



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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As of and for the nine-month period ended 30 September 2022



KPMG Professional Services

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Airport Road
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Riyadh 11663
Kingdom of Saudi Arabia
Headquarters in Riyadh



**Ernst & Young Professional Services
(Professional LLC)**
Paid-up capital (SR 5,500,000 – Five million
five hundred thousand Saudi Riyal)
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Independent auditors' review report on the interim condensed consolidated financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Al Rajhi Banking and Investment Corporation** (the "Bank") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2022, and the interim condensed consolidated statements of income and comprehensive income for the three-month and the nine-month periods then ended, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the nine-month period then ended, and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other regulatory matters

As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 20 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 20 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

KPMG Professional Services



Khalil Ibrahim Al Sedais
Certified Public Accountant
License no. 371

Ernst and Young Professional Services



Waleed G. Tawfiq
Certified Public Accountant
License no. 437

1 Rabi al-Thani 1444H
(26 October 2022)

KPMG Professional Services
(Professional Closed Joint Stock Company)
Paid-up capital SR 25,000,000
C.R. No. 1010425494



AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Interim Condensed Consolidated Statement of Financial Position
(SAR'000)

| As at | Notes | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) | 30 September 2021 (Unaudited) |
|--|-------|-------------------------------------|----------------------------------|-------------------------------------|
| Assets | | | | |
| Cash and balances with Central Banks | 3 | 43,994,610 | 40,363,449 | 34,420,351 |
| Due from banks and other financial institutions, net | 4 | 14,743,557 | 26,065,392 | 27,518,001 |
| Investments, net | 5 | 101,001,183 | 84,138,142 | 81,762,175 |
| Financing, net | 7 | 557,498,103 | 452,830,657 | 420,953,774 |
| Investment in associate | | 806,342 | 295,253 | 285,386 |
| Investment properties, net | | 1,369,885 | 1,411,469 | 1,523,283 |
| Property and equipment, net | | 11,410,313 | 10,665,799 | 10,424,138 |
| Other assets, net | | 9,802,514 | 7,874,467 | 5,770,042 |
| Total assets | | 740,626,507 | 623,644,628 | 582,657,150 |
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Due to banks and other financial institutions | 8 | 71,828,451 | 17,952,140 | 14,733,090 |
| Customers' deposits | 9 | 555,767,068 | 512,072,213 | 478,330,787 |
| Other liabilities | | 26,929,750 | 26,338,711 | 25,984,027 |
| Total liabilities | | 654,525,269 | 556,363,064 | 519,047,904 |
| Equity | | | | |
| Share capital | 16 | 40,000,000 | 25,000,000 | 25,000,000 |
| Statutory reserve | | 25,000,000 | 25,000,000 | 25,000,000 |
| Other reserves | 11 | (355,900) | 282,107 | 622,077 |
| Retained earnings | | 14,957,138 | 16,999,457 | 12,987,169 |
| Equity attributable to shareholders of the Bank | | 79,601,238 | 67,281,564 | 63,609,246 |
| Tier 1 Sukuk | 19 | 6,500,000 | - | - |
| Total equity | | 86,101,238 | 67,281,564 | 63,609,246 |
| Total liabilities and equity | | 740,626,507 | 623,644,628 | 582,657,150 |

The accompanying notes from 1 to 25 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)
(SAR'000)

| | Notes | For the three-month ended 30 September | | For the nine-month ended 30 September | |
|---|-------|---|------------------|--|-------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Income | | | | | |
| Gross financing and investment income | | 7,297,320 | 5,529,829 | 19,668,034 | 15,687,725 |
| Gross financing and investment return | | (1,610,301) | (315,069) | (3,074,080) | (650,640) |
| Net financing and investment income | | 5,687,019 | 5,214,760 | 16,593,954 | 15,037,085 |
| Fee from banking services, net | | 1,134,861 | 975,941 | 3,445,281 | 2,819,037 |
| Exchange income, net | | 319,651 | 210,236 | 864,274 | 569,620 |
| Other operating income, net | | 64,927 | 176,745 | 407,371 | 435,838 |
| Total operating income | | 7,206,458 | 6,577,682 | 21,310,880 | 18,861,580 |
| Expenses | | | | | |
| Salaries and employees' related benefits | | 939,028 | 791,661 | 2,548,713 | 2,329,460 |
| Depreciation and amortization | | 322,528 | 297,708 | 966,300 | 837,110 |
| Other general and administrative expenses | | 599,494 | 664,624 | 1,935,152 | 1,969,002 |
| Total operating expenses before credit impairment charge | | 1,861,050 | 1,753,993 | 5,450,165 | 5,135,572 |
| Impairment charge for financing and other financial assets, net | 7 | 489,958 | 593,806 | 1,648,683 | 1,754,762 |
| Total operating expenses | | 2,351,008 | 2,347,799 | 7,098,848 | 6,890,334 |
| Net income for the period before Zakat | | 4,855,450 | 4,229,883 | 14,212,032 | 11,971,246 |
| Zakat Expense | 12 | (500,808) | (436,132) | (1,465,540) | (1,237,323) |
| Net income for the period | | 4,354,642 | 3,793,751 | 12,746,492 | 10,733,923 |
| Basic and diluted earnings per share (SAR) | 17 | 1.07 | 0.95 | 3.16 | 2.68 |

The accompanying notes from 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Authorized Board Member



Chief Executive Officer

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Chief Financial Officer



AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)
(SAR'000)

| | For the three-month ended 30 September | | For the nine-month ended 30 September | |
|---|---|-----------|--|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income for the period | 4,354,642 | 3,793,751 | 12,746,492 | 10,733,923 |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified to the interim consolidated statement of income in subsequent periods:</i> | | | | |
| - Net change in fair value (FVOCI equity investment) | (31,287) | 173,953 | (625,260) | 739,557 |
| - Re-measurement of employees' end of service benefits liabilities ("ESOB") | - | - | 158,712 | 48,810 |
| <i>Items that may be reclassified to the interim consolidated statement of income in subsequent periods:</i> | | | | |
| - Exchange difference on translating foreign operations | (36,788) | (6,066) | (76,976) | (24,522) |
| - Net change in fair value (FVOCI Sukuk investment) | (37,264) | - | (88,464) | - |
| - Share in FVOCI from associate | (13,432) | 4,824 | (6,019) | 20,910 |
| Total comprehensive income / (loss) | (118,771) | 172,711 | (638,007) | 784,755 |
| Total comprehensive income for the period | 4,235,871 | 3,966,462 | 12,108,485 | 11,518,678 |

The accompanying notes from 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Authorized Board Member



Chief Executive Officer

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Chief Financial Officer



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

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

(SAR'000)

