	-	(1,298)
Net other comprehensive income recognized directly in equity		-	-	123,216	-	-	123,216
Actuarial loss on employees' end of service benefits ("EOSB")		-	-	(58,197)	-	-	(58,197)
Total comprehensive income for the period		-	-	65,019	5,101,893	-	5,166,912
Bonus shares issued		8,750,000	-	-	(8,750,000)	(3,656,250)	(3,656,250)
Transfer to statutory reserve		-	3,000,000	-	(3,000,000)	-	-
Proposed dividends for the first half 2019		-	-	-	(3,750,000)	3,750,000	-
<b>Balance at 30 June 2019 (Restated)</b>		<b>25,000,000</b>	<b>19,250,000</b>	<b>(284,536)</b>	<b>2,101,064</b>	<b>3,750,000</b>	<b>49,816,528</b>

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

Authorized Board Member

Chief Executive Officer

Chief Financial Officer


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 AND 2019

	(SAR'000)	
	Notes	2019 (Restated note 20)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before zakat for the period	5,369,932	5,677,106
<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)	(26,115)	(11,501)
Depreciation and amortization	550,106	431,408
Depreciation of investment properties	8,048	8,121
Impairment charge for financing and other financial assets, net	7 1,150,764	775,048
Share in earning from an associate	2,354	(3,263)
Gain on sale of property and equipment	(8,930)	-
<b>Net (decrease) / increase in operating assets</b>		
Statutory deposit	(895,216)	125,316
Due from banks and other financial institutions	2,237,844	(202,395)
Financing	(26,396,220)	(7,513,066)
Investments held at FVSI	(1,381,351)	21,484
Other assets, net	(487,092)	(1,280,998)
<b>Net increase / (decrease) in operating liabilities</b>		
Due to banks and other financial institutions	8,105,564	(5,150,718)
Customers' deposits	22,259,007	6,654,045
Other liabilities	2,494,691	2,330,062
<b>Net cash generated from operating activities</b>	<b>12,983,386</b>	<b>1,860,649</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(273,074)	(657,283)
Purchase of FVOCI investments	(872,303)	(311,605)
Proceeds from matured investments held at amortized cost	18,057,813	46,447,061
Purchase of investments held at amortized cost	(22,074,763)	(48,822,870)
<b>Net cash used in investing activities</b>	<b>(5,162,327)</b>	<b>(3,344,697)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(3,750,000)	(3,656,250)
Zakat paid	-	(2,024,443)
Payment against lease obligations	(113,799)	(124,876)
<b>Net cash used in financing activities</b>	<b>(3,863,799)</b>	<b>(5,805,569)</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**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 AND 2019 (CONTINUED)**

	Notes	(SAR'000)	
		2020	2019 (Restated note 20)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,957,260</b>	<b>(7,289,617)</b>
Cash and cash equivalents at beginning of the period		<u>21,111,399</u>	<u>29,786,503</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	13	<u><b>25,068,659</b></u>	<u><b>22,496,886</b></u>
Gross financing and investment income received during the period		7,981,326	7,986,861
Return on customers', banks' and financial institutions' time investments paid during the period		<u>(109,502)</u>	<u>(178,796)</u>
<u>Non-cash transactions:</u>			
Net change in fair value of FVOCI investments		<u>(199,840)</u>	<u>124,514</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

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 PERIODS ENDED 30 JUNE 2020**

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**1. GENERAL**

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

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

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

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

**SHARI’A AUTHORITY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. BASIS OF PREPARATION**

The interim condensed consolidated financial statements of the Group as at and for the period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public 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 2019.

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 2019 except for the effect of government grant and derivatives financial instruments accounting policies mentioned in note 2.IV below.

**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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**  
**FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2020**

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**III. SUBSIDIARIES**

Subsidiaries are the investees that are controlled by the Group. The Group controls an investee when it is exposed, 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 are ceased to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the period are included in the interim condensed consolidated statements of comprehensive income from the date of the acquisition or up to the date of disposal, as appropriate.

