

Al Rajhi Bank Results Presentation

FY 2020 Earnings Conference Call and Webcast

Management Summary

FY 2020 Highlights

Strategy

Strategy implementation is on track delivering strong results despite the current environment

- Improved customer service, digitization and new products all contributed to the bottom line.
- Growth in mortgages, customers loans, and operating income.
- Continued strong growth across all digital channels & payments.

Balance Sheet

Balance sheet healthy growth was driven by financing activities

- Strong growth in total net financing at (+26.4% YoY) and total liabilities (+23.4% YoY).
- Healthy Tier I Capital at (18.0%).
- Strong liquidity ratios, LDR at (78.8%) and LCR at (155%).

Asset Quality

Al Rajhi Bank remains well capitalized and maintains high coverage ratio

- Higher net provisions by (+22% YoY) was taken considering the current environment.
- Adequate cost of risk at (0.75%).
- Healthy NPL ratio of (0.76%) and NPL coverage at (305.6%).

Operating Result

FY 2020 net income after Zakat of SAR 10.6 Billion (+4.3%YoY), mainly driven by

- Net yield income growth of (+3% YoY) driven by mortgage financing.
- Non-yield income growth of (+25% YoY) driven by digital & payments and brokerage fees.
- Slower yield expansion caused by lower SAIBOR, instalments deferrals and fee waiver impact.

Going forward

We will have to navigate 5 key market forces to succeed



Competition – Consolidation & Digital Disruption




Regulatory Environment



SAIBOR “Lower for Longer”



Impacts of COVID-19

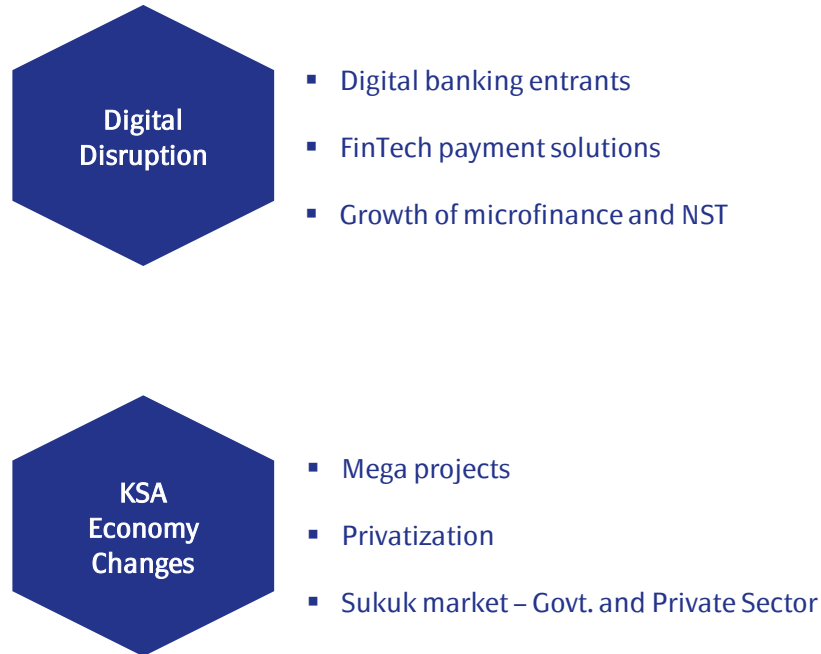


Vision 2030

Digital Disruption and KSA Economic Changes

Impacting our core businesses; changing the formula required to win in the market

The KSA banking market is changing rapidly



ARB will take two paths to adapt its business model



The formula to win in the future will look different

Bank Of The Future

Outlines our growth plan and priorities for 2021-2023

B

Bank

Build on the Core

Grow **Retail Banking**

Expand **Corporate Banking**

Bank of choice for **SME**

Grow **Affluent Segment**

Improve **Revenue Mix**

O

Of

Outperform the Market

Be known as a leading brand for **Customer Experience**

Be a **Preferred Employer**

Grow “**profitable**” **Market Share** across segments

Preferred **Loyalty Program** in KSA

Leader in **Financial Conduct**

T

The

Transform Technology

Implement **Digital Core Banking Platform**

Leader in using **Data** for customer insights

Modernize our Technology

Leverage our **Infrastructure** to capture new opportunities

Adopt **Agile** delivery

F

Future

Fulfill More Customer Needs

Become the **Leading Finance Company**

Develop Best in Market **Payments Solutions**

Grow **Private Bank** through **Wealth Management**

Expand **E-Commerce** coverage

Deepen **Customer Relationships** through **cross-sell**

Key priorities 2021-2023

KSA's Macro-Economic Environment

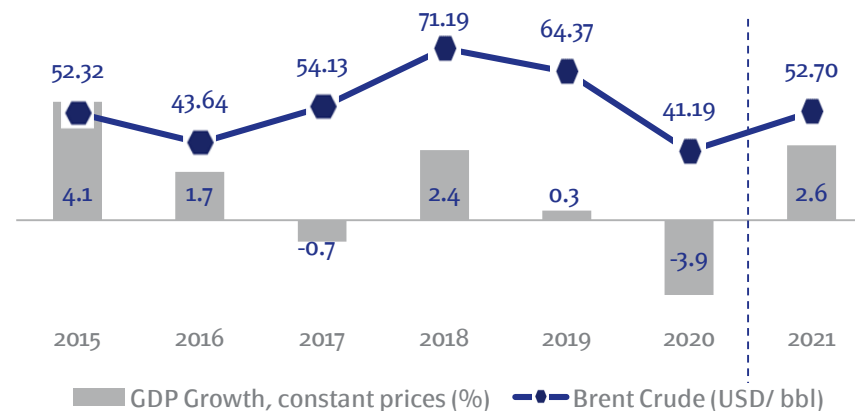
KSA Economic Outlook

Recovering from the trough of Covid-19 pandemic

Highlights

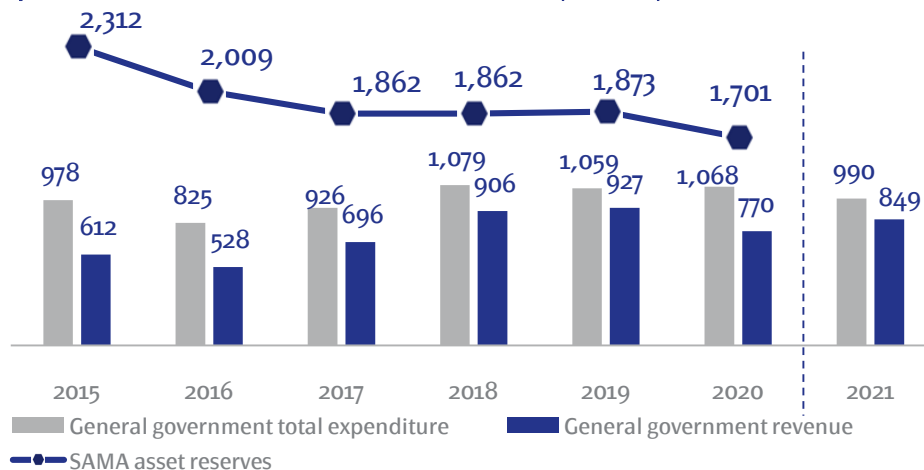
- IMF has revised down GDP forecast for 2021 to (+2.6%) driven by the non-oil private sector.
- Saudi is keeping its fiscal expenditure at the budgeted level; however, it is reallocating expenses to deal with the pandemic.
- Average inflation is forecasted to be (2.9%) in 2021 driven by the VAT and custom duty hikes.