| For nine-month period ended 30 September 2022 | | Share capital | Statutory reserve | Other reserves | Retained earnings | Total equity attributable to shareholders of the Bank | Tier 1 Sukuk | Total equity |
|--|-------|-------------------|-------------------|------------------|-------------------|---|------------------|-------------------|
| | Notes | | | | | | | |
| 31 December 2021 | | 25,000,000 | 25,000,000 | 282,107 | 16,999,457 | 67,281,564 | - | 67,281,564 |
| Net income for the period | | - | - | - | 12,746,492 | 12,746,492 | - | 12,746,492 |
| Net change in fair value of FVOCI Equity investments | | - | - | (38,537) | - | (38,537) | - | (38,537) |
| Net change in fair value of FVOCI Sukuk investments | | - | - | (88,464) | - | (88,464) | - | (88,464) |
| Share in FVOCI from associate | | - | - | (6,019) | - | (6,019) | - | (6,019) |
| Actuarial gain on employees' end of service benefits ("EOSB") | | - | - | 158,712 | - | 158,712 | - | 158,712 |
| Disposal of FVOCI equity instruments | | - | - | (586,723) | - | (586,723) | - | (586,723) |
| Exchange difference on translation of foreign operations | | - | - | (76,976) | - | (76,976) | - | (76,976) |
| Net other comprehensive income (loss) recognized in shareholders' equity | | - | - | (638,007) | - | (638,007) | - | (638,007) |
| Total comprehensive income for the period | | - | - | (638,007) | 12,746,492 | 12,108,485 | - | 12,108,485 |
| Disposal of FVOCI equity instruments | | - | - | - | 326,711 | 326,711 | - | 326,711 |
| Tier 1 Sukuk issued | 19 | - | - | - | - | - | 6,500,000 | 6,500,000 |
| Tier 1 Sukuk costs | 19 | - | - | - | (115,522) | (115,522) | - | (115,522) |
| Bonus shares issued | 18 | 15,000,000 | - | - | (15,000,000) | - | - | - |
| Balance at 30 September 2022 | | 40,000,000 | 25,000,000 | (355,900) | 14,957,138 | 79,601,238 | 6,500,000 | 86,101,238 |
| For nine-month period ended 30 September 2021 | | | | | | | | |
| Balance at 31 December 2020 | | 25,000,000 | 25,000,000 | (162,678) | 8,253,246 | 58,090,568 | - | 58,090,568 |
| Net income for the period | | - | - | - | 10,733,923 | 10,733,923 | - | 10,733,923 |
| Net change in fair value of FVOCI investments | | - | - | 739,557 | - | 739,557 | - | 739,557 |
| Share in FVOCI from associate | | - | - | 20,910 | - | 20,910 | - | 20,910 |
| Actuarial gain on employees' end of service benefits ("EOSB") | | - | - | 48,810 | - | 48,810 | - | 48,810 |
| Exchange difference on translation of foreign operations | | - | - | (24,522) | - | (24,522) | - | (24,522) |
| Net other comprehensive income recognized in shareholders' equity | | - | - | 784,755 | - | 784,755 | - | 784,755 |
| Total comprehensive income for the period | | - | - | 784,755 | 10,733,923 | 11,518,678 | - | 11,518,678 |
| Dividend for annual year 2020 | | - | - | - | (2,500,000) | (2,500,000) | - | (2,500,000) |
| Interim Dividend for the first half of 2021 | | - | - | - | (3,500,000) | (3,500,000) | - | (3,500,000) |
| Balance at 30 September 2021 | | 25,000,000 | 25,000,000 | 622,077 | 12,987,169 | 63,609,246 | - | 63,609,246 |

The accompanying notes from 1 to 25 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)
(SAR'000)

| For the nine-month period ended 30 September | Note | 2022 | 2021 |
|---|------|-------------------|-------------------|
| Cash Flows from operating activities | | | |
| Income before Zakat | | 14,212,032 | 11,971,246 |
| Adjustments to reconcile net income to net cash from operating activities: | | | |
| Loss/(gain) on investments held at fair value through statement of income (FVIS) | | 95,529 | (9,580) |
| Depreciation and amortization | | 924,716 | 819,182 |
| Depreciation on investment properties | | 41,584 | 17,928 |
| Gain on sale of property and equipment, net | | (943) | (43,420) |
| Impairment charge for financing and other financial assets, net | 7 | 1,648,683 | 1,754,762 |
| Share in profit of an associate | | (5,938) | (46,207) |
| (Increase) / decrease in operating assets | | | |
| Statutory deposit with SAMA and other central banks | | (1,991,753) | (4,949,764) |
| Due from banks and other financial institutions | | 6,674,433 | 950,038 |
| Financing | | (106,316,129) | (106,996,435) |
| FVIS investments | | (356,627) | (797,861) |
| Other assets, net | | (1,851,071) | (788,524) |
| Decrease in operating liabilities | | | |
| Due to banks and other financial institutions | | 53,876,311 | 3,969,029 |
| Customers' deposits | | 43,694,855 | 95,699,784 |
| Other liabilities | | 979,790 | 8,672,886 |
| Net cash from operating activities before Zakat | | 11,625,472 | 10,223,064 |
| Zakat paid | | (1,695,579) | (1,221,071) |
| Net cash generated from operating activities | | 9,929,893 | 9,001,993 |

The accompanying notes from 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Authorized Board Member

Chief Executive Officer

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Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

(SAR'000)

| For the nine-month period ended 30 September | Note | 2022 | 2021 |
|---|------|---------------------|---------------------|
| Cash flows from investing activities | | | |
| Purchase of property and equipment | | (1,791,480) | (1,156,247) |
| Proceeds from disposal of property and equipment | | 123,194 | 191,132 |
| Purchase of FVOCI investments | | - | (1,734,230) |
| Proceeds from disposal of FVOCI investments | | 2,868,839 | 178,363 |
| Proceeds from maturities of investments held at amortised cost | | 9,515,321 | 4,294,800 |
| Purchase of investments held at amortised cost | | (29,521,556) | (22,826,368) |
| Investment in associates | | (487,000) | - |
| Net cash used in investing activities | | (19,292,682) | (21,052,550) |
| Cash flows from financing activities | | | |
| Dividends paid | | - | (6,000,000) |
| Tier I Sukuk costs | | (115,522) | - |
| Tier 1 Sukuk issuance | 19 | 6,500,000 | - |
| Payment against lease obligation | | (29,683) | (28,182) |
| Net cash generated from / (used in) financing activities | | 6,354,795 | (6,028,182) |
| Net decrease in cash and cash equivalents | | (3,007,994) | (18,078,739) |
| Cash and cash equivalents at the beginning of the period | 13 | 24,296,788 | 34,086,995 |
| Cash and cash equivalents at end of the period | 13 | 21,288,794 | 16,008,256 |

The accompanying notes from 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Authorized Board Member

Chief Executive Officer

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Chief Financial Officer

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

Notes to the Interim Condensed Consolidated Financial Statements

(SAR'000)

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 Qadah 1407H (corresponding to 29 June 1987) and in accordance with Article 6 of the Council of Ministers' Resolution No. 245, dated 26 Shawal 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 [Also see Note 2(b)]:

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.

The Bank is regulated by the Saudi Central Bank (SAMA).

2 - Summary of significant accounting policies

(a) Basis of preparation

The interim condensed consolidated financial statements of the Group as at and for the period ended 30 September 2022 and 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

The consolidated financial statements of the Group as at and for the year ended 31 December 2021, were prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA.

The preparation of these interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities and income and expense. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the annual consolidated financial statements as of and for the year ended December 31, 2021, except as disclosed note 2.e below.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands, except where otherwise indicated.

Notes to the Interim Condensed Consolidated Financial Statements

(SAR'000)

2

- Summary of significant accounting policies (Continued)

(b) Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Bank and the financial statements of the subsidiaries, as stated in note 2.c below (collectively referred to as the "Group" in these interim condensed consolidated financial statements). The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Adjustments have been made to the interim condensed consolidated financial statements of the subsidiaries, where necessary, to align with the Bank's interim condensed consolidated financial statements.

Subsidiaries are the investees that are controlled by the Group. The Group controls an investee only when it has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

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; and
- The Group's current and potential voting rights granted by equity instruments such as shares.

The Group re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more elements of control. Subsidiaries are consolidated from the date on which the control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated financial statements from the effective date of the acquisition or up to the effective date of disposal, as appropriate. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to the consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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.

One of the Group's subsidiaries acts as Fund Manager to several investment funds. Determining whether the Group controls individual investment funds usually focuses on the assessment of the aggregate economic relations of the Group in each fund (comprising any carried relations and expected management fees) and the investors' rights to remove the Fund Manager. As a result, the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated any of these funds.