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

As at 30 June 2020 and 2019, the following subsidiaries were included in the interim condensed consolidated financial statements:

Name of subsidiaries	Shareholding %		
	2020	2019	
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 PERIODS ENDED 30 JUNE 2020**

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

**III. SUBSIDIARIES (CONTINUED)**

Name of subsidiaries	Shareholding %		
	2020	2019	
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%	-	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%	-	A closed joint stock company registered in Kingdom of Saudi Arabia providing financial leasing contracts registration to organize contracts data and streamline litigation processes.
Al Rajhi Financial Markets Ltd	100%	-	A Limited Liability Company registered in the Cayman Islands with the objective of managing certain treasury related transactions on behalf of the Bank.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED) (CONTINUED)**  
**FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2020**

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

**IV. AMENDMENTS TO ACCOUNTING POLICIES**

**Government grant**

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

**Derivative financial instruments**

Derivative financial instruments include foreign exchange forward contracts and profit rate swaps. These derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into. These instruments are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate.

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

**a) Profit rate swaps**

Swaps are commitments to exchange one set of cash flows for another. For profit rate swaps, counterparties exchange fixed and floating profit rate payments in a single currency without exchanging principal.

**b) Foreign exchange Forwards**

Forwards are contractual agreements to either buy or sell a specified currency at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter markets. Foreign currencies are transacted in standardised amounts on regulated exchanges and changes in futures contract values are settled daily.

**Held for trading purposes**

Most of the Bank's derivative trading activities relate to sales and positioning. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices.

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the interim condensed consolidated statement of income and disclosed in foreign exchange income for foreign exchange forward contracts and in other income for profit rate swap contracts.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**  
**FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2020**

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

**IV. AMENDMENTS TO ACCOUNTING POLICIES (CONTINUED)**

**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”) is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR. Management is running a project on the Bank’s overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

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

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

	<b>(SAR’000)</b>		
	<b>30 June</b>	31 December	30 June
	<b>2020</b>	2019	2019
	<b>(Unaudited)</b>	(Audited)	(Unaudited)
Cash in hand	<b>8,351,204</b>	7,404,276	9,356,159
Statutory deposit	<b>21,558,720</b>	20,663,503	19,318,878
Current account with SAMA	<b>193,171</b>	371,320	282,275
Mutajara with SAMA	<b>14,918,804</b>	10,855,000	11,240,000
<b>Total</b>	<b>45,021,899</b>	39,294,099	40,197,312

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

**4. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

Due from banks and other financial institutions comprise the following:

	<b>(SAR’000)</b>		
	<b>30 June</b>	31 December	30 June
	<b>2020</b>	2019	2019
	<b>(Unaudited)</b>	(Audited)	(Unaudited)
Current accounts	<b>1,258,401</b>	798,168	762,972
Mutajara	<b>26,956,456</b>	31,260,014	27,469,102
<b>Total</b>	<b>28,214,857</b>	32,058,182	28,232,074

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**5. INVESTMENTS, NET**

Investments comprise the following:

	(SAR'000)		
	30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2019 (Unaudited)
<b>Investment in an associate</b>	<b>193,881</b>	196,235	176,017
<b>Investments held at amortized cost</b>			
Murabaha with Saudi Government and SAMA	25,281,831	24,991,978	24,939,223
Sukuk	21,708,488	17,973,379	17,309,688
Less: Impairment (Stage 1)	(30,262)	(22,270)	(28,337)
<b>Total investments held at amortized cost</b>	<b>46,960,057</b>	42,943,087	42,220,574
<b>Investments held at fair value through statement of income (FVSI)</b>			
Mutual funds	2,326,465	1,230,711	1,512,798
Sukuk	1,111,712	800,000	800,000
<b>Total FVSI investments</b>	<b>3,438,177</b>	2,030,711	2,312,798
<b>FVOCI investments</b>			
Equity investments	2,345,059	1,672,597	1,158,383
<b>Total investments</b>	<b>52,937,174</b>	46,842,630	45,867,772

**6. DERIVATIVE FINANCIAL INSTRUMENTS**

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

	Derivative financial instruments 30-Jun-20 (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