GDP Growth / Brent Oil Price



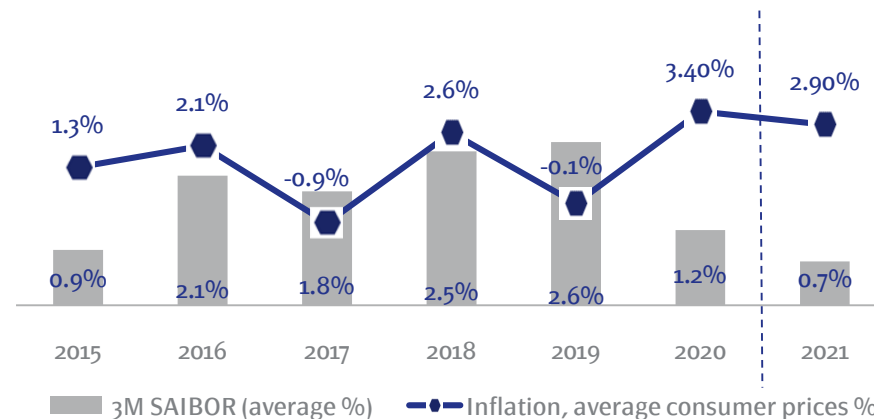
Source: IMF, U.S. Energy Information

Expenditures / Revenue and Asset Reserves (SARbn)



Source: MoF, Al-Rajhi Capital

3M SAIBOR / Inflation



Source: SAMA, IMF, MoF

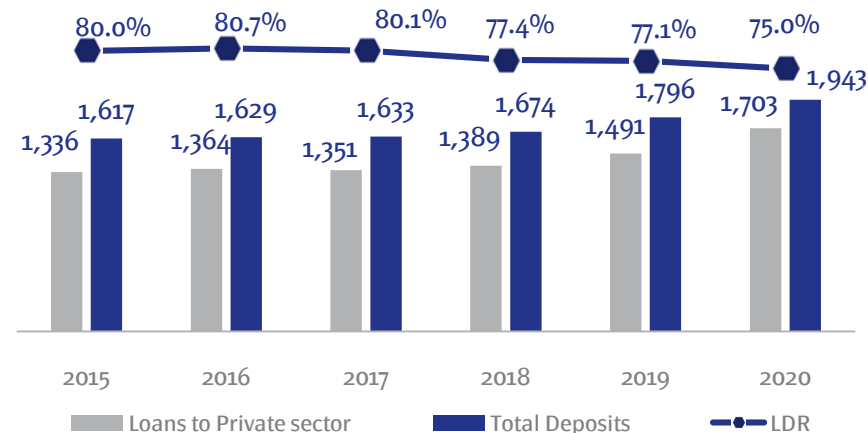
Banking Sector Highlights

Growth in mortgage lending continues to drive up credit growth

Highlights

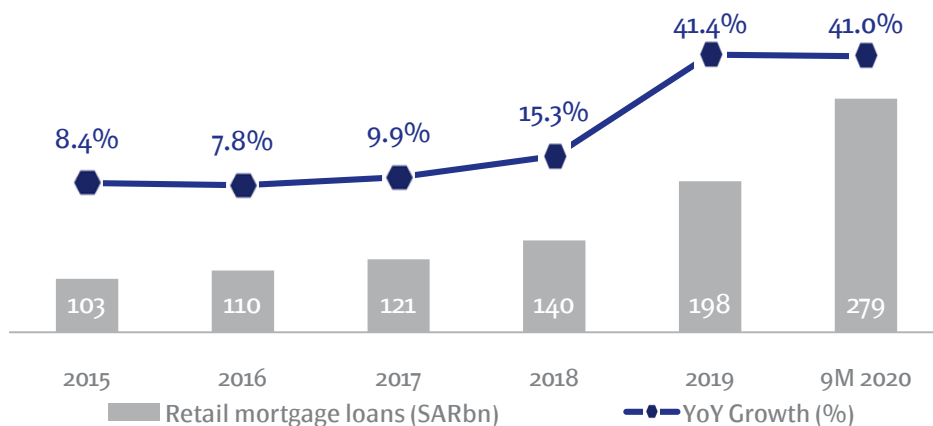
- Saudi banks have shown high resilience driven by government's support and solid macroeconomic fundamentals.
- Revoking the 15% VAT tax on real estate transactions and replacing it with a 5% sales tax .
- Spending have decreased by (-4.1%) YTD driven by lower ATM withdrawals; however, POS sales have increased by (+24%) YTD.

Loans to Deposits Ratio (%)



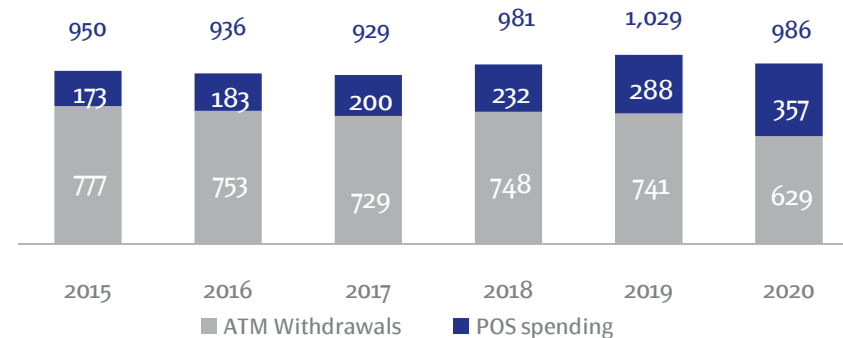
Source: SAMA

Retail Mortgage (SARbn)



Source: SAMA

POS Transaction / ATM Withdrawals (SARbn)



Source: SAMA

Government Stimulus Highlights

SAR +350bn to combat the negative impact of Covid-19 and low oil prices on the economy

In Billions

Government Economy Focused	MOF Economy Focused	SAMA MSMEs Focused
SAR 5.3 Employment and training support to the Private Sector	SAR 70 To Support the Private Sector	SAR 30 Deferred Payment Program
SAR 9 To cover 60% of salaries in the Private Sector	SAR 47 To Support the Health Care	SAR 13.2 Funding for Lending Program
SAR 12 SME and Household Support	SAR 1.9 To Fund International efforts to combat Covid-19	SAR 6 Loan Guarantee Program
1,400 Economic entities to delay services fees payments for 3 months	50% Debt to GDP Ceiling ratio	SAR 0.8 POS & E-Commerce Fees
116K Commercial license renewal fee waiver for 3 months	30% Subsidization of the electricity bill for companies	SAR 50 Liquidity injection for local Banks
Defer Collection of custom duties for one month	SAR 50 Private sector payments	Defer Extension of the Deferred Program to include stage 2
Defer Payment and submission of declarations of VATs	Defer MSME installments financed by Development funds	Extend Extension of the Deferred Program for 3 months
Free Iqama and Visa extension for expats for 3 Months	Increase Threshold for the 1st home buyer VAT waiver to SAR 1 Million	
Reduce Replacing 15% VAT on real estate transactions with 5% sales tax		

Financial Results

Balance Sheet Trends (1)

Strong financing growth, mortgage is the main driver

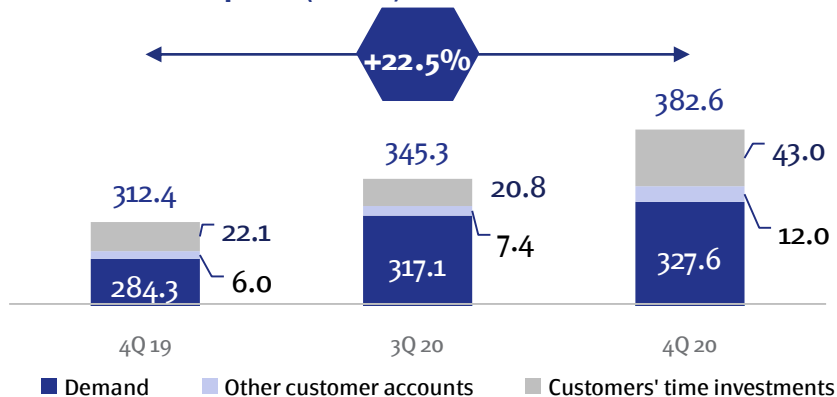
Highlights

- Total Assets grew by (+22% YTD) driven by strong growth in financing & investment.
- Net financing grew by (+26% YTD) contributed by strong retail performance.
- Customers deposits growth of (+22% YTD) contributed by growth in demand deposits.