2 - Summary of significant accounting policies (Continued)

(c) **Subsidiaries**

| Name of subsidiaries | Shareholding | | |
|--|--------------|------|--|
| | 2022 | 2021 | |
| 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. |
| Management and Development for Human Resources Company – KSA | 100% | 100% | A limited liability company registered in Kingdom of Saudi Arabia to provide recruitment services. |
| Al Rajhi Bank – Kuwait | 100% | 100% | A foreign branch registered with the Central Bank of Kuwait. |
| Al Rajhi Bank – Jordan | 100% | 100% | A foreign branch operating in Hashemite Kingdom of Jordan, providing all financial, banking, and investments services and importing and trading in precious metals and stones in accordance with Islamic Sharia'a rules and under the applicable banking law. |
| Tuder Real Estate 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. |

2 - Summary of significant accounting policies (Continued)

(c) Subsidiaries (Continued)

| Name of subsidiaries | Shareholding | | |
|---|--------------|------|---|
| | 2022 | 2021 | |
| 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. |
| International Digital Solutions Co. (Neoleap) | 100% | 100% | A closed joint stock company owned by the Bank for the purpose of practicing technical work in financial services, digital payment systems, financial settlements and related services. |
| Ejada System Limited Co. | 100% | - | A Saudi Limited Liability owned by the Bank for the purpose of providing professional, scientific, technological activities, information communication services, and system analysis and senior management consultation services. |

(d) Acquisition of Ejada System Limited Company

On 1 February 2022, the Group completed the process and legal formalities of the acquisition of the entire shares of Ejada Systems Limited (a Saudi limited liability company) that is a leading IT service provider within the Kingdom of Saudi Arabia and Region. This is a strategic move of Al Rajhi Bank as a Group to have the necessary initiatives towards the financial digital transformation, and subsidizing its customers and markets with innovative ecosystem solutions. Refer to note 23 for further details on business combination.

(e) Changes in accounting policies due to adoption of new standards, interpretations and amendments adopted by the Group

The Group applied for the first-time certain standards interpretations and amendments, which are effective for annual periods beginning on or after 1 January 2022 which had no material impact on the Group interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have an impact on the current interim condensed consolidated financial statements of the Group.

Notes to the Interim Condensed Consolidated Financial Statements

(SAR'000)

2 - Summary of significant accounting policies (Continued)

(e) Changes in accounting policies due to adoption of new standards, interpretations and amendments adopted by the Group (Continued)

The Following standards, interpretations and amendments are effective from the current year and are adopted by the Group, however, these do not have any significant impact on the interim condensed consolidated financial statements of the period unless otherwise stated below:

| Standard, interpretation and amendments | Description | Effective date |
|--|---|--|
| Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient | As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the periods in which the event or condition that triggers the reduced payment occurs. | Annual periods beginning on or after 1 April 2021 |
| A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 | <p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.</p> | Annual periods beginning on or after 1 January 2022. |
| Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities | <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</p> <p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p> | Deferred until accounting periods starting not earlier than 1 January 2024 |

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2 - Summary of significant accounting policies (Continued)

(f) Changes of new standards but not yet effective

The International Accounting Standard Board (IASB) has issued following standards, amendments, which will become effective from periods beginning on or after 1 January 2023. The Group has opted not to early adopt these changes and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

| Standard, interpretation and amendments | Description | Effective date |
|---|--|--|
| Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. | Annual periods beginning on or after 1 January 2023. |
| IFRS 17, 'Insurance contracts', as amended in June 2020 | This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. | Annual periods beginning on or after 1 January 2023. |
| A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts | <p>The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.</p> <p>IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.</p> <p>The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p> | Annual periods beginning on or after 1 January 2023. |
| Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction | <p>The amendment will help to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p> <p>These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.</p> | Annual periods beginning on or after 1 January 2023. |

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3 - Cash and balances with Central Banks

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

| | 30 September 2022 | 31 December 2021 | 30 September 2021 |
|---|------------------------------|---------------------|----------------------|
| Cash in hand | 6,073,173 | 5,445,994 | 5,489,751 |
| Statutory deposit | 30,795,283 | 28,803,530 | 28,409,304 |
| Balances with central banks (current accounts) | 274,772 | 314,005 | 521,296 |
| Mutajara with SAMA | 6,851,382 | 5,799,920 | - |
| Total | 43,994,610 | 40,363,449 | 34,420,351 |

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

4 - Due from banks and other financial institutions, net

Due from banks and other financial institutions comprise the following:

| | 30 September 2022 | 31 December 2021 | 30 September 2021 |
|--|------------------------------|---------------------|----------------------|
| Current accounts | 3,680,863 | 2,056,541 | 1,465,252 |
| Mutajara | 11,066,114 | 24,013,126 | 26,059,065 |
| Less: Allowance for expect credit losses | (3,420) | (4,275) | (6,316) |
| Total | 14,743,557 | 26,065,392 | 27,518,001 |

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5 - Investments, net

(a) Investments comprise the following:

| | 30 September 2022 | 31 December 2021 | 30 September 2021 |
|---|----------------------|---------------------|----------------------|
| Investments held at amortized cost | | | |
| Murabaha with Saudi Government and SAMA | 22,691,942 | 22,611,987 | 22,646,364 |
| Sukuk | 67,986,525 | 48,102,603 | 45,661,776 |
| Structured Products | 1,000,000 | 1,000,000 | 1,000,000 |
| Less: Impairment (Stage 1) | (42,379) | (31,824) | (35,068) |
| Total investments held at amortized cost | 91,636,088 | 71,682,766 | 69,273,072 |
| Investments held as FVIS | | | |
| Mutual funds | 2,963,536 | 2,650,605 | 2,347,579 |
| Structured Products | 699,809 | 788,765 | 1,498,644 |
| Sukuk | 69,803 | 32,680 | 30,153 |
| Total FVIS investments | 3,733,148 | 3,472,050 | 3,876,376 |
| FVOCI investments | | | |
| Equity investments | 2,386,675 | 5,148,946 | 4,967,846 |
| Sukuk | 3,245,500 | 3,834,641 | 3,645,205 |
| Less: Impairment (Stage 1) | (228) | (261) | (324) |
| Total FVOCI investments | 5,631,947 | 8,983,326 | 8,612,727 |
| Investments, net | 101,001,183 | 84,138,142 | 81,762,175 |

(b) The domestic and international allocation of the Group's investments are summarized as follows:

| 30 September 2022 | Domestic | International | Total |
|---|-------------------|------------------|--------------------|
| Investments held at amortized cost: | | | |
| Fixed-rate Sukuk | 56,816,457 | 6,827,010 | 63,643,467 |
| Floating-rate Sukuk | 27,035,000 | - | 27,035,000 |
| Structured products | 500,000 | 500,000 | 1,000,000 |
| Less: Impairment (Stage 1) | (42,379) | - | (42,379) |
| Total investments held at amortized cost | 84,309,078 | 7,327,010 | 91,636,088 |
| Investments held as FVIS | | | |
| Mutual funds | 2,963,536 | - | 2,963,536 |
| Structured Products | 495,962 | 203,847 | 699,809 |
| Fixed-rate Sukuk | 69,803 | - | 69,803 |
| Total FVIS investments | 3,529,301 | 203,847 | 3,733,148 |
| Investments held as FVOCI: | | | |
| Fixed-rate Sukuk | 1,188,559 | 2,056,941 | 3,245,500 |
| Equity investments | 2,365,768 | 20,907 | 2,386,675 |
| Less: Impairment (Stage 1) | - | (228) | (228) |
| Total FVOCI investments | 3,554,327 | 2,077,620 | 5,631,947 |
| Investments, net | 91,392,706 | 9,608,477 | 101,001,183 |

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5 - Investments, net (Continued)

