

Al Rajhi Bank Results Presentation

2Q 2022 Earnings Conference Call and Webcast



2Q 2022 Earnings Call

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ARB had a strong set of results in the first half of 2022 | Results are in line with or ahead of expectations

13.8% YTD Balance Sheet Growth	14.8% Growth in financing driven by all lines of business	12.9% Growth in liabilities	Improved LDR to support financing growth
	Net Financing 452.8bn $\xrightarrow{+14.8\%}$ 519.7bn FY 21 1H 22	Total Liabilities 556.4bn $\xrightarrow{+12.9\%}$ 627.9bn FY 21 1H 22	Loan to Deposit Ratio 82.3% $\xrightarrow{\quad}$ 83.8% FY 21 1H 22
Solid 21% net income growth YoY	11% Net yield income growth, impacted by lower NPM	29.9% Non yield income growth	14.8% Operating income growth
	Net Yield income 9,822mn $\xrightarrow{+11\%}$ 10,907mn 1H 21 1H 22	Non Yield Income 2,462mn $\xrightarrow{+29.9\%}$ 3,197mn 1H 21 1H 22	Operating Income 12,284mn $\xrightarrow{+14.8\%}$ 14,104mn 1H 21 1H 22
Stable credit quality	13 bps COR reduction	8 bps improvement in NPL ratio from strong loan growth	NPL coverage remained strong and stable
	Cost of risk 0.60% $\xrightarrow{\quad}$ 0.47% FY 21 1H 22	NPL 0.65% $\xrightarrow{\quad}$ 0.57% FY 21 1H 22	NPL Coverage 306% $\xrightarrow{\quad}$ 293% FY 21 1H 22
Key Ratios	2.1 ppt better operating efficiency	Improved capital position	Lower NPM
	Cost to income ratio 27.5% $\xrightarrow{\quad}$ 25.4% 1H 21 1H 22	Total Capital Adequacy Ratio 18.0% $\xrightarrow{\quad}$ 19.0% 1H 21 1H 22	NPM 4.44% $\xrightarrow{\quad}$ 3.76% 1H 21 1H 22



In strong position to deliver the “Bank of the Future” | Good progress made on strategy implementation