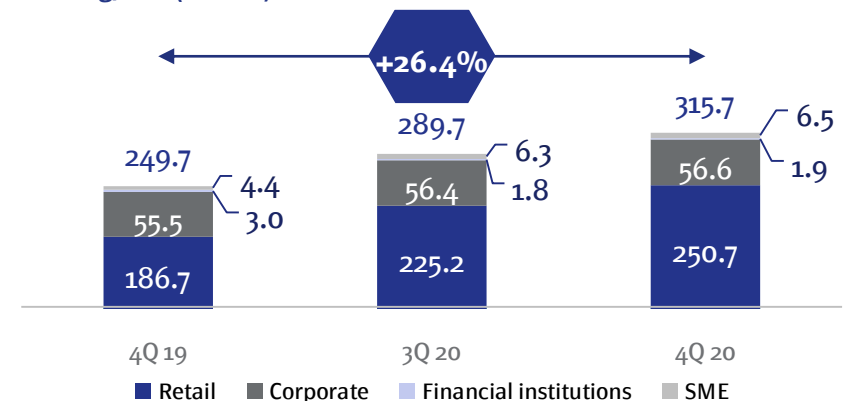
SAR (mn)

	4Q 2020	3Q 2020	QoQ	4Q 2019	YTD
Cash and balances with SAMA	47,363	37,451	+26%	39,294	+21%
Due from banks and other FI	28,655	27,517	+4%	32,058	-11%
Investments, net	60,285	57,111	+6%	46,843	+29%
Financing, net	315,712	289,729	+9%	249,683	+26%
Other Assets	16,810	18,492	-9%	16,209	+4%
Total assets	468,825	430,300	+9%	384,087	+22%
Due to banks and other FI	10,764	11,294	-5%	2,220	+385%
Customers' deposits	382,631	345,322	+11%	312,406	+22%
Other liabilities	17,311	18,765	-8%	18,269	-5%
Total liabilities	410,706	375,381	+9%	332,895	+23%
Total shareholders' equity	58,119	54,919	+6%	51,192	+14%

Total Customers' Deposits (SARbn)



Financing, Net (SARbn)



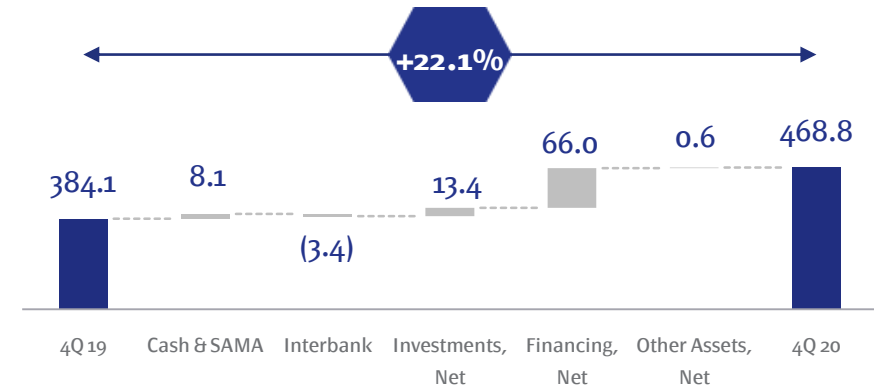
Balance Sheet Trends (2)

Solid growth in customers deposits

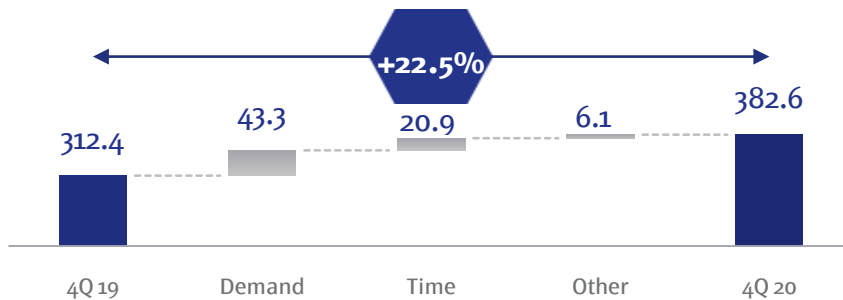
Highlights

- Retail financing growth of (+34% YTD) mainly driven by growth in mortgage financing (+90% YTD).
- Financing is dominated by retail (79%) followed by corporate (21%).
- Current accounts grew by (+15% YTD) a (89%) non-profit bearing deposits.

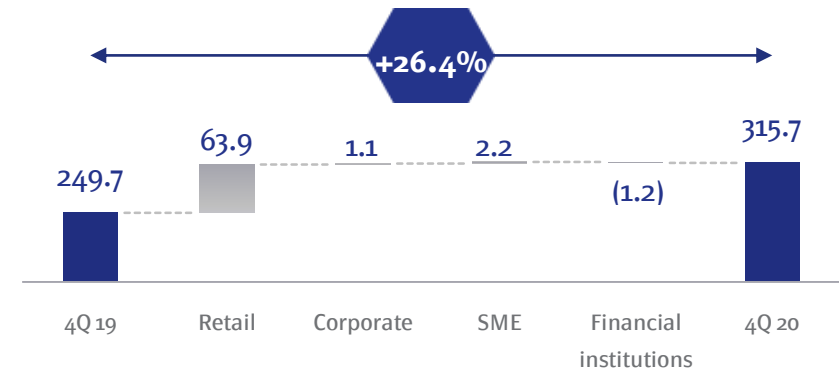
Asset Drivers By Type (SARbn)



Total Customers' Deposits Drivers (SARbn)



Financing, Net Drivers (SARbn)



Net Income Trends

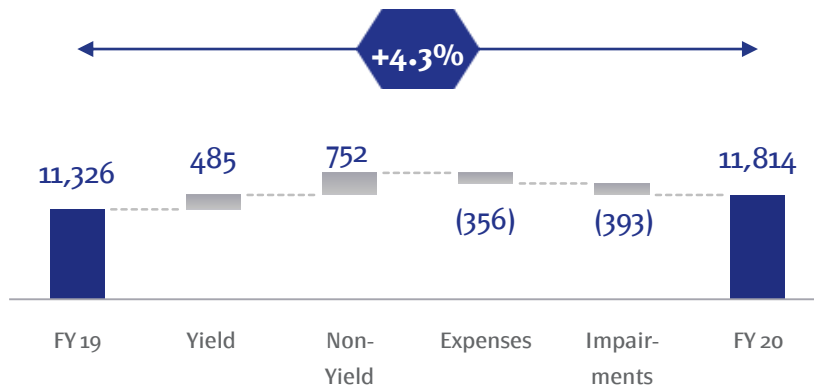
Resilient results despite unprecedented environment

Highlights

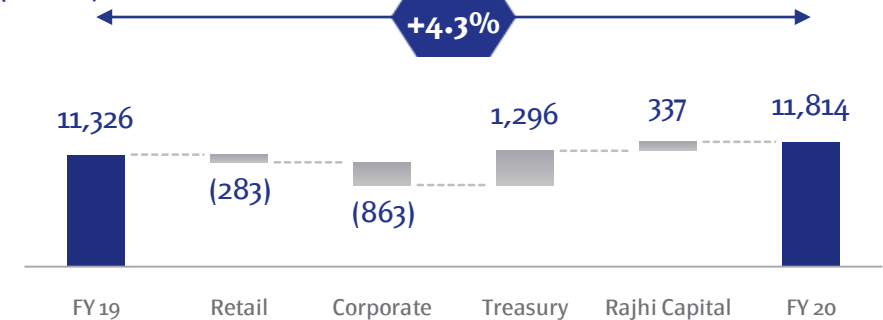
- Net Income before Zakat increased by (+4.3% YoY) caused by growth in fee income.
- Yield income growth of (+3% YoY), and non-yield income growth of (+25% YoY).
- On a segmental basis, Retail Banking declined by (-4% YoY) offset by growth in Treasury by (+53% YoY).