(b) The domestic and international allocation of the Group's investments are summarized as follows: (Continued)

| 31 December 2021 | Domestic | International | Total |
|---|-------------------|------------------|-------------------|
| Investments held at amortized cost: | | | |
| Fixed-rate Sukuk | 40,949,233 | 4,910,357 | 45,859,590 |
| Floating-rate Sukuk | 24,855,000 | - | 24,855,000 |
| Structured products | 500,000 | 500,000 | 1,000,000 |
| Less: Impairment (Stage 1) | (31,824) | - | (31,824) |
| Total investments held at amortized cost | 66,272,409 | 5,410,357 | 71,682,766 |
| Investments held as FVIS | | | |
| Mutual funds | 2,650,600 | - | 2,650,600 |
| Structured Products | 500,000 | 288,770 | 788,770 |
| Fixed-rate Sukuk | 32,680 | - | 32,680 |
| Total FVIS investments | 3,183,280 | 288,770 | 3,472,050 |
| Investments held as FVOCI: | | | |
| Fixed-rate Sukuk | 2,128,346 | 1,532,873 | 3,661,219 |
| Equity investments | 5,128,039 | 194,329 | 5,322,368 |
| Less: Impairment (Stage 1) | - | (261) | (261) |
| Total FVOCI investments | 7,256,385 | 1,726,941 | 8,983,326 |
| Investments, net | 76,712,074 | 7,426,068 | 84,138,142 |

| 30 September 2021 | Domestic | International | Total |
|---|-------------------|------------------|-------------------|
| Investments held at amortized cost: | | | |
| Fixed-rate Sukuk | 38,615,351 | 4,762,789 | 43,378,140 |
| Floating-rate Sukuk | 24,930,000 | - | 24,930,000 |
| Structured products | 500,000 | 500,000 | 1,000,000 |
| Less: Impairment (Stage 1) | (35,068) | - | (35,068) |
| Total investments held at amortized cost | 64,010,283 | 5,262,789 | 69,273,072 |
| Investments held as FVIS | | | |
| Mutual funds | 2,347,579 | - | 2,347,579 |
| Structured Products | 521,144 | 977,500 | 1,498,644 |
| Fixed-rate Sukuk | 30,153 | - | 30,153 |
| Total FVIS investments | 2,898,876 | 977,500 | 3,876,376 |
| Investments held as FVOCI: | | | |
| Fixed-rate Sukuk | 2,025,704 | 1,619,501 | 3,645,205 |
| Equity investments | 4,946,939 | 20,907 | 4,967,846 |
| Less: Impairment (Stage 1) | - | (324) | (324) |
| Total investments held as FVOCI | 6,972,643 | 1,640,084 | 8,612,727 |
| Investments, net | 73,881,802 | 7,880,373 | 81,762,175 |

Notes to the Interim Condensed Consolidated Financial Statements

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- Shariah compliant derivatives

The table below summarises the positive and negative fair values of Shariah compliant derivatives, together with the notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the period-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group'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 profit rate swaps, counterparties generally exchange fixed and floating rate profit payments in a single currency without exchanging principal. For cross-currency profit rate swaps, principal, fixed and floating profit 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.

(c) FX Swaps

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

The tables below show the positive and negative fair values of derivatives, together with the notional amounts:

| 30 September 2022 | Positive fair value | Negative fair value | Notional amount total |
|------------------------------------|---------------------|---------------------|-----------------------|
| Held for trading: | | | |
| Profit rate swaps | 1,576,303 | (1,510,689) | 21,286,054 |
| Foreign exchange forward contracts | 11,758 | (3,919) | 72,751 |
| FX Swaps | 32,108 | (15,362) | 8,926,293 |
| Total | 1,620,169 | (1,529,970) | 30,285,098 |

| 31 December 2021 | Positive fair value | Negative fair value | Notional amount total |
|------------------------------------|---------------------|---------------------|-----------------------|
| Held for trading: | | | |
| Profit rate swaps | 317,731 | (288,492) | 17,305,197 |
| Foreign exchange forward contracts | 14,277 | (13,906) | 227,966 |
| FX Swaps | 20,077 | (8,740) | 7,443,526 |
| Total | 352,085 | (311,138) | 24,976,689 |

| 30 September 2021 | Positive fair value | Negative fair value | Notional amount total |
|------------------------------------|---------------------|---------------------|-----------------------|
| Held for trading: | | | |
| Profit rate swaps | 264,033 | (235,585) | 15,708,188 |
| Foreign exchange forward contracts | 7,747 | (6,040) | 181,879 |
| FX Swaps | 6,832 | (7,243) | 8,722,333 |
| Total | 278,612 | (248,868) | 24,612,400 |

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7 - Financing, net

(a) Net financing held at amortized cost:

| 30 September 2022 | Retail | Corporate | Total |
|------------------------------------|--------------------|--------------------|--------------------|
| Performing financing | 428,247,791 | 134,622,717 | 562,870,508 |
| Non-performing financing | 1,614,328 | 1,504,107 | 3,118,435 |
| Gross financing | 429,862,119 | 136,126,824 | 565,988,943 |
| Provision for financing impairment | (4,670,669) | (3,820,171) | (8,490,840) |
| Financing, net | 425,191,450 | 132,306,653 | 557,498,103 |

| 31 December 2021 | Retail | Corporate | Total |
|------------------------------------|--------------------|-------------------|--------------------|
| Performing financing | 369,450,683 | 89,568,028 | 459,018,711 |
| Non-performing financing | 1,500,097 | 1,510,003 | 3,010,100 |
| Gross financing | 370,950,780 | 91,078,031 | 462,028,811 |
| Provision for financing impairment | (5,201,431) | (3,996,723) | (9,198,154) |
| Financing, net | 365,749,349 | 87,081,308 | 452,830,657 |

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

(b) The movement in the allowance for impairment of financing is as follows:

| | 30 September 2022 | 30 September 2021 |
|---|--------------------------|-------------------|
| Balance at the beginning of the period | 9,198,154 | 7,471,356 |
| Provided for the period | 2,706,158 | 2,944,252 |
| Bad debt written off | (3,413,472) | (1,530,361) |
| Balance at the end of the period | 8,490,840 | 8,885,247 |

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

| | 30 September 2022 | 30 September 2021 |
|--|--------------------------|-------------------|
| Provided for the period | 2,745,736 | 2,851,713 |
| Recovery of written off financing for the period | (1,097,053) | (1,096,951) |
| Allowance for financing impairment, net | 1,648,683 | 1,754,762 |

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7 - Financing, net (Continued)

(d) The movement of financing by stages is as follows:

| | Gross carrying amount as of 30 September 2022 | | | |
|---|---|---------------------------------------|---|--------------------|
| | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit impaired) | Total |
| Financing | | | | |
| At 1 January 2022 | 448,294,309 | 9,557,878 | 4,176,624 | 462,028,811 |
| Transfers: | | | | |
| Transfer to 12-month ECL | 1,939,707 | (1,908,436) | (31,271) | - |
| Transfer to Lifetime ECL not credit impaired | (5,075,477) | 5,316,999 | (241,522) | - |
| Transfer to Lifetime ECL credit impaired | (1,123,303) | (1,695,819) | 2,819,122 | - |
| Write-offs | - | - | (3,413,472) | (3,413,472) |
| New business/ Other movements | 107,768,596 | (1,574,153) | 1,179,161 | 107,373,604 |
| At 30 September 2022 | 551,803,832 | 9,696,469 | 4,488,642 | 565,988,943 |