Bank

Build on our core

OF

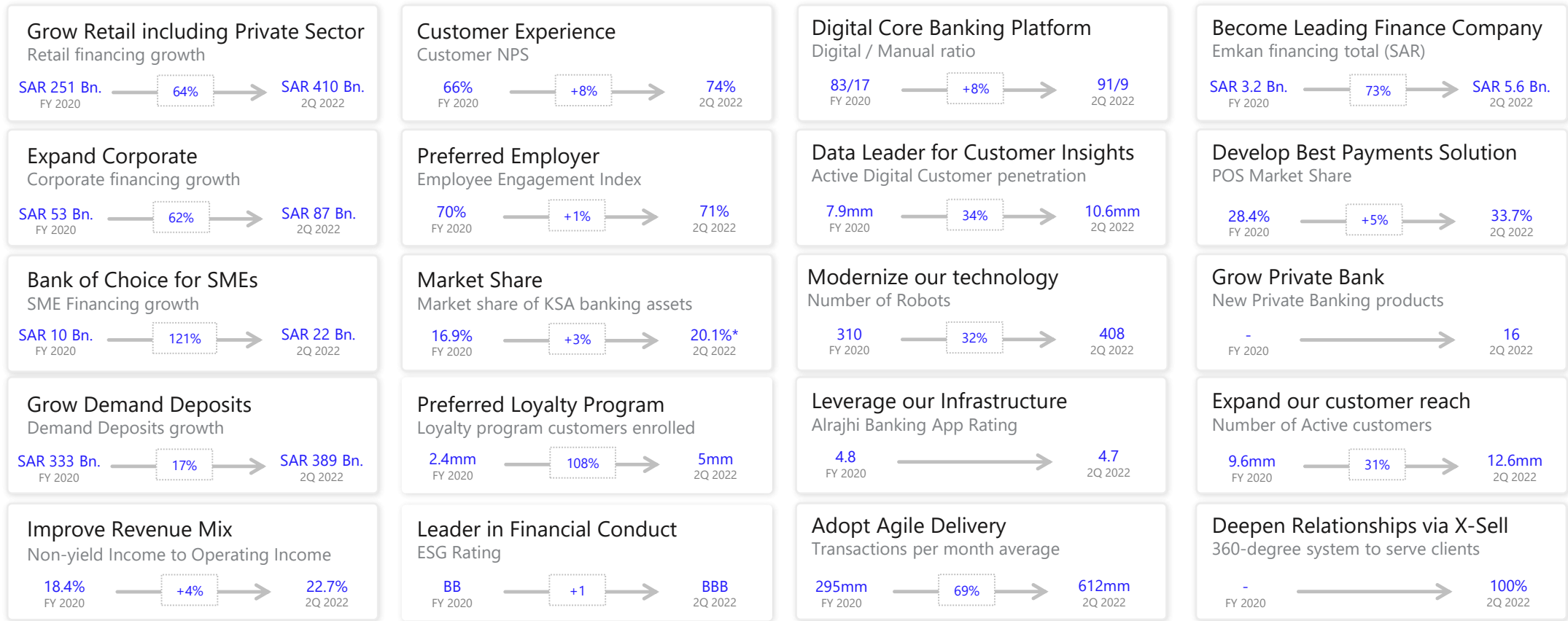
Outperform our competition

The

Transform technology

Future

Focus on new client needs



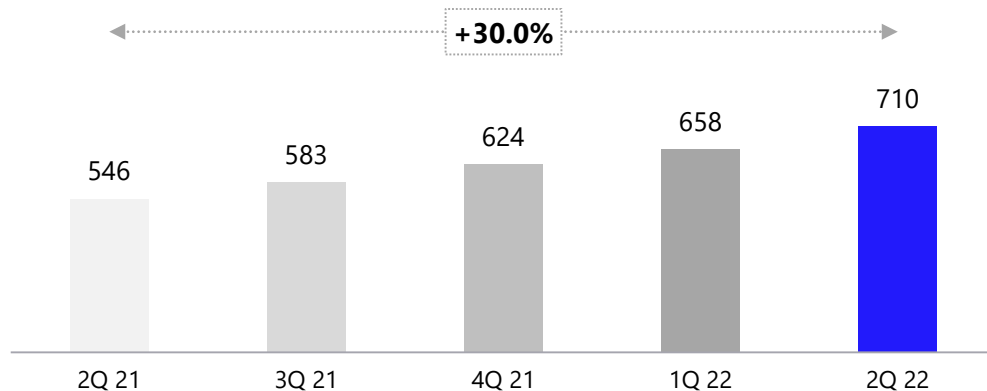
*As per initial data from SAMA



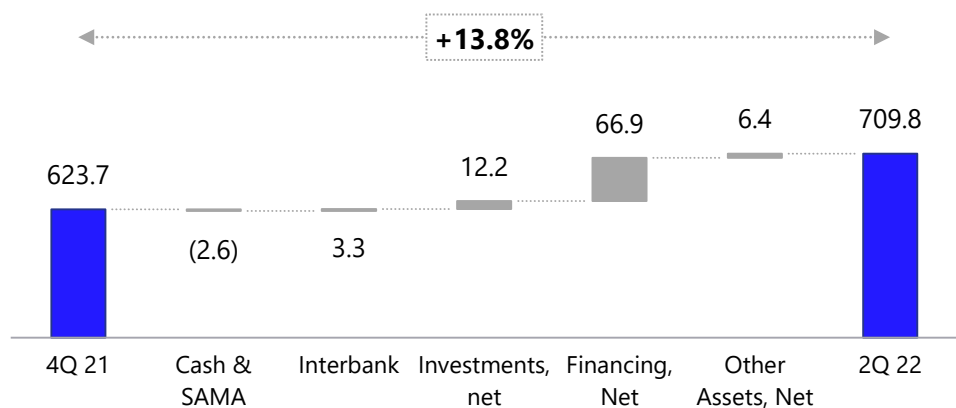
2Q 2022 Financial Highlights

Balance Sheet Trends (1) | Strong 14% YTD balance sheet growth driven by Financing and Investments

Total Assets (SARbn)