SAR (mn)	FY 2020	FY 2019	YoY	4Q 2020	4Q 2019	YoY
Net financing and investment income	16,913	16,428	+3%	4,638	4,259	+9%
Fee from banking services, net	2,660	1,987	+34%	864	456	+89%
Exchange Income, net	784	774	+1%	210	194	+8%
Other operating income, net	365	295	+23%	82	93	-12%
Fees and other income	3,808	3,057	+25%	1,155	744	+55%
Total operating income	20,721	19,484	+6%	5,794	5,003	+16%
Operating expenses	(6,742)	(6,386)	+6%	(1,763)	(1,742)	+1%
Pre-provision Profit	13,979	13,099	+7%	4,030	3,261	+24%
Impairment charge	(2,166)	(1,772)	+22%	(550)	(665)	-17%
Net income for the period before Zakat	11,814	11,326	+4%	3,480	2,596	+34%
Zakat	(1,218)	(1,168)	+4%	(359)	(278)	+29%
Net income for the period after Zakat	10,596	10,159	+4%	3,121	2,318	+35%

Net Income Before Zakat Growth Drivers By Type (SARmn)



Net Income Before Zakat Growth Drivers By Segment (SARmn)



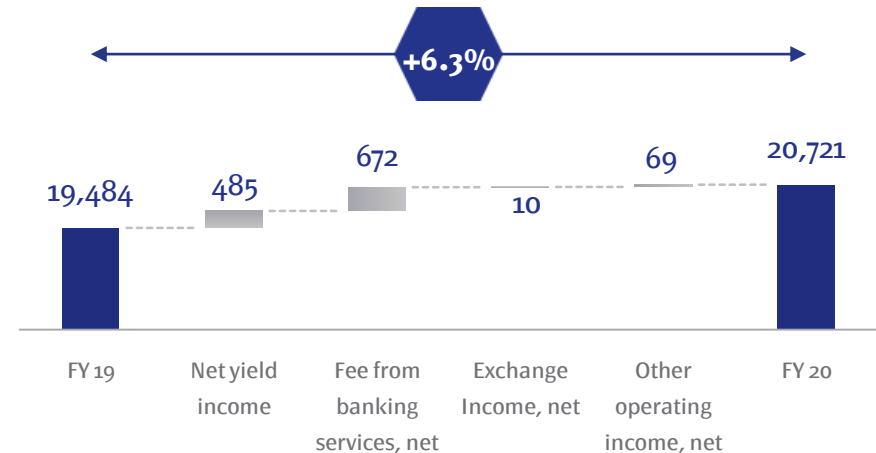
Operating Income Trends

Solid operating income growth, inline with our strategy

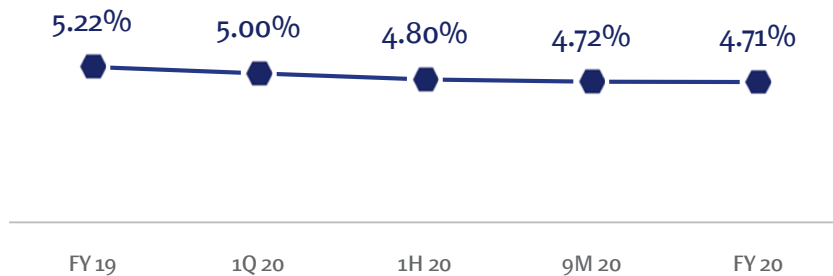
Highlights

- Solid growth of (+6% YoY) driven mainly by growth in fee income.
- Fee income growth of (+34% YoY) mainly from digital & payment and brokerage fees.
- Net profit margin contracted by (-51 bps YoY) reaching (4.71%).

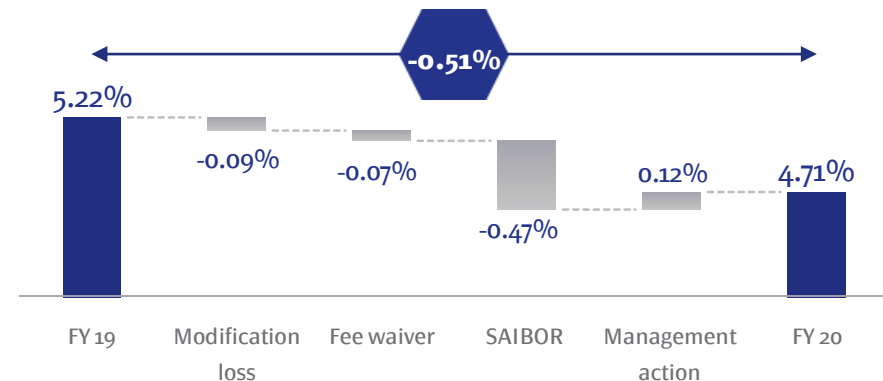
Total Operating Income Growth Drivers By Type (SARmn)



Net Profit Margin (%)



NIM drivers (%)



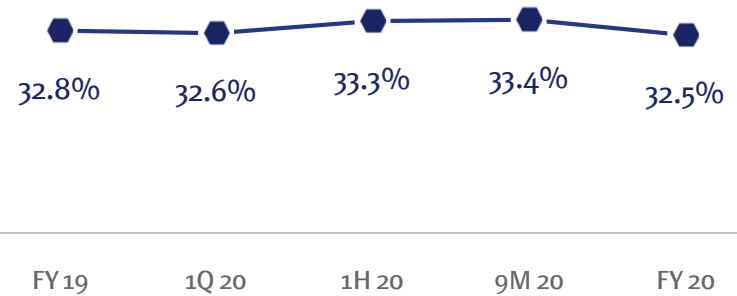
Expenses Trends

Upgrading IT & Digital platform, a long term investment

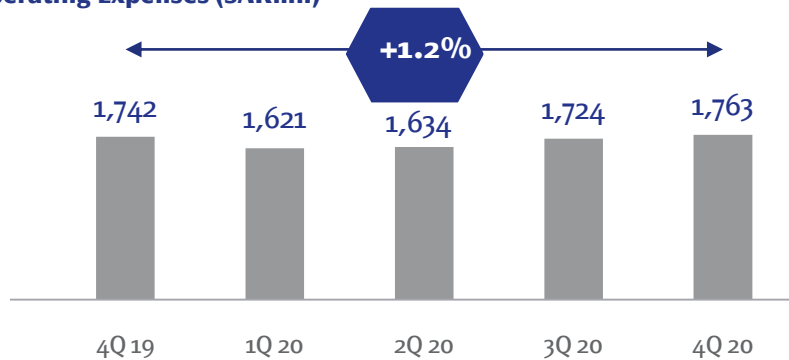
Highlights

- Cost to income ratio at (32.5%) a 24 bps decrease YoY.
- Operating expenses grew by (+5.6% YoY).
- Higher IT cost primarily related to acceleration of digital and infrastructure spend to enhance resilience.