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**7. FINANCING, NET**

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

<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
<b>31 December 2019 (audited)</b>			
<b>SAR' 000</b>	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
Performing financing	189,925,781	64,459,827	254,385,608
Non-performing financing	629,719	1,687,074	2,316,793
Gross financing	190,555,500	66,146,901	256,702,401
Provision for financing impairment	(3,832,473)	(3,187,123)	(7,019,596)
Financing, net	186,723,027	62,959,778	249,682,805
<b>30 June 2019 (unaudited)</b>			
<b>SAR' 000</b>	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
Performing financing	173,899,901	69,911,700	243,811,601
Non-performing financing	608,422	1,491,488	2,099,910
Gross financing	174,508,323	71,403,188	245,911,511
Provision for financing impairment	(3,878,741)	(3,536,546)	(7,415,287)
Financing, net	170,629,582	67,866,642	238,496,224

**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 2020</b> <b>(Unaudited)</b>	<b>30 June 2019</b> <b>(Unaudited)</b>
Balance at the beginning of the period	7,019,596	7,832,471
Provided for the period	1,731,374	970,812
Bad debt written off against provision for the period	(1,444,448)	(1,387,996)
Balance at the end of the period	7,306,522	7,415,287

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

**7.3 The allowance for impairment of financing charged to the interim consolidated statement of income comprise of the following:**

<b>For the six-month period ended SAR' 000</b>	<b>30 June 2020 (Unaudited)</b>	<b>30 June 2019 (Unaudited)</b>
Provided for the period	<b>1,731,374</b>	970,812
Recovery of written off financing for the period	<b>(580,610)</b>	(455,764)
Allowance for financing impairment, net	<b>1,150,764</b>	515,048
Allowance for other financial assets impairment, net	-	260,000
Charge for the period	<b>1,150,764</b>	<b>775,048</b>

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

<b>30 June 2020 (unaudited)</b>	<b>12 months</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
<b>SAR' 000</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	
Balance at the beginning of the period	<b>2,501,529</b>	<b>2,735,544</b>	<b>1,782,523</b>	<b>7,019,596</b>
Provided for the period	<b>176,394</b>	<b>(109,807)</b>	<b>1,664,787</b>	<b>1,731,374</b>
Bad debt written off against provision for the period	<b>(101,526)</b>	<b>(224,882)</b>	<b>(1,118,040)</b>	<b>(1,444,448)</b>
Balance at the end of the period	<b>2,576,397</b>	<b>2,400,855</b>	<b>2,329,270</b>	<b>7,306,522</b>
<b>30 June 2019 (unaudited)</b>	<b>12 months</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
<b>SAR' 000</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	
Balance at the beginning of the period	2,949,209	3,020,819	1,862,443	7,832,471
Provided for the period	447,046	(351,262)	875,028	970,812
Bad debt written off against provision for the period	(109,385)	(209,835)	(1,068,776)	(1,387,996)
Balance at the end of the period	<b>3,286,870</b>	<b>2,459,722</b>	<b>1,668,695</b>	<b>7,415,287</b>

Allowances for impairment of financing closing balance as of 30 June 2020 does not includes impairment allowance related to off balance sheet items amounting to SAR 420 million (30 June 2019: SAR 211 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:

	(SAR'000)		
	<b>30 June</b>	31 December	30 June
	<b>2020</b>	2019	2019
	<b>(Unaudited)</b>	(Audited)	(Unaudited)
Current accounts	<b>501,246</b>	545,572	771,236
Banks' time investments	<b>9,823,922</b>	1,674,032	1,367,670
<b>Total</b>	<b>10,325,168</b>	2,219,604	2,138,906

In order to offset the modification loss that the Bank is expected to incur in deferring the payments as disclosed in note 21, the Bank has received a profit free deposit of SR 2.6 billion from SAMA with a maturity of 3 years and another deposit of SAR 5.2 billion for one year. Please refer to note 21.