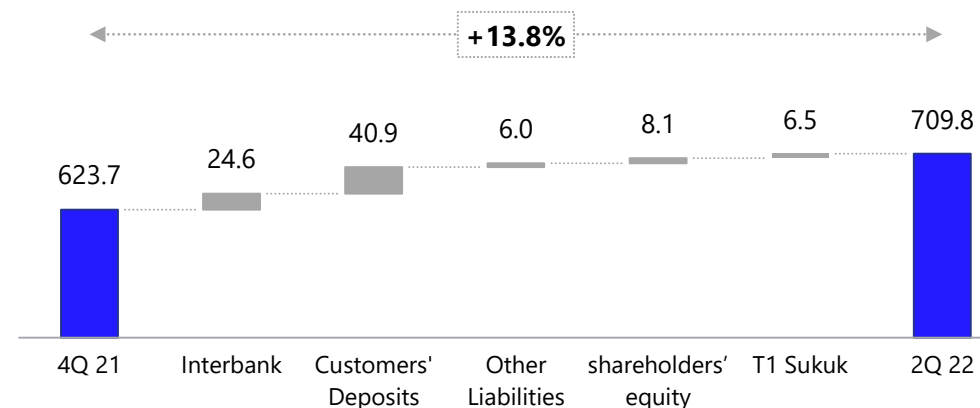
Movement in Assets (SARbn)



SAR (mn)

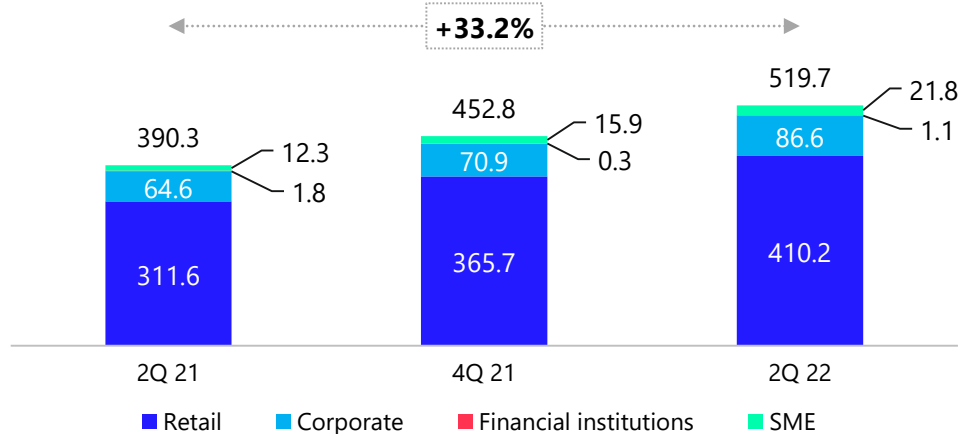
	2Q 22	1Q 22	QoQ	4Q 21	YTD
Cash & balances with SAMA	37,714	36,143	+4%	40,363	-7%
Due from banks & other FI	29,412	20,222	+45%	26,065	+13%
Investments, net	96,618	93,758	+3%	84,433	+14%
Financing, net	519,701	484,526	+7%	452,831	+15%
Other assets, net	26,334	22,979	+15%	19,979	+32%
Total assets	709,779	657,628	+8%	623,672	+14%
Due to banks & other FI	42,532	38,827	+10%	17,952	+137%
Customers' deposits	552,957	507,892	+9%	512,072	+8%
Other liabilities	32,377	32,568	-1%	26,339	+23%
Total liabilities	627,866	579,287	+8%	556,363	+13%
Total equity	81,913	78,341	+5%	67,309	+22%

Movement in Funding (SARbn)