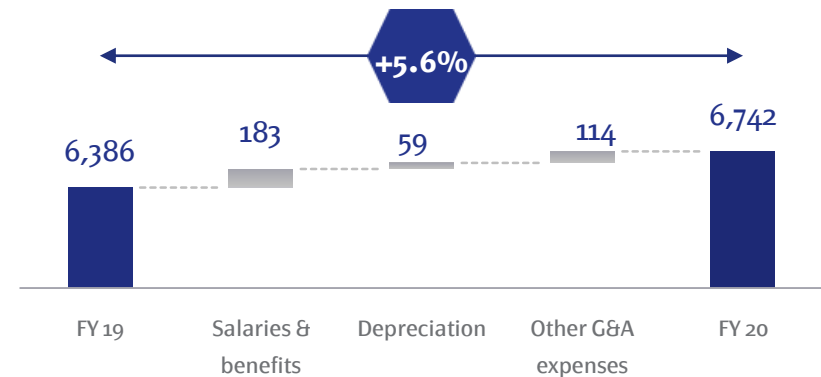
Cost To Income Ratio Trend (%)



Operating Expenses (SARmn)



Operating Expenses Growth Drivers By Type (SARmn)



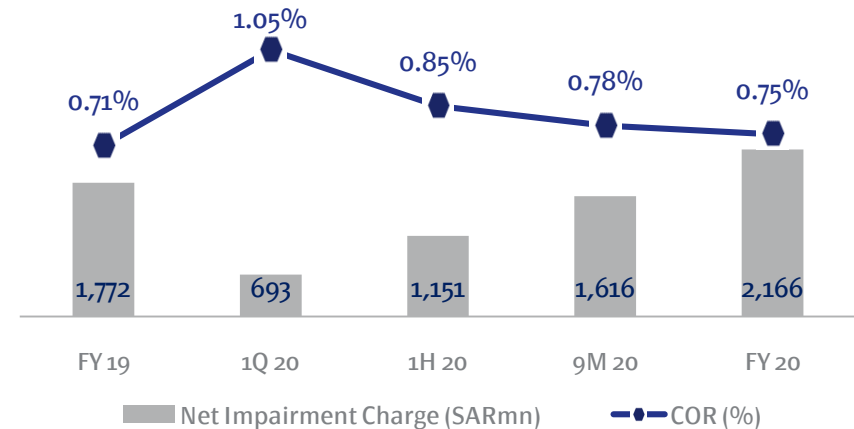
Asset Quality Trends (1)

Asset quality remains healthy and sound NPL coverage

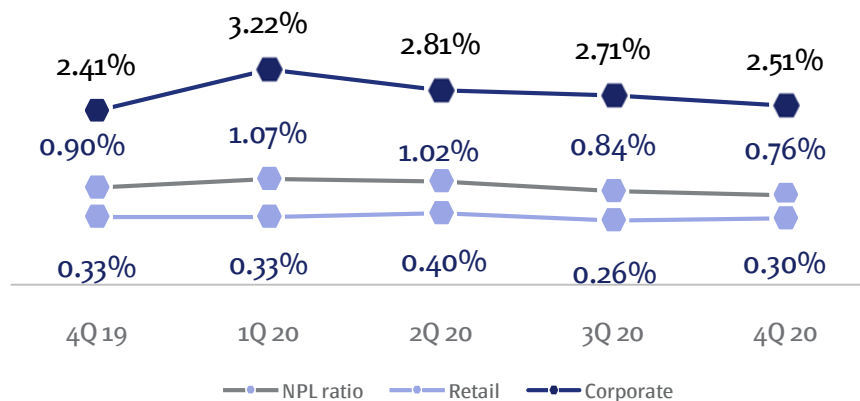
Highlights

- Net Provision increased by (+22% YoY).
- NPL ratio at (0.76%) lower by 14bps compared to last year.
- Coverage ratio remains healthy (306%), well above industry average.

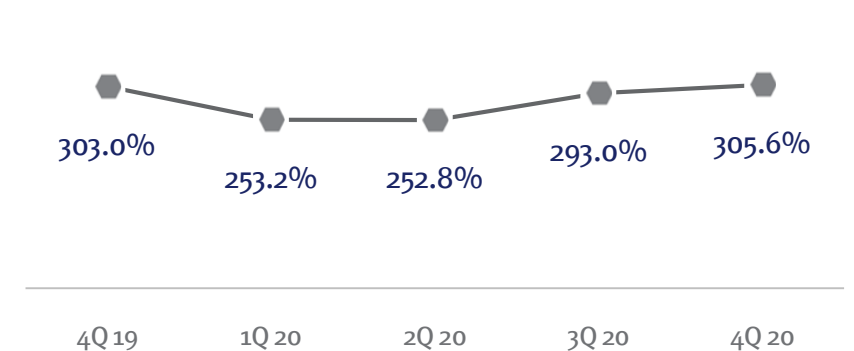
Impairment Charges (SARmn) & COR (%)



NPL Ratio Trend (%)



NPL Coverage Trend (%)



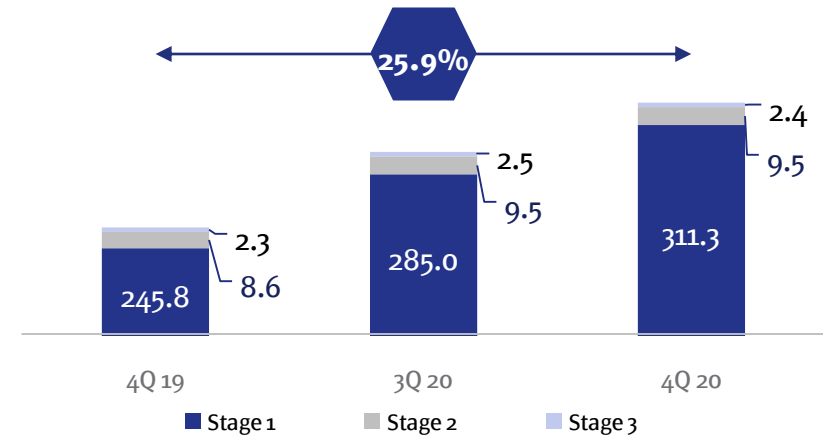
Asset Quality Trends (2)

Healthy stage coverage and prudent risk management

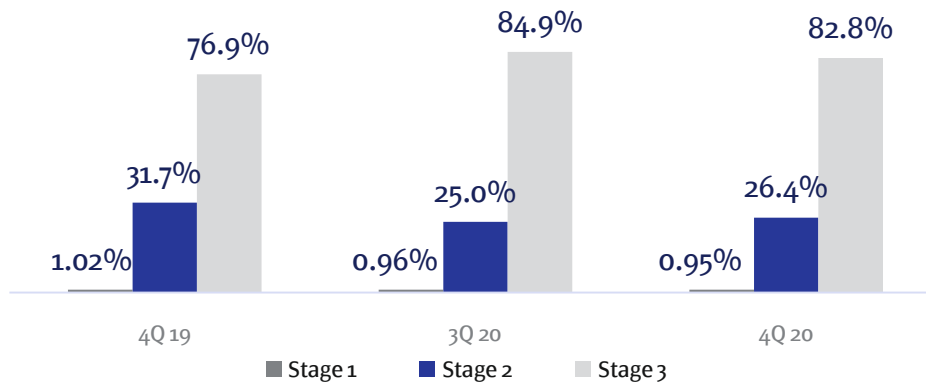
Highlights

- 96% of the portfolio is stage 1, above industry coverage across all the stages.
- Gross charge of SAR 3,418mn has been taken including SAR 608mn of COVID-19 overlay.
- Further assessments of SICR and ECL are has been performed, will review it regularly inline with the current environment.