| | Gross carrying amount as of 31 December 2021 | | | |
|---|--|---------------------------------------|---|--------------------|
| | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit impaired) | Total |
| Financing | | | | |
| At 1 January 2021 | 311,275,457 | 8,460,233 | 3,447,767 | 323,183,457 |
| Transfers: | | | | |
| Transfer to 12-month ECL | 1,538,438 | (1,534,491) | (3,947) | - |
| Transfer to Lifetime ECL not credit impaired | (3,669,318) | 3,836,110 | (166,792) | - |
| Transfer to Lifetime ECL credit impaired | (687,863) | (271,691) | 959,554 | - |
| Write-offs | - | - | (2,075,430) | (2,075,430) |
| New business/ Other movements | 139,837,595 | (932,283) | 2,015,472 | 140,920,784 |
| At 31 December 2021 | 448,294,309 | 9,557,878 | 4,176,624 | 462,028,811 |

| | Gross carrying amount as of 30 September 2021 | | | |
|---|---|---------------------------------------|---|--------------------|
| | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit impaired) | Total |
| Financing | | | | |
| At 1 January 2021 | 311,275,457 | 8,460,233 | 3,447,767 | 323,183,457 |
| Transfers: | | | | |
| Transfer to 12-month ECL | 1,403,156 | (1,403,156) | - | - |
| Transfer to Lifetime ECL not credit impaired | (3,039,322) | 3,194,000 | (154,678) | - |
| Transfer to Lifetime ECL credit impaired | (567,065) | (336,561) | 903,626 | - |
| Write-offs | - | - | (1,530,361) | (1,530,361) |
| New business/ Other movements | 107,992,965 | (1,127,658) | 1,320,618 | 108,185,925 |
| At 30 September 2021 | 417,065,191 | 8,786,858 | 3,986,972 | 429,839,021 |

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7 - Financing, net (Continued)

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

| | Credit loss allowance as of 30 September 2022 | | | Total |
|---|---|---------------------------------------|--|------------------|
| | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit impaired) | |
| ECL allowances for impairment of financing | | | | |
| At 1 January 2022 | 3,712,975 | 2,326,414 | 3,158,765 | 9,198,154 |
| Transfers: | | | | |
| Transfer to 12-month ECL | 384,713 | (365,514) | (19,199) | - |
| Transfer to Lifetime ECL not credit impaired | (139,374) | 305,215 | (165,841) | - |
| Transfer to Lifetime ECL credit impaired | (41,184) | (657,823) | 699,007 | - |
| Write-offs | - | - | (3,413,472) | (3,413,472) |
| Net Charge for the Period | (318,954) | 315,462 | 2,709,650 | 2,706,158 |
| At 30 September 2022 | 3,598,176 | 1,923,754 | 2,968,910 | 8,490,840 |

| | Credit loss allowance as of 31 December 2021 | | | Total |
|---|--|---------------------------------------|--|------------------|
| | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit impaired) | |
| ECL allowances for impairment of financing | | | | |
| At 1 January 2021 | 2,944,807 | 2,030,356 | 2,496,193 | 7,471,356 |
| Transfers: | | | | |
| Transfer to 12-month ECL | 314,742 | (312,458) | (2,284) | - |
| Transfer to Lifetime ECL not credit impaired | (79,419) | 174,580 | (95,161) | - |
| Transfer to Lifetime ECL credit impaired | (47,348) | (126,873) | 174,221 | - |
| Write-offs | - | - | (2,075,430) | (2,075,430) |
| Net Charge for the Period | 580,193 | 560,809 | 2,661,226 | 3,802,228 |
| At 31 December 2021 | 3,712,975 | 2,326,414 | 3,158,765 | 9,198,154 |

| | Credit loss allowance as of 30 September 2021 | | | Total |
|---|---|---------------------------------------|--|------------------|
| | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit impaired) | |
| ECL allowances for impairment of financing | | | | |
| At 1 January 2021 | 2,944,807 | 2,030,356 | 2,496,193 | 7,471,356 |
| Transfers: | | | | |
| Transfer to 12-month ECL | 269,440 | (269,440) | - | - |
| Transfer to Lifetime ECL not credit impaired | (72,989) | 157,247 | (84,258) | - |
| Transfer to Lifetime ECL credit impaired | (17,900) | (156,718) | 174,618 | - |
| Write-offs | - | - | (1,530,361) | (1,530,361) |
| Net Charge for the Period | 464,870 | 678,879 | 1,800,503 | 2,944,252 |
| At 30 September 2021 | 3,588,228 | 2,440,324 | 2,856,695 | 8,885,247 |

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8 - Due to banks and other financial institutions

Due to banks and other financial institutions comprise the following:

| | 30 September 2022 | 31 December 2021 | 30 September 2021 |
|-------------------------|--------------------------|------------------|-------------------|
| Current accounts | 874,915 | 1,749,131 | 702,870 |
| Banks' time investments | 70,953,536 | 16,203,009 | 14,030,220 |
| Total | 71,828,451 | 17,952,140 | 14,733,090 |

9 - Customers' deposits

Customers' deposits by type comprise the following:

| | 30 September 2022 | 31 December 2021 | 30 September 2021 |
|-----------------------------------|--------------------------|------------------|-------------------|
| Demand deposits and call accounts | 378,822,738 | 374,725,352 | 364,297,986 |
| Customers' time investments | 165,756,055 | 130,293,061 | 107,265,258 |
| Other customer accounts | 11,188,275 | 7,053,800 | 6,767,543 |
| Total | 555,767,068 | 512,072,213 | 478,330,787 |

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

10 - Commitments and contingencies

(a) **Commitments and contingencies comprise the following:**

| | 30 September 2022 | 31 December 2021 | 30 September 2021 |
|--|--------------------------|------------------|-------------------|
| Letters of credit | 6,575,534 | 5,213,221 | 4,843,484 |
| Acceptances | 1,592,572 | 857,560 | 583,191 |
| Letters of guarantee | 11,927,937 | 7,731,576 | 6,247,700 |
| Irrevocable commitments to extend credit | 17,337,978 | 11,284,872 | 12,733,054 |
| Total | 37,434,021 | 25,087,229 | 24,407,429 |

(b) **Legal proceedings**

As at 30 September 2022, there were certain legal proceedings outstanding against the Group in the normal course of business including those relating to the extension of credit facilities. Such proceedings are being reviewed by the concerned parties.

Provisions have been made for some of these legal cases based on the assessment of the Group's legal advisors.

The Bank was named as one of many defendants in certain lawsuits initiated in the US commencing in 2002. The Bank was successful in defending the claims, all of which were finally dismissed by the relevant courts. With respect to new lawsuits commencing in 2016, however, the most recent dismissal was reversed by the court of appeals to permit limited jurisdictional discovery, which commenced in 2021. The Bank's management believes that the claims will be defended successfully, although note that there are inherent uncertainties in litigation.

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- Commitments and contingencies (Continued)

(c) Commitments and contingencies that may result in credit exposure

The table below shows the gross carrying amount and ECL allowance of the financing commitments and financial guarantees.