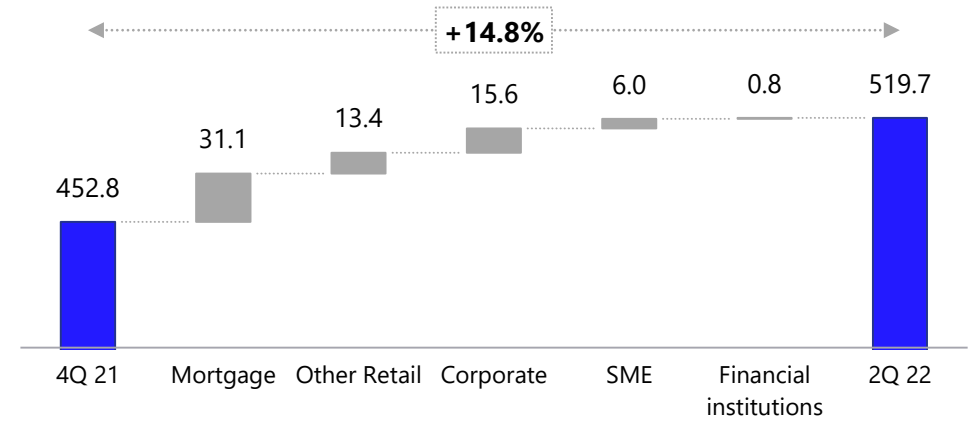


Balance Sheet Trends (2) | Financing growth across all lines of business

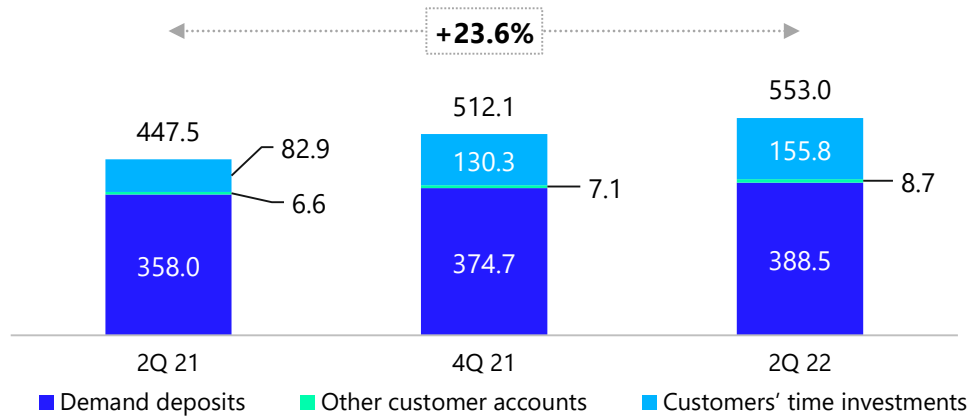
Financing, Net (SARbn)



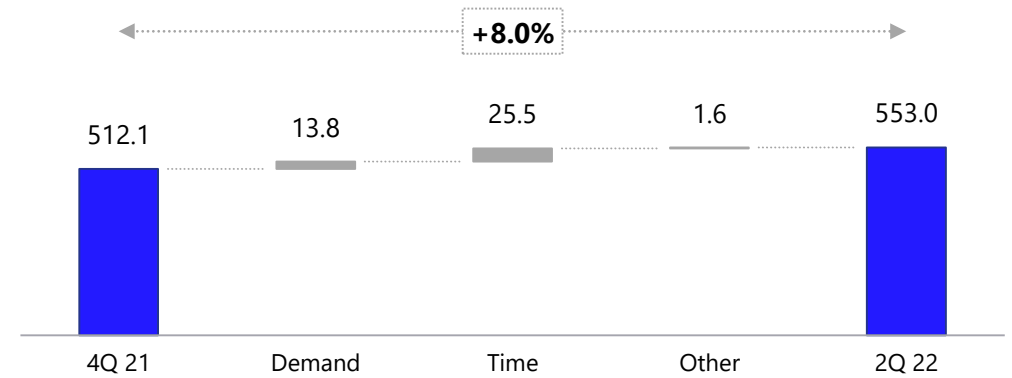
Movement in Financing (SARbn)



Total Customers' Deposits (SARbn)

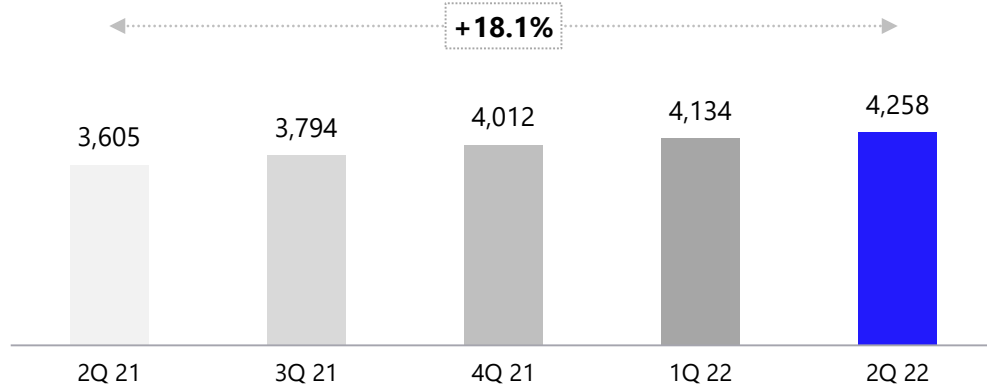


Movement in Total Customers' Deposits (SARbn)