**9. CUSTOMERS' DEPOSITS**

Customers' deposits by type comprise the following:

	(SAR'000)		
	<b>30 June</b>	31 December	30 June
	<b>2020</b>	2019	2019
	<b>(Unaudited)</b>	(Audited)	(Unaudited)
Demand deposits	<b>313,612,080</b>	284,299,851	284,771,766
Customers' time investments	<b>13,255,279</b>	22,126,226	10,284,104
Other customer accounts	<b>7,797,471</b>	5,979,746	5,507,300
<b>Total</b>	<b>334,664,830</b>	312,405,823	300,563,170

**10. CONTINGENT LIABILITIES**

Contingent liabilities comprise the following:

	(SAR'000)		
	<b>30 June</b>	31 December	30 June
	<b>2020</b>	2019	2019
	<b>(Unaudited)</b>	(Audited)	(Unaudited)
Letters of credit	<b>1,355,378</b>	890,942	1,174,268
Acceptances	<b>537,644</b>	324,962	495,961
Letters of guarantee	<b>5,502,183</b>	4,973,200	4,398,704
Irrevocable commitments to extend credit	<b>8,012,145</b>	11,636,094	8,797,788
<b>Total</b>	<b>15,407,350</b>	17,825,198	14,866,721

The Bank is subject to legal proceedings in the ordinary course of business. There have been no significant changes in the status of legal proceedings as disclosed in the 31 December 2019 year-end consolidated financial statements.

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**11. OTHER RESERVES**

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

**12. ZAKAT**

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

**13. CASH AND CASH EQUIVALENTS**

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

	<b>(SAR'000)</b>		
	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Cash in hand	<b>8,351,204</b>	7,404,276	9,356,159
Due from banks and other financial institutions maturing within 90 days from the date of purchase	<b>1,605,480</b>	2,480,803	1,618,452
Balances with SAMA and other central banks (current accounts)	<b>193,171</b>	371,320	282,275
Mutajara with SAMA	<b>14,918,804</b>	10,855,000	11,240,000
<b>Cash and cash equivalents</b>	<b>25,068,659</b>	21,111,399	22,496,886

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**14. OPERATING SEGMENTS**

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

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

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

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

The Group's total assets and liabilities as at 30 June 2020 and 2019 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 2020 (unaudited)</b>					
<b>Total assets</b>	<b>231,641,529</b>	<b>63,611,219</b>	<b>119,357,436</b>	<b>3,074,023</b>	<b>417,684,207</b>
<b>Total liabilities</b>	<b>313,944,973</b>	<b>34,085,075</b>	<b>17,575,287</b>	<b>148,846</b>	<b>365,754,181</b>
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>	<b>5,884,009</b>	<b>914,191</b>	<b>1,256,309</b>	<b>23,667</b>	<b>8,078,176</b>
Fee from banking services, net	778,047	144,715	22,646	201,467	1,146,875
Exchange income, net	104,175	30,741	242,400	-	377,316
Other operating income, net	43,089	-	87,824	42,045	172,958
<b>Total operating income</b>	<b>6,809,320</b>	<b>1,089,647</b>	<b>1,609,179</b>	<b>267,179</b>	<b>9,775,325</b>
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)
<b>Total operating expenses</b>	<b>(3,327,755)</b>	<b>(751,531)</b>	<b>(253,336)</b>	<b>(72,771)</b>	<b>(4,405,393)</b>
<b>Income before Zakat</b>	<b>3,481,565</b>	<b>338,116</b>	<b>1,355,843</b>	<b>194,408</b>	<b>5,369,932</b>

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**14. OPERATING SEGMENTS (CONTINUED)**