| 30 September 2022 | Letter of Credit | Acceptance | Letter of guarantees | Irrevocable commitments to extend credit | Total |
|---|------------------|------------------|----------------------|--|-------------------|
| Gross carrying amount | | | | | |
| Stage 1 - (12-months ECL) | 6,569,229 | 1,588,027 | 11,225,499 | 17,210,844 | 36,593,599 |
| Stage 2 - (lifetime ECL not credit impaired) | 5,946 | 626 | 339,718 | 127,134 | 473,424 |
| Stage 3 - (lifetime ECL for credit impaired) | 359 | 3,919 | 362,720 | - | 366,998 |
| Total outstanding balance at end of the period | 6,575,534 | 1,592,572 | 11,927,937 | 17,337,978 | 37,434,021 |

| 30 September 2022 | Letter of Credit | Acceptance | Letter of guarantees | Irrevocable commitments to extend credit | Total |
|--|------------------|--------------|----------------------|--|----------------|
| Credit loss allowance of the financing commitments and financial guarantees | | | | | |
| Stage 1 - (12-months ECL) | 76,477 | 3,185 | 15,931 | 21,235 | 116,828 |
| Stage 2 - (lifetime ECL not credit impaired) | 19 | 1 | 4,308 | 2,022 | 6,350 |
| Stage 3 - (lifetime ECL for credit impaired) | 356 | 3,548 | 312,213 | - | 316,117 |
| Total | 76,852 | 6,734 | 332,452 | 23,257 | 439,295 |

| 31 December 2021 | Letter of Credit | Acceptance | Letter of guarantees | Irrevocable commitments to extend credit | Total |
|---|------------------|----------------|----------------------|--|-------------------|
| Gross carrying amount | | | | | |
| Stage 1 - (12-months ECL) | 5,186,457 | 856,792 | 7,006,356 | 11,065,878 | 24,115,483 |
| Stage 2 - (lifetime ECL not credit impaired) | 24,328 | 768 | 356,166 | 210,608 | 591,870 |
| Stage 3 - (lifetime ECL for credit impaired) | 2,436 | - | 369,054 | 8,386 | 379,876 |
| Total outstanding balance at end of the year | 5,213,221 | 857,560 | 7,731,576 | 11,284,872 | 25,087,229 |

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- Commitments and contingencies (Continued)

(c) Commitments and contingencies that may result in credit exposure (Continued)

| 31 December 2021 | Letter of Credit | Acceptance | Letter of guarantees | Irrevocable commitments to extend credit | Total |
|--|------------------|------------|----------------------|--|----------------|
| Credit loss allowance of the financing commitments and financial guarantees | | | | | |
| Stage 1 - (12-months ECL) | 61,532 | 821 | 13,780 | 6,982 | 83,115 |
| Stage 2 - (lifetime ECL not credit impaired) | 103 | 39 | 2,727 | 2,043 | 4,912 |
| Stage 3 - (lifetime ECL for credit impaired) | 2,436 | - | 319,577 | 5,551 | 327,564 |
| Total | 64,071 | 860 | 336,084 | 14,576 | 415,591 |

| 30 September 2021 | Letter of Credit | Acceptance | Letter of guarantees | Irrevocable commitments to extend credit | Total |
|---|------------------|----------------|----------------------|--|-------------------|
| Gross carrying amount | | | | | |
| Stage 1 - (12-months ECL) | 4,827,309 | 582,424 | 5,406,709 | 12,508,652 | 23,325,094 |
| Stage 2 - (lifetime ECL not credit impaired) | 12,666 | 767 | 419,955 | 216,011 | 649,399 |
| Stage 3 - (lifetime ECL for credit impaired) | 3,509 | - | 421,036 | 8,391 | 432,936 |
| Total outstanding balance at end of the period | 4,843,484 | 583,191 | 6,247,700 | 12,733,054 | 24,407,429 |

| 30 September 2021 | Letter of Credit | Acceptance | Letter of guarantees | Irrevocable commitments to extend credit | Total |
|--|------------------|------------|----------------------|--|----------------|
| Credit loss allowance of the financing commitments and financial guarantees | | | | | |
| Stage 1 - (12-months ECL) | 40,189 | 690 | 12,863 | 5,733 | 59,475 |
| Stage 2 - (lifetime ECL not credit impaired) | 29 | 25 | 2,323 | 1,709 | 4,086 |
| Stage 3 - (lifetime ECL for credit impaired) | 3,509 | - | 380,081 | 6,033 | 389,623 |
| Total | 43,727 | 715 | 395,267 | 13,475 | 453,184 |

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11 - Other Reserves

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

12 - Zakat

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

13 - Cash and cash equivalents

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

| | 30 September 2022 | 31 December 2021 | 30 September 2021 |
|---|----------------------------------|------------------------|-------------------------|
| Cash in hand | 6,073,173 | 5,445,994 | 5,489,751 |
| Due from banks and other financial institutions maturing within 90 days from the date of purchase | 8,089,467 | 12,736,869 | 9,997,209 |
| Balances with SAMA and other central banks (current accounts) | 274,772 | 314,005 | 521,296 |
| Mutajara with SAMA | 6,851,382 | 5,799,920 | - |
| Cash and cash equivalents | 21,288,794 | 24,296,788 | 16,008,256 |

14 - Operating segments

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

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

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2021.

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

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

The Group's total assets and liabilities as at 30 September 2022 and 2021 together with the total operating income and expenses, and income before zakat for the nine-month periods then ended, for each business segment, are analyzed as follows:

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14 - Operating segments (Continued)

| 30 September 2022 | Retail segment | Corporate segment | Treasury segment | Investment services and brokerage segment | Total |
|---|--------------------|--------------------|--------------------|---|--------------------|
| Total Assets | 446,073,658 | 132,424,010 | 154,795,612 | 7,333,227 | 740,626,507 |
| Total Liabilities | 306,743,063 | 262,988,514 | 84,251,168 | 542,524 | 654,525,269 |
| Financing and investment income from external customers | 14,201,633 | 3,252,747 | 2,123,089 | 90,565 | 19,668,034 |
| Inter-segment operating income /(expense) | (4,977,435) | 1,196,258 | 3,781,177 | - | - |
| Gross financing and investment income | 9,224,198 | 4,449,005 | 5,904,266 | 90,565 | 19,668,034 |
| Gross financing and investment return | (210,347) | (2,144,599) | (719,134) | - | (3,074,080) |
| Net financing and investment income | 9,013,851 | 2,304,406 | 5,185,132 | 90,565 | 16,593,954 |
| Fee from banking services, net | 1,288,497 | 661,130 | 970,204 | 525,450 | 3,445,281 |
| Exchange income, net | 431,435 | 157,681 | 275,158 | - | 864,274 |
| Other operating income, net | 2,978 | 9,109 | 236,817 | 158,467 | 407,371 |
| Total operating income | 10,736,761 | 3,132,326 | 6,667,311 | 774,482 | 21,310,880 |
| Depreciation and amortization | (851,695) | (79,724) | (22,906) | (11,975) | (966,300) |
| Impairment charge for financing and other financial assets, net | (917,025) | (712,453) | (19,205) | - | (1,648,683) |
| Other operating expenses | (3,978,537) | (188,045) | (41,904) | (275,379) | (4,483,865) |
| Total operating expenses | (5,747,257) | (980,222) | (84,015) | (287,354) | (7,098,848) |
| Income before Zakat | 4,989,504 | 2,152,104 | 6,583,296 | 487,128 | 14,212,032 |

| 30 September 2021 | Retail segment | Corporate segment | Treasury segment | Investment services and brokerage segment | Total |
|---|--------------------|--------------------|--------------------|---|--------------------|
| Total Assets | 358,558,990 | 80,657,557 | 138,688,683 | 4,751,920 | 582,657,150 |
| Total Liabilities | 310,016,061 | 182,564,747 | 26,179,900 | 287,196 | 519,047,904 |
| Financing and investment income from external customers | 12,206,411 | 1,955,183 | 1,474,546 | 51,585 | 15,687,725 |
| Inter-segment operating income /(expense) | (3,043,976) | (35,189) | 3,079,165 | - | - |
| Gross financing and investment income | 9,162,435 | 1,919,994 | 4,553,711 | 51,585 | 15,687,725 |
| Gross financing and investment return | (176,917) | (367,590) | (105,914) | (219) | (650,640) |
| Net financing and investment income | 8,985,518 | 1,552,404 | 4,447,797 | 51,366 | 15,037,085 |
| Fee from banking services, net | 1,021,376 | 728,226 | 439,866 | 629,569 | 2,819,037 |
| Exchange income, net | 294,762 | 74,000 | 200,858 | 0 | 569,620 |
| Other operating income, net | 126,419 | - | 223,601 | 85,818 | 435,838 |
| Total operating income | 10,428,075 | 2,354,630 | 5,312,122 | 766,753 | 18,861,580 |
| Depreciation and amortization | (763,633) | (48,037) | (17,081) | (8,359) | (837,110) |
| Impairment charge for financing and other financial assets, net | (1,557,332) | (198,697) | 1,267 | - | (1,754,762) |
| Other operating expenses | (3,943,441) | (150,974) | (40,390) | (163,657) | (4,298,462) |
| Total operating expenses | (6,264,406) | (397,708) | (56,204) | (172,016) | (6,890,334) |
| Income before Zakat | 4,163,669 | 1,956,922 | 5,255,918 | 594,737 | 11,971,246 |