Net Income Trends | Solid net profit growth of 21% YoY for the first half

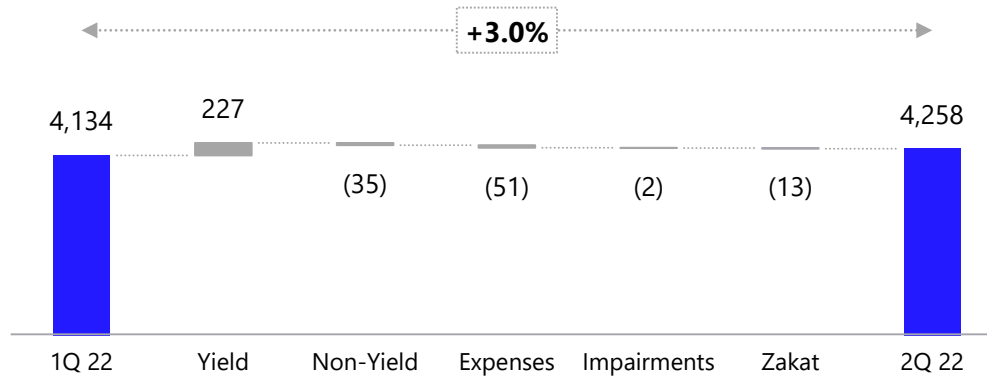
Net Income For The Period After Zakat (SARmn)



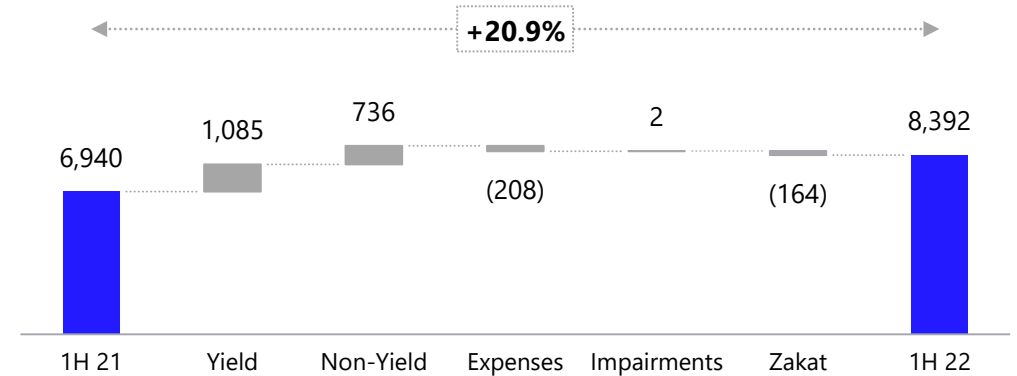
SAR (mn)

	1H 22	1H 21	YoY	2Q 22	2Q 21	YoY
Net financing & investment income	10,907	9,822	+11%	5,567	5,052	+10%
Fee from banking services, net	2,310	1,843	+25%	1,163	934	+24%
Exchange Income, net	545	359	+52%	308	184	+67%
Other operating income, net	342	259	+32%	111	166	-33%
Fees and other income	3,197	2,462	+30%	1,581	1,285	+23%
Total operating income	14,104	12,284	+15%	7,148	6,336	+13%
Operating expenses	-3,589	-3,382	+6%	-1,820	-1,730	+5%
Pre-provision profit	10,515	8,902	+18%	5,328	4,606	+16%
Total impairment charge	-1,159	-1,161	-0%	-580	-584	-1%
Net income for the period before Zakat	9,357	7,741	+21%	4,747	4,022	+18%
Zakat	-965	-801	+20%	-489	-418	+17%
Net income for the period after Zakat	8,392	6,940	+21%	4,258	3,605	+18%

Net Income After Zakat Growth Drivers By Type (SARmn)

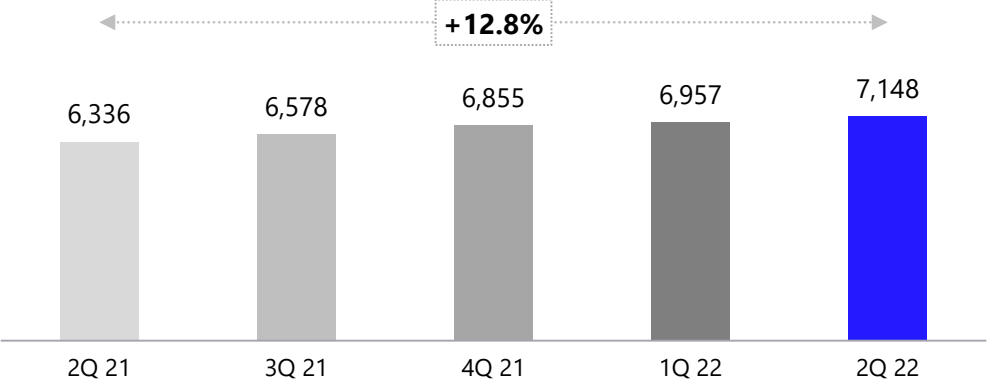


Net Income After Zakat Growth Drivers By Type (SARmn)