30 June 2019 (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>	194,605,515	63,917,474	107,537,488	3,135,917	369,196,394
<b>Total liabilities</b>	286,307,702	25,057,309	7,891,064	123,791	319,379,866
Financing and investment income from external customers	5,322,710	1,685,734	1,250,776	9,943	8,269,163
Inter-segment operating income / (expense)	743,540	(595,260)	(148,280)	-	-
Gross financing and investment income	6,066,250	1,090,474	1,102,496	9,943	8,269,163
Return on customers', banks' and financial institutions' time investments	(94,047)	(78,226)	(92,238)	-	(264,511)
<b>Net financing and investment income</b>	5,972,203	1,012,248	1,010,258	9,943	8,004,652
Fee from banking services, net	496,602	198,271	117,141	182,586	994,600
Exchange income, net	74,134	33,994	263,247	-	371,375
Other operating income, net	50,998	12,694	44,494	21,235	129,421
<b>Total operating income</b>	6,593,937	1,257,207	1,435,140	213,764	9,500,048
Depreciation	(394,443)	(7,756)	(34,529)	(2,801)	(439,529)
Impairment charge for financing and other financial assets, net	(696,190)	(76,802)	(2,056)	-	(775,048)
Other operating expenses	(2,140,561)	(158,964)	(236,965)	(71,875)	(2,608,365)
Total operating expenses	(3,231,194)	(243,522)	(273,550)	(74,676)	(3,822,942)
Income before Zakat	3,362,743	1,013,685	1,161,590	139,088	5,677,106

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

**Determination of fair value and fair value hierarchy**

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

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

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

Assets and liabilities at fair values are as follows:

30 June 2020 (unaudited)	(SAR '000)				Total
	Carrying value	Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>Financial assets measured at fair value</b>					
Investments held at FVSI	2,326,465	-	2,059,251	267,214	2,326,465
FVOCI investment	2,345,059	2,320,705	-	24,354	2,345,059
Sukuk	1,111,712	-	-	1,111,712	1,111,712
<b>Financial assets not measured at fair value</b>					
Due from banks and other financial institutions	28,214,857	-	-	28,802,822	28,802,822
Investments held at amortized cost					
- Murabaha with Saudi Government and SAMA	25,281,831	-	-	25,591,955	25,591,955
- Sukuk	21,708,488	-	-	22,486,030	22,486,030
Gross Financing	282,234,782	-	-	284,633,210	284,633,210
<b>Total</b>	<b>363,223,194</b>	<b>2,320,705</b>	<b>2,059,251</b>	<b>362,917,297</b>	<b>367,297,253</b>
<b>Financial liabilities</b>					
<b>Financial liabilities not measured at fair value</b>					
Due to banks and other financial institutions	10,325,168	-	-	10,435,257	10,435,257
Customers' deposits	334,664,830	-	-	334,665,419	334,665,419
<b>Total</b>	<b>344,989,998</b>	<b>-</b>	<b>-</b>	<b>345,100,676</b>	<b>345,100,676</b>

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

	(SAR '000)				
<u>31 December 2019 (Audited)</u>	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets measured at fair value					
FVSI Investments – Mutual funds	1,230,711	-	1,230,711	-	1,230,711
FVOCI equity investments	1,672,597	1,648,242	-	24,355	1,672,597
FVSI Sukuk	800,000	-	-	800,000	800,000
Financial assets not measured at fair value					
Due from banks and other financial institutions	32,058,182	-	-	32,300,842	32,300,842
Investments held at amortized cost					
- Murabaha with Saudi Government and SAMA	24,991,978	-	-	25,268,177	25,268,177
- Sukuk	17,973,379	-	-	18,357,588	18,357,588
Gross Financing	256,702,401			275,942,492	275,942,492
Total	335,429,248	1,648,242	1,230,711	352,693,454	355,572,407
<u>Financial liabilities</u>					
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	2,219,604	-	-	2,219,642	2,219,642
Customers' deposits	312,405,823	-	-	312,405,823	312,405,823
Total	314,625,427	-	-	314,625,465	314,625,465

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

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

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

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**16. SHARE CAPITAL**

The authorized, issued and fully paid share capital of the Bank consists of 2,500 million shares of SAR 10 each as of 30 June 2020 (31 December 2019: 2,500 million shares of SAR 10 each and 30 June 2019: 2,500 million shares of SAR 10 each).

On the 4th of April 2019, the Bank's extraordinary general assembly approved to increase the share capital from SAR 16,250 million to SAR 25,000 million through issuance of stock dividends (7 shares for every 13 shares held). The amount of the capital increase was transferred from retained earnings.