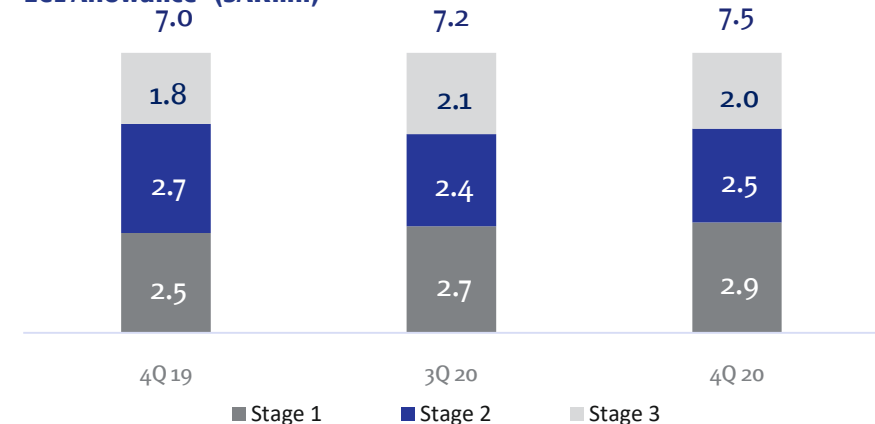
Gross loans by Stage (SARbn)



ECL Coverage* (%)



ECL Allowance* (SARmn)



* Stage exposure and ECL allowances varies from the financial statements due to IFRS9 cure period treatment

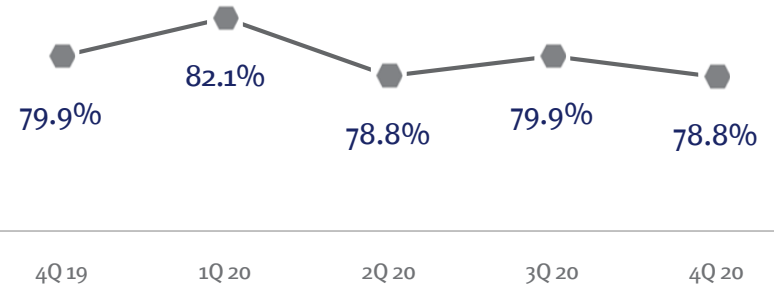
Liquidity Trends

Liquidity remain comfortably within regulatory requirements

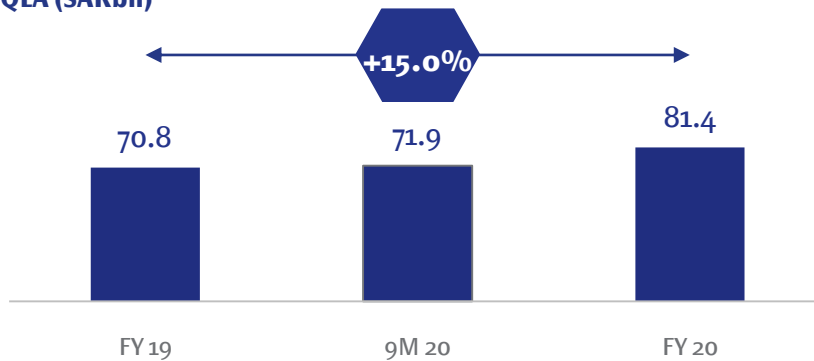
Highlights

- LDR remains stable at (78.8%).
- Liquidity remains healthy, LCR at (155%) and NSFR at (123%).
- HQLA increased by (+15.0% YTD).

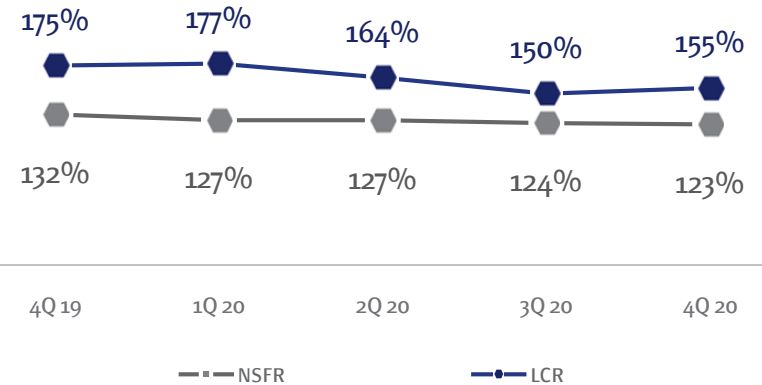
Loan to deposit Ratios (%)



HQLA (SARbn)



Liquidity Ratios (%)



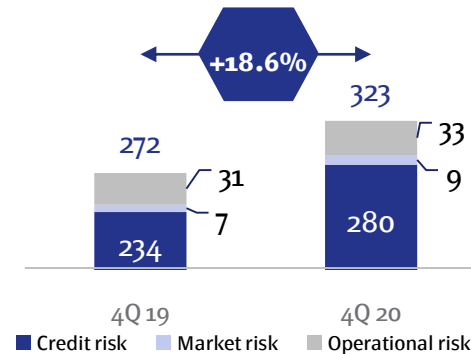
Capitalisation Trends

Capital position well above regulatory minima

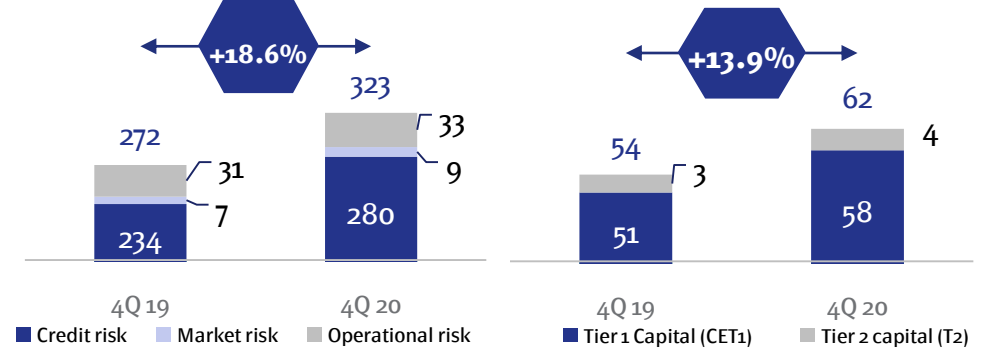
Highlights

- Total Capital increased by (+13.9% YTD).
- Risk weighted assets increased by (+18.6% YTD) mainly driven by growth in credit risk.
- Stable CAR at (19.1%), and CET1 at (18.0%) driven by growth in total capital.