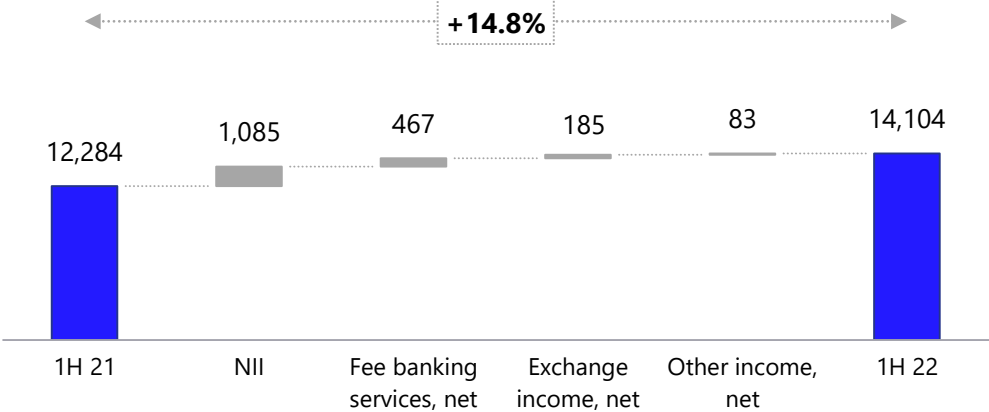


Operating Income Trends | Strong income growth reflecting successful strategy execution

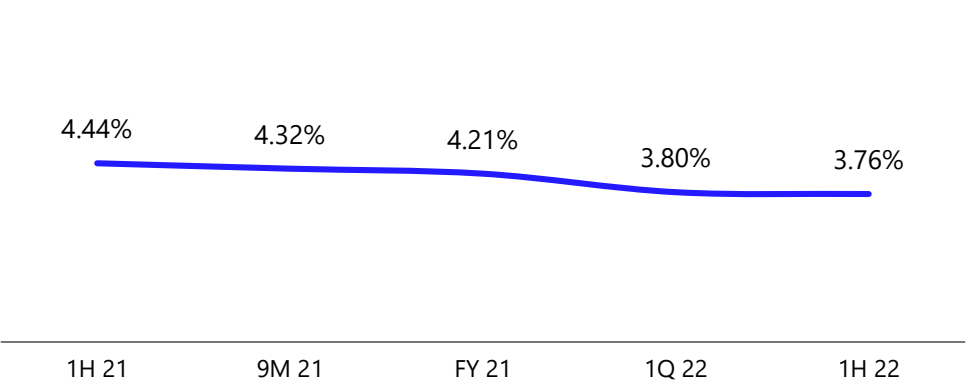
Total Operating Income (SARmn)



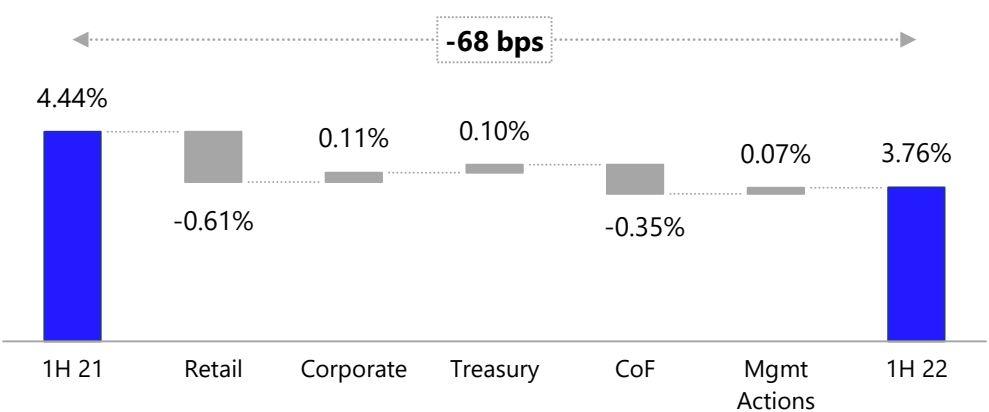
Total Operating Income Growth Drivers By Type (SARmn)



Net Profit Margin (%)