**17. EARNINGS PER SHARE**

Basic and diluted earnings per share for the period ended 30 June 2020 and 2019 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 as shown in the following table:

	<b>30 June 2020 (Unaudited) SAR'000</b>	31 December 2019 (Audited) SAR'000	30 June 2019 (Restated note 19) (Unaudited) SAR'000
Credit risk weighted assets	<b>250,005,306</b>	234,299,968	225,327,954
Operational risk weighted assets	<b>30,784,119</b>	30,784,119	28,094,351
Market risk weighted assets	<b>8,447,972</b>	7,236,637	4,367,467
<b>Total Pillar I - risk weighted assets</b>	<b>289,237,397</b>	272,320,724	257,789,772
Tier I capital	<b>51,930,026</b>	51,191,657	50,139,702
Tier II capital	<b>3,122,725</b>	2,928,750	2,817,334
<b>Total tier I &amp; II capital</b>	<b>55,052,751</b>	54,120,407	52,957,036
<b>Capital Adequacy Ratio %</b>			
Tier I ratio	<b>17.95%</b>	18.80%	19.45%
Tier I & II ratio	<b>19.03%</b>	19.87%	20.54%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**  
**FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2020**

**19. DIVIDENDS**

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

**20. COMPARATIVE FIGURES**

**a. Capitalization of property and equipment**

The Bank has performed an analysis of capital work in progress reported under property and equipment in the consolidated statement of financial position during 2019. As a result of that analysis, the management identified certain assets amounting to SAR 1,902 million as at 31 December 2019 that were not capitalized on a timely basis, which has resulted in an understatement of depreciation expenses in the previous years.

The correction of the above error has resulted in the following impact on the line items of the consolidated statement of income, consolidated statement of financial position and consolidated statement of changes in shareholders' equity as detailed below:

As at 1 January 2019:

<b>Financial statement impacted</b>	<b>Account</b>	<b>As previously stated as at 1 January 2019 SAR'000</b>	<b>Effect of Restatement SAR'000</b>	<b>As restated as at 1 January 2019 SAR'000</b>
Interim condensed consolidated statement of financial position	Property and equipment	8,897,587	(248,152)	8,649,435
Interim condensed consolidated statement of changes in shareholders' equity	Retained earnings	12,747,323	(248,152)	12,499,171

As at and for the period ended 30 June 2019:

<b>Financial statement impacted</b>	<b>Account</b>	<b>As previously stated as at and for the six-month period ended 30 June 2019 SAR'000</b>	<b>Effect of Restatement SAR'000</b>	<b>As restated as at and for the six-month period ended 30 June 2019 SAR'000</b>
Interim condensed consolidated statement of financial position	Property and equipment	10,531,008	(323,174)	10,207,834
Interim condensed consolidated statement of changes in shareholders' equity	Retained earnings	2,424,238	(323,174)	2,101,064
Interim condensed consolidated statement of income	Depreciation	364,507	75,022	439,529
Interim condensed consolidated statement of income	Earnings per share	2.07	(0.03)	2.04



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**  
**FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2020**

**20. COMPARATIVE FIGURES (CONTINUED)**

**Capitalization of property and equipment (CONTINUED)**

As at and for the three -months period ended 30 June 2019:

<b>Financial statement impacted</b>	<b>Account</b>	<b>As previously stated for the three-month period ended 30 June 2019 SAR'000</b>	<b>Effect of Restatement SAR'000</b>	<b>As restated for the three-month period ended 30 June 2019 SAR'000</b>
Interim condensed consolidated statement of income	Depreciation	188,426	37,718	226,144
Interim condensed consolidated statement of income	Earnings per share	1.03	(0.02)	1.01

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

During March 2020, the World Health Organization (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices witnessed significant volatility during the period, owing not just to demand issues arising from COVID-19 as the world economies went into lockdown, but also supply issues driven by production levels which had predated the pandemic. The oil prices have shown some recovery in late Q2 2020 as oil producing countries cut back production, coupled with increasing demand as countries emerged from lockdowns.