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- 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 either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique include inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments"

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:

| 30 September 2022 | Carrying value | Level 1 | Level 2 | Level 3 | Total |
|--|--------------------|-------------------|-------------------|--------------------|--------------------|
| Financial assets | | | | | |
| Financial assets measured at fair value: | | | | | |
| FVIS Investments – Mutual funds | 2,963,536 | - | 2,963,536 | - | 2,963,536 |
| FVOCI - Equity investments | 2,386,675 | 2,362,367 | - | 24,308 | 2,386,675 |
| FVIS Sukuk | 69,803 | - | 69,803 | - | 69,803 |
| FVOCI Sukuk | 3,245,500 | 474,119 | 2,771,381 | - | 3,245,500 |
| FVIS Structured Products | 699,809 | - | - | 699,809 | 699,809 |
| Positive fair value Shariah compliant derivatives | 955,227 | - | 955,227 | - | 955,227 |
| Financial assets not measured at fair value: | | | | | |
| Due from banks and other financial institutions | 14,743,557 | - | - | 14,687,738 | 14,687,738 |
| Investments held at amortized cost: | | | | | |
| Murabaha with Saudi Government and SAMA | 22,691,942 | - | 23,226,150 | - | 23,226,150 |
| Sukuk | 67,986,525 | 49,407,998 | 13,751,075 | - | 63,159,073 |
| Structured Products | 1,000,000 | - | - | 985,026 | 985,026 |
| Gross Financing | 565,988,943 | - | - | 561,546,121 | 561,546,121 |
| Total | 682,731,517 | 52,244,484 | 43,737,172 | 577,943,002 | 673,924,658 |
| Financial liabilities | | | | | |
| Financial liabilities measured at fair value: | | | | | |
| Negative fair value Shariah compliant derivatives | 865,028 | - | 865,028 | - | 865,028 |
| Financial liabilities not measured at fair value: | | | | | |
| Due to banks and other financial institutions | 71,828,451 | - | - | 72,699,195 | 72,699,195 |
| Customers' deposits | 555,767,068 | - | - | 551,599,831 | 551,599,831 |
| Total | 628,460,547 | - | 865,028 | 624,299,026 | 625,164,054 |

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- Fair values of financial assets and liabilities (Continued)

| 31 December 2021 | Carrying value | Level 1 | Level 2 | Level 3 | Total |
|--|--------------------|------------------|-------------------|--------------------|--------------------|
| Financial assets | | | | | |
| Financial assets measured at fair value: | | | | | |
| FVIS Investments – Mutual funds | 2,650,605 | - | 2,650,605 | - | 2,650,605 |
| FVOCI - Equity investments | 5,148,946 | 5,124,587 | - | 24,359 | 5,148,946 |
| FVIS Sukuk | 32,680 | - | 32,680 | - | 32,680 |
| FVOCI Sukuk | 3,834,641 | - | 3,834,641 | - | 3,834,641 |
| FVIS Structured Products | 788,765 | - | - | 788,765 | 788,765 |
| Positive fair value Shariah compliant derivatives | 208,582 | - | 208,582 | - | 208,582 |
| Financial assets not measured at fair value: | | | | | |
| Due from banks and other financial institutions | 26,065,392 | - | - | 26,181,679 | 26,181,679 |
| Investments held at amortized cost: | | | | | |
| Murabaha with Saudi Government and SAMA | 22,611,987 | - | 22,900,999 | - | 22,900,999 |
| Sukuk | 48,102,603 | - | 49,324,606 | - | 49,324,606 |
| Structured Products | 1,000,000 | - | - | 1,038,043 | 1,038,043 |
| Gross Financing | 462,028,811 | - | - | 478,238,097 | 478,238,097 |
| Total | 572,473,012 | 5,124,587 | 78,952,113 | 506,270,943 | 590,347,643 |
| Financial liabilities | | | | | |
| Financial liabilities measured at fair value: | | | | | |
| Negative fair value Shariah compliant derivatives | 167,635 | - | 167,635 | - | 167,635 |
| Financial liabilities not measured at fair value: | | | | | |
| Due to banks and other financial institutions | 17,952,140 | - | - | 18,198,581 | 18,198,581 |
| Customers' deposits | 512,072,213 | - | - | 511,991,640 | 511,991,640 |
| Total | 530,191,988 | - | 167,635 | 530,190,221 | 530,357,856 |
| 30 September 2021 | | | | | |
| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Financial assets measured at fair value: | | | | | |
| FVIS Investments – Mutual funds | 2,347,579 | - | 2,096,801 | 250,778 | 2,347,579 |
| FVOCI - Equity investments | 4,967,846 | 4,943,479 | - | 24,367 | 4,967,846 |
| FVIS Sukuk | 30,153 | - | 30,153 | - | 30,153 |
| FVOCI Sukuk | 3,645,205 | - | 3,645,205 | - | 3,645,205 |
| FVIS Structured Products | 1,498,644 | - | - | 1,498,644 | 1,498,644 |
| Positive fair value Shariah compliant derivatives | 159,187 | - | 159,187 | - | 159,187 |
| Financial assets not measured at fair value: | | | | | |
| Due from banks and other financial institutions | 27,518,001 | - | - | 27,731,555 | 27,731,555 |
| Investments held at amortized cost: | | | | | |
| Murabaha with Saudi Government and SAMA | 22,646,364 | - | 22,953,546 | - | 22,953,546 |
| Sukuk | 45,661,776 | - | 45,876,553 | - | 45,876,553 |
| Structured Products | 1,000,000 | - | - | 1,031,566 | 1,031,566 |
| Gross Financing | 429,839,021 | - | - | 444,550,607 | 444,550,607 |
| Total | 539,313,776 | 4,943,479 | 74,761,445 | 475,087,517 | 554,792,441 |
| Financial liabilities | | | | | |
| Financial liabilities measured at fair value: | | | | | |
| Negative fair value Shariah compliant derivatives | 129,443 | - | 129,443 | - | 129,443 |
| Financial liabilities not measured at fair value: | | | | | |
| Due to banks and other financial institutions | 14,733,090 | - | - | 14,863,168 | 14,863,168 |
| Customers' deposits | 478,330,787 | - | - | 478,305,437 | 478,305,437 |
| Total | 493,193,320 | - | 129,443 | 493,168,605 | 493,298,048 |

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15 - Fair values of financial assets and liabilities (Continued)

FVIS 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/ 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.

16 - Share capital

The authorized, issued and fully paid share capital of the Bank consists of 4,000 million shares of SAR 10 each as of 30 September 2022 (31 December 2021: 2,500 million shares of SAR 10 each and 30 September 2021: 2,500 million shares of SAR 10 each).

17 - Earnings per share

Basic and diluted earnings per share is calculated by dividing net income adjusted for Tier I Sukuk costs by weighted average number of the issued and outstanding shares after giving retrospective effect to the bonus shares issuance of 1,500 million shares (refer to note 18), the weighted average number of outstanding shares as at 30 September, 2022 is 4,000 million shares (September 30, 2021: 4000 million shares – restated). The diluted earnings per share is the same as the basic earnings per share.