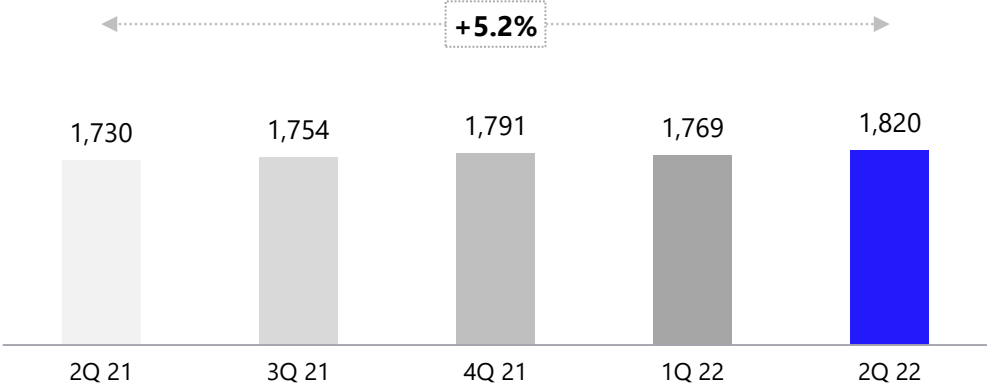


NPM Drivers (%)

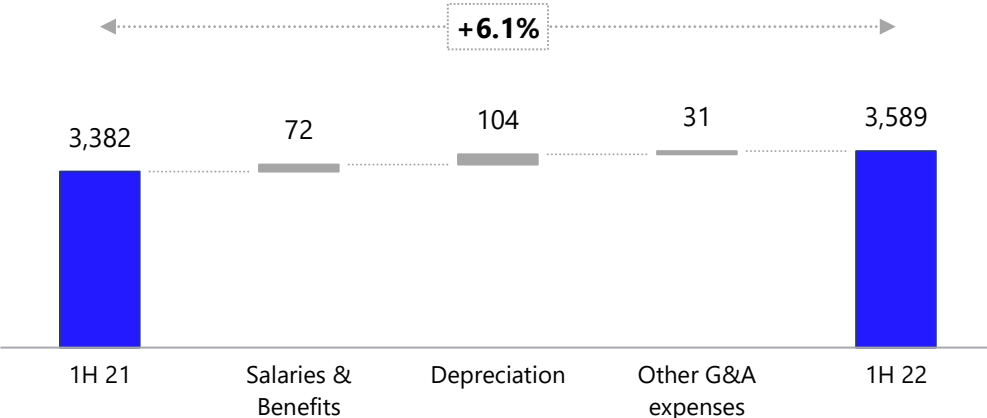


Expenses Trends | Cost efficiencies resulted in higher positive jaws

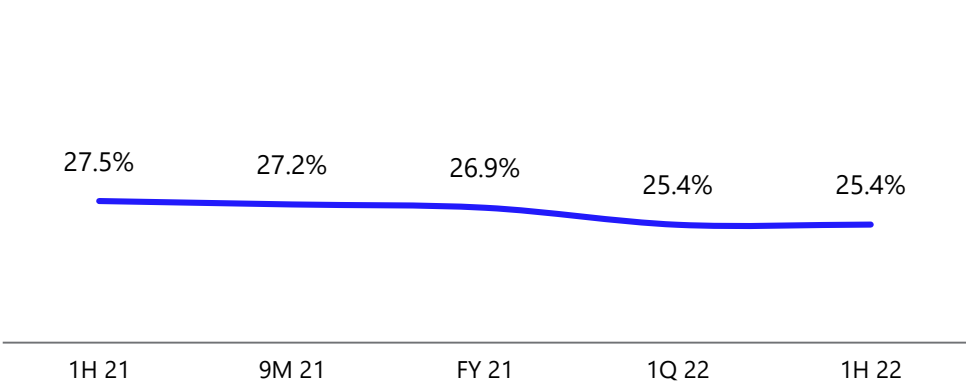
Operating Expenses (SARmn)