The Bank continues to evaluate the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators, in addition to other risk management practices to manage the potential business disruption that the COVID-19 outbreak may have on its operations and financial performance. The steps taken by management also include commencing review of credit exposure concentrations at a more granular level with a 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 loans, where required. These credit reviews also take into consideration the impacts of government and SAMA support relief programs.

The current events and the prevailing economic conditions require the Bank 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 estimation of expected credit losses or revisions to the scenario probabilities currently being used by the Bank in ECL estimation, and have been further adjusted during Q2 2020 as more reliable data has become available. The adjustments to macroeconomic factors and scenario weightings resulted in an ECL impact of SR 316 million for the Bank for the period ended 30 June 2020, which was previously recognized through Model Risk Overlays. The Bank’s ECL model continues to be sensitive to macroeconomic variables and scenario weightings. 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 an uncertain economic environment is judgmental, and the Bank will continue to reassess its position and the related impact on a regular basis.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED) (CONTINUED)  
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2020**

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

As at 30 June 2020, the Bank has also recognized COVID-19 provision overlays of SR 243 million and SR 180 million for corporate and retail financing respectively. These have been based on a sector-based analysis and staging analysis performed by the Bank in cognizance of the impacted portfolios. The Bank will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

**SAMA support programs and initiatives**

***Private Sector Financing Support Program***

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

- Deferred payments program;
- Facility Guaranteed Program;
- Loan guarantee program; and
- Point of sale (“POS”) and e-commerce service fee support program.

As part of the deferred payments program, the Bank is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Bank has affected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months without increasing the facility tenor. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modifications in the terms of arrangement. This resulted in the Bank recognising a day 1 modification loss of SR 76.8 million during March 31 2020.

To give effect to the guidance issued by SAMA during April 2020, the Bank has also deferred MSME customers classified as Stage 2 during Q2 2020 for the same period i.e. 14 March 2020 to 14 September 2020. This has resulted in additional modification loss amounting to SR 17.6 million which has been recognised during Q2 2020. The modification losses have been presented as part of net financing income. The Bank continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk. During the six months’ period ended 30 June 2020, SR 15.7 million has been charged to the statement of income relating to unwinding of modification losses.

In order to compensate all the related costs that the Bank is expected to incur under the SAMA and other public authorities program, the Bank has received total of SR 1.75 billion of profit free deposit from SAMA for 3 years. The benefit of the subsidised funding rate has been accounted for on a systematic basis in accordance with government grant accounting requirements. This resulted in a total income of SR 76.8 million which was recognised immediately as part of net financing income in the statement of income. The unwinding impact of this income equalling SR 6.4 million has been recognised in the statement of income during the six months’ period ended 30 June 2020. The management has exercised certain judgements in the recognition and measurement of this grant income. During Q2 2020, the Bank has received additional profit free deposit from SAMA amounting to SR 844 million with a tenure of 36 months. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. The management has exercised certain judgements in the recognition and measurement of this grant income.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED) (CONTINUED)**  
**FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2020**

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**21. 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 an amount of fifty billion riyals in order to:

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

In this regard, during Q2 2020, the Bank received SR 5.2 billion profit free deposit with one-year maturity. Management has determined based on the communication received from SAMA, that this government grant primarily relates to liquidity support. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 57 million, which has been deferred to be accounted for on a systematic basis.

As at 30 June 2020, the Bank is yet to participate in SAMA’s funding for lending and loan guarantee programs. Furthermore, the POS and e-commerce service fee programs have had an immaterial impact to the Bank’s financial statements.

**Health care sector support**

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Bank decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months. This resulted in the Bank recognizing a day 1 modification loss of SR 243.7 million as at 31 March 2020, which was been presented as part of net financing income. SR 15.2 million has been recognised in the statement of income on unwinding of this modification loss during Q2 2020.

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

The interim condensed consolidated financial statements were approved by the Board of Directors on 2 Dhul Hijjah 1441H (corresponding to 23 July 2020).