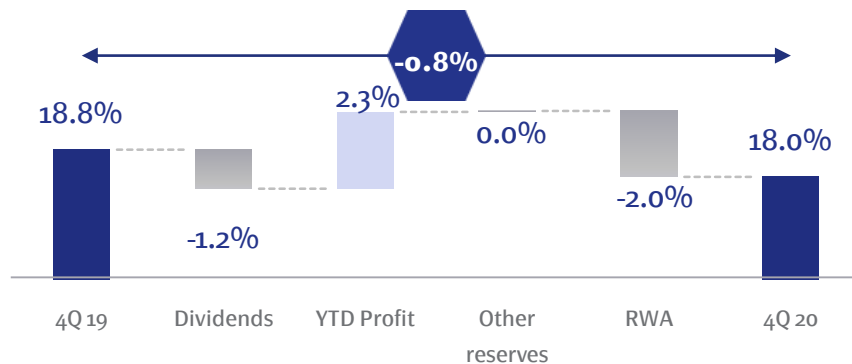
RWA (SARbn)



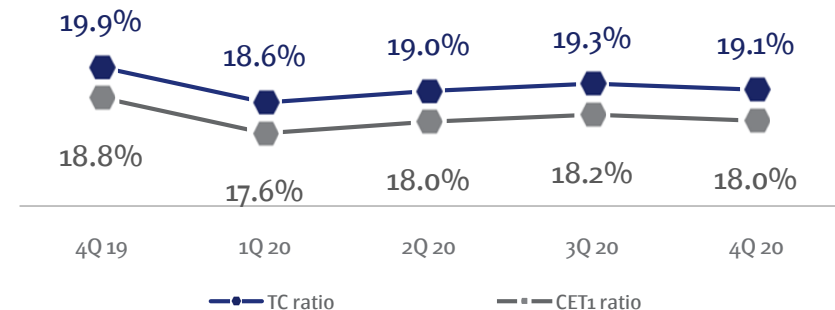
Total Capital (SARbn)



CET1 Movment (%)



Capital Ratios (%)



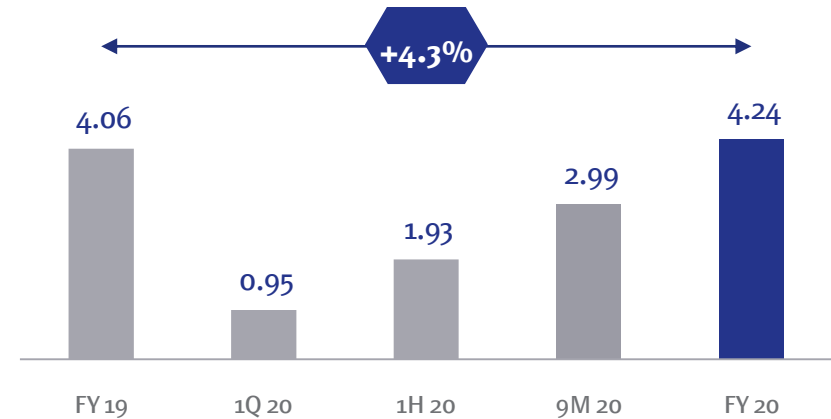
Return Metrics

Returns remain well above industry average

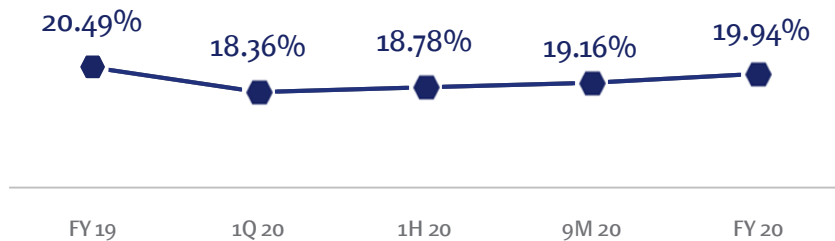
Highlights

- Stable growth in EPS of (SAR 4.24).
- Market-leading ROE at (19.94%), well above peers.
- Solid ROA at (2.56%) given the growth in total assets.

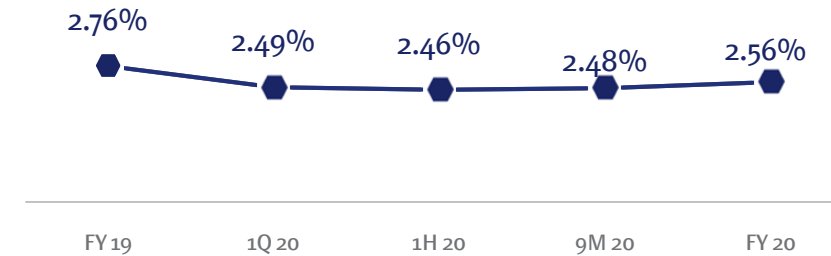
Earnings per Share (SAR)



Return on Equity (%)



Return on Assets (%)



Macro environment impact

Focused in managing the current challenges & beyond

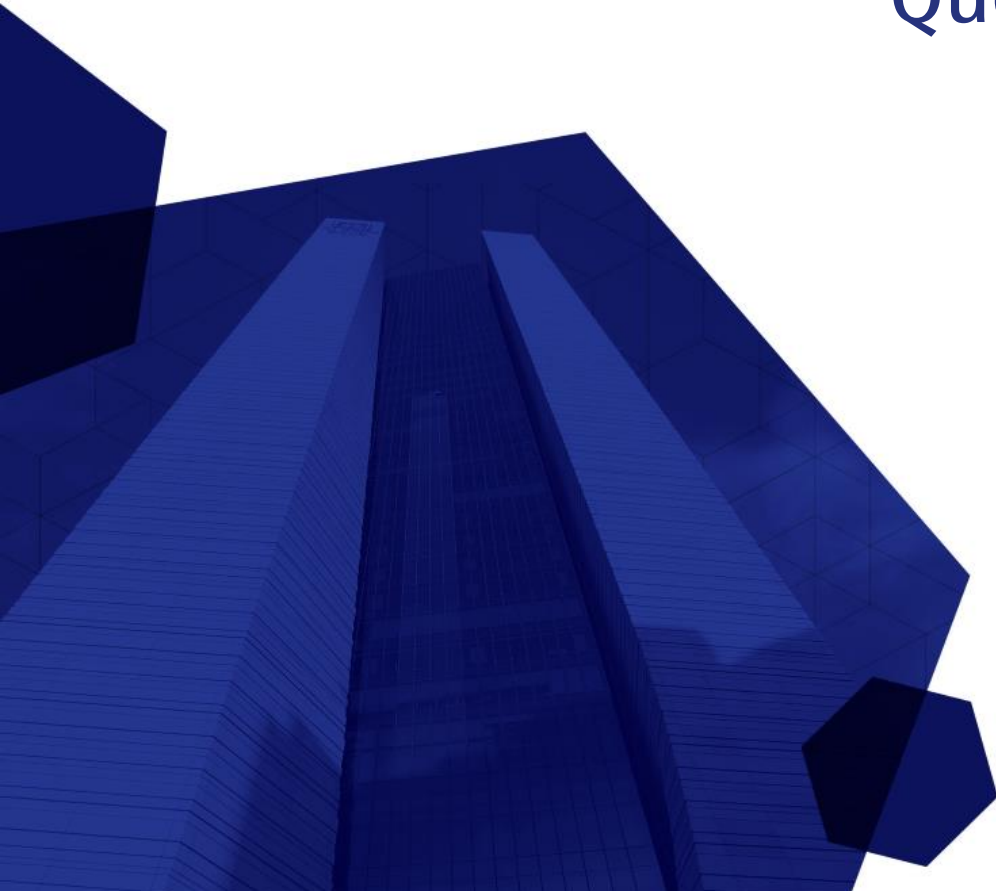
Key Challenges	COVID-19	RATE ENVIRONMENT	OIL PRICES	
Impact	Growth Forecast	Asset Quality	Liquidity	Profitability
Focus Areas to Mitigate Downside	<ol style="list-style-type: none"> Consumer lending, mainly Mortgage financing SMEs & Corporate structured products & stimulating Kafalah program Grow Credit Cards & Trade Finance market Share 	<ol style="list-style-type: none"> Core Portfolio is low risk, salary assigned Retail portfolio Small portfolio in MSME supported by Government Stimulus Packages Close monitoring and prudent provisioning measures 	<ol style="list-style-type: none"> Strict and prudent liquidity management, and monitoring Expand funding client base and product mix SAMA Continues to support Liquidity in USD & SAR 	<ol style="list-style-type: none"> Yield income focus through mix change Digital & Payments leadership Rationalizing our Opex & Capex spend
Management Delivery	26% Financing Growth	0.75% COR	78.8% LDR	+4.3% YoY Net Income
Long Term	Preparing for the " Next Normal "			