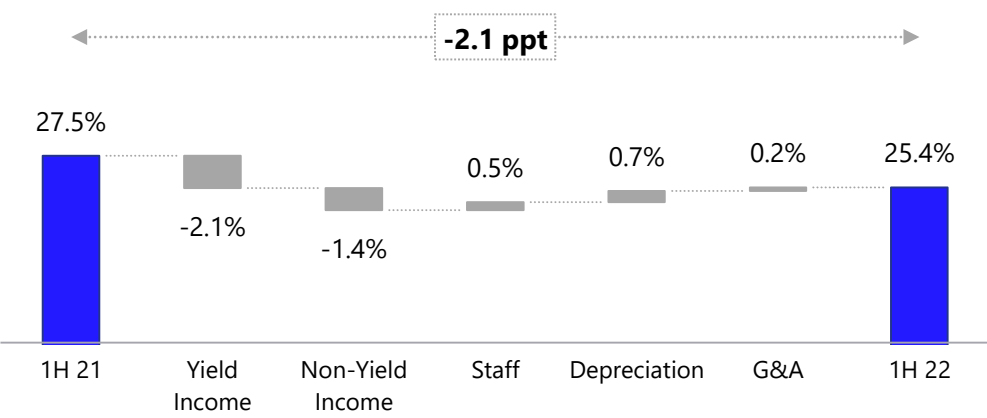
Operating Expenses Growth Drivers By Type (SARmn)



Cost To Income Ratio (%)

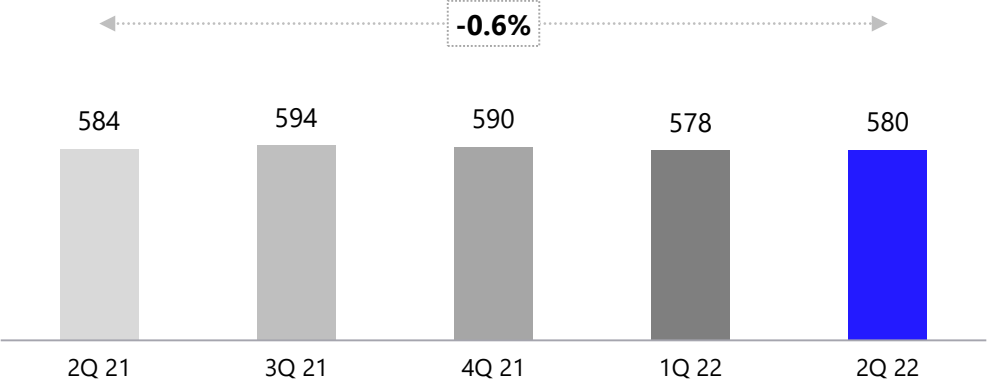


Cost to Income Ratio Drivers (%)

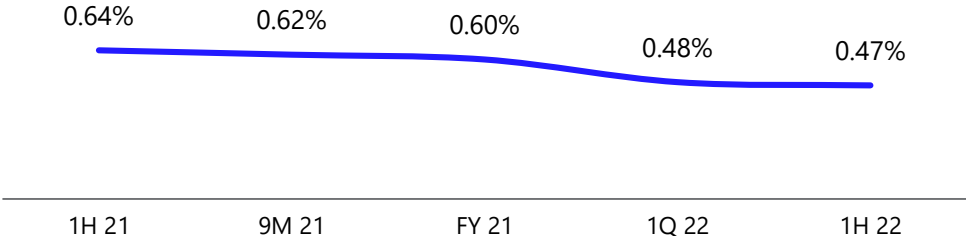


Net Impairment & Cost of Risk | Stable net impairment resulted in cost of risk improvement

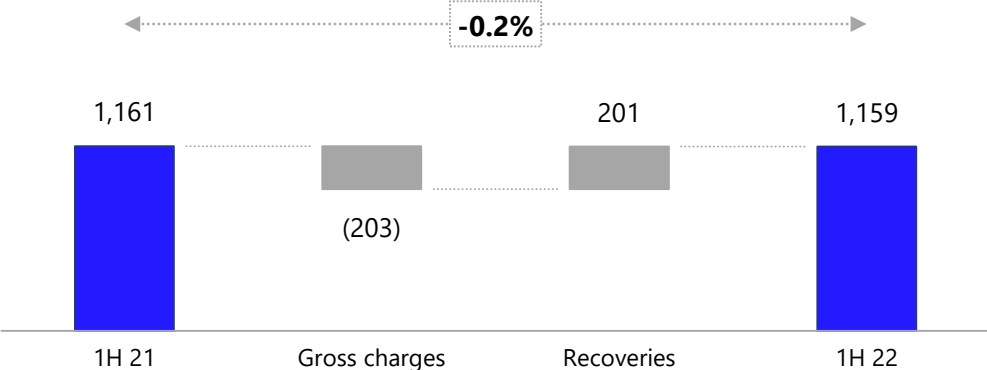
Net Impairment Charges (SARmn)