18 - Bonus shares

Al Rajhi Bank Board of Directors, through circulation on 16 Rajab, 1443 corresponding to 17 February, 2022, recommended to the Extraordinary General Assembly to increase the Bank's capital by granting bonus shares to the bank's shareholders through capitalization of SAR 15,000 Million from the retained earnings by granting 3 shares for every 5 shares owned.

On 07 Shawal, 1443 (corresponding to 08 May, 2022), the Bank's shareholders in an extraordinary general assembly meeting approved the recommended such bonus shares issuance.

19 - Tier 1 Sukuk

On January 2022, the Bank through a Shariah compliant arrangement, (the "arrangement"), issued Tier 1 Sukuk (the "Sukuk"), of SAR 6.5 billion. The Sukuk are perpetual securities in respect of which there are no fixed redemption dates, the Sukuk also represent an undivided ownership interest of the Sukuk-holders in the Sukuk assets without any preference or priority among themselves, with each unit of the Sukuk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank has the exclusive option to redeem or call all of the Sukuk on or after 23 January 2027 or any periodic distribution date thereafter, subject to the terms and conditions stipulated in the Sukuk agreement.

The applicable profit rate on the Sukuks is payable on each periodic quarterly distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion, subject to certain terms and conditions, elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

Subsequent to the period ended 30 September 2022, the Bank has received approvals from the Saudi Exchange (Tadawul) and the Capital Market Authority of Saudi Arabia ("CMA") for the establishment of an additional Tier 1 sukuk issuance programme of up to SAR 10 billion, and the Bank has announced its intention to issue additional SAR-denominated Tier 1 sukuk by way of a public offering in Saudi Arabia. The Bank has six months to conclude the offering of the first issue of sukuk off the programme.

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20 - Capital adequacy

The Bank's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group'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 Group'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 Basel prescribed minimum.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position, commitments and contingencies to reflect their relative risks.

SAMA through its Circular Number 391000029731 dated 15 Rabi Al-Awwal 1439H (3 December 2017), which relates to the interim approach and transitional arrangements for the accounting provisions under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years' period comprising 2020 and 2021 effective from 31 March 2020 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

Starting September 2021, the Group has opted to apply SAMA allowance to recognize 100% of IFRS9 transitional adjustment amount in the Group's Common Equity Tier 1 (CET 1). As of September 2022, this has resulted in an increase of SAR 2,162 million.

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

| | 30 September 2022 | 31 December 2021 | 30 September 2021 |
|--|--------------------|--------------------|--------------------|
| Credit risk weighted assets | 440,336,050 | 385,415,205 | 358,812,817 |
| Operational risk weighted assets | 37,798,847 | 37,798,847 | 33,318,660 |
| Market risk weighted assets | 1,089,685 | 2,414,738 | 3,634,079 |
| Total Pillar I - risk weighted assets | 479,224,582 | 425,628,790 | 395,765,556 |
| Tier I capital | 88,263,254 | 70,164,252 | 66,519,221 |
| Tier II capital | 5,504,201 | 4,817,690 | 4,485,160 |
| Total tier I & II capital | 93,767,455 | 74,981,942 | 71,004,381 |
| Capital Adequacy Ratio % | | | |
| Tier I ratio | 18.42% | 16.48% | 16.81% |
| Tier I & II ratio | 19.57% | 17.62% | 17.94% |

21 - Impact of SAMA programs**Deferred Payments Program ("DPP"):**

In response to COVID-19, SAMA launched the Deferred Payments Program ("DPP") 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 payment reliefs were considered as short-term liquidity support to address customers' potential cash flow shortages. The accounting impact of the above changes in terms of the credit facilities were assessed and has been treated as per the requirements of IFRS 9 as modification in terms of arrangement. The DPP program has ended on March 31, 2022.

During the nine-month period ended September 30, 2022, SAR 107.7 million (September 30, 2021: SAR 51.4 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits with an aggregate of SAR 16.4 million deferred grant income as at September 30, 2022 (December 31, 2021: SAR 22.8 million). During the three-month period ended September 30, 2022, SAR 35.9 million (September 30, 2021: SAR 22.1 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits. The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic.

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- IBOR transition (profit rate benchmark reforms)

A fundamental review and reform of major profit rate benchmarks are being undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate ("IBOR") with an alternative Risk-Free Rate ("RFR"). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and include practical expedients in respect of:

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

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark profit rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of profit rate benchmark reform, then the Group updated the effective profit rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by profit rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by profit rate benchmark reform, the Group first updated the effective profit rate of the financial asset or financial liability to reflect the change that is required by profit rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in profit rate when remeasuring a lease liability because of a lease modification that is required by profit rate benchmark reform.

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 minimizing the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project has completed changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications.

Changes to contracts required by IBOR reform are in progress. The Group has identified that the areas of most significant risk arising from the replacement of USD LIBOR were: updating systems and processes which capture USD LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and finances transitioning from USD LIBOR and the resulting impact on economic risk management. The Group continues to engage with industry participants, to ensure an orderly transition to SOFR and to minimise the risks arising from transition and it will continue to identify and assess risks associated with USD LIBOR replacement.

Notes to the Interim Condensed Consolidated Financial Statements

(SAR'000)

23 - Business combination

On 1 February 2022, the Group completed the process and legal formalities of the acquisition of the entire shares of Ejada Systems Limited ("Ejada") (a Saudi limited liability company) for cash consideration of SAR 657,815 thousand.

The acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard"). As required by the standard, the Group has accounted for the acquisition based on fair values of the acquired assets and assumed liabilities as at the acquisition date.

The following table summarizes the recognized amounts at fair value of assets acquired and liabilities assumed at the date of acquisition.

| | 1 February 2022 |
|---|----------------------------|
| Assets | |
| Property and equipment and right of use assets | 10,319 |
| Intangible Assets | 4,726 |
| Investments | 72,329 |
| Contract assets | 114,670 |
| Prepaid expenses and other assets | 25,293 |
| Cash and cash equivalents | 118,550 |
| Trade and other receivables | 149,232 |
| Total assets | 495,119 |
| Liabilities | |
| Lease liability | 1,231 |
| Trade and other payables | 123,553 |
| Contract liabilities | 67,130 |
| Provision for Zakat and income tax | 4,757 |
| Lease Liabilities | 3,937 |
| End-of-service indemnities | 124,147 |
| Total liabilities | 324,755 |
| Total Identifiable Net Assets | 170,364 |
| Intangible assets arising from the acquisition – classified under other assets. | 487,451 |
| Purchase consideration transferred | 657,815 |
| Analysis of Cashflows on Acquisition Date | |
| Net cash acquired with the subsidiary | 118,550 |
| Cash paid | (657,815) |
| Net Cashflow on acquisition | (539,265) |
| Acquisition related costs | 1,388 |
| The acquisition cost has been charged to profit and loss under general and administrative expenses. | |

Summary of Revenue and Profit:

| | Revenue | Profit |
|--|----------------|---------------|
| From the beginning of the period (pro-forma) | 403,000 | (7,300) |
| From the acquisition date | 371,000 | 6,000 |

23 - Business combination (Continued)

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

| | |
|--|----------------|
| Gross Carrying Amount | |
| At 1 January 2022 | - |
| At Acquisition date of 31 January 2022 | 132,309 |
| At 30 September 2022 | 132,309 |
| Accumulated Impairment | |
| At 1 January 2022 | - |
| Impairment losses recognized during the period | - |
| At 30 September 2022 | - |
| Net Book Value | |
| At 1 January 2022 | - |
| As at 30 September 2022 | 132,309 |

24 - Comparative Figures

Certain prior period figures have been reclassified to conform to the current period's presentation.

25 - Approval of the Board of Directors

The interim condensed consolidated financial statements were approved by the Board of Directors on 01 Rabi al-Thani 1444H (corresponding to 26 October 2022).