Progress against guidance and outlook

2020 results in line with our guidance

		FY 2019 Actual	FY 2020 Latest Guidance	FY 2020 Actual	FY 2021 Guidance
Balance Sheet	Financing, Net (SAR bn)	249.7	High teens growth	315.7 (+26%)	Mid teens growth
	Net Profit Margin	5.22%	-55 bps to -35 bps	4.71% (-51 bps)	-30 bps to -20 bps
Profitability	Cost to Income Ratio	32.8%	Below 33%	32.5%	Below 31%
	Cost of Risk	0.71%	0.70% - 0.90%	0.75%	0.60% - 0.70%
Asset Quality	CET1 Ratio	18.8%	17% - 19%	18.0%	17% - 18%
Capital & Liquidity	ROE after Zakat	20.49%	18%-20%	19.94%	20% - 21%

Questions & Answers



Appendix

Strategy Update

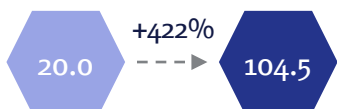
ABCDE 'Back to Basics' strategy delivered strong results in FY 2020



Accelerated Growth

- +6% YoY operating income growth
- +90% YoY growth in mortgages
- +15% YoY growth in current accounts
- 51bps YoY net profit margin drop to 4.71%

Mortgage Financing (SARbn)



2015 FY 2020

Exceed Industry



Become Employer of Choice

- Al Rajhi Bank Academy
- School of Banking
- Graduate Program
- 48,259 training days delivered

Employee Engagement Index



2015 FY 2020

Higher Engagement



Customer Focus

- 25 new products launched to cater to customers' needs
- Enhanced Distribution Network
- Highest Rated Banking Mobile app
- Maintain high Net Promoter Score in KSA

Net Promoter Score



2015 FY 2020

Most Recommended



Digital Leadership

- 205K POS
- 5K ATMs | 33 ITMs
- 358 Self Service Kiosks
- 7.9mn active digital users

Digital : Manual Ratio



2015 FY 2020

Best-In-Class



Execution Excellence

- 310 Bots
- 27K transactions per day
- Migrated to Tier 4 Data Center
- Further enhanced turnaround time

Transactions per month (Avg.)



2015 FY 2020

Deliver

Our Response to Covid-19

Actions taken to support stakeholders

Business Continuity

- Activate **Work from Home** for c.60% of our staff.
- Open c.50% of **branches network**.
- Accelerate **IT & Digital** Infrastructure upgrade.
- Enhance **Information security & fraud** systems.

Employee

- Expand employee **awareness programs**.
- Continue **sanitizations** to our premises.
- Limit **physical meetings**.
- Protect employees **working in our offices**.

Customers

- Participate in the **government relief measures**
- Offer **payment deferral** for impacted customers.
- Waive all **digital & financing procession** fees.
- Provide **advice, support** to all customers.

Community

- Donate SAR 25Mn– **Health Endowment Fund**
- Donate SAR 15Mn– **Community Fund**
- Donate SAR 9Mn– **Food & Drug Charity**
- Conduct **virtual AGM**

We are reflecting our core values in supporting our customers, employees and community during the current challenging environment.

ESG Highlights

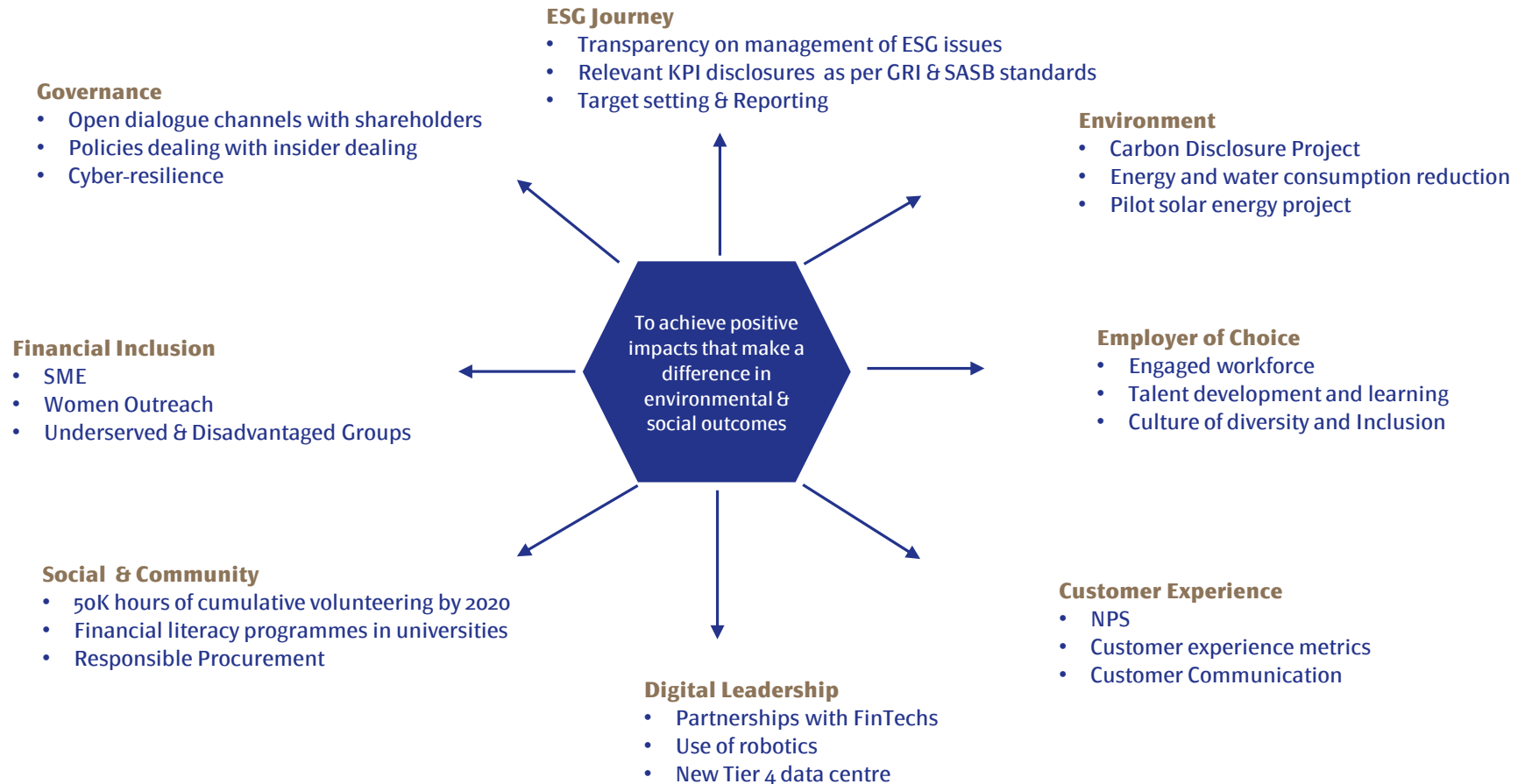
ESG Highlights

FY 2020



Conclusion and the way forward

We believe our future success is interlinked with the well-being of our stakeholders



Additional Information

Contact investor relations for more information

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- Financial Statements
- Investor Presentation
- Factsheet
- Data Supplement



Investor Relations App



Al-Rajhi Banking App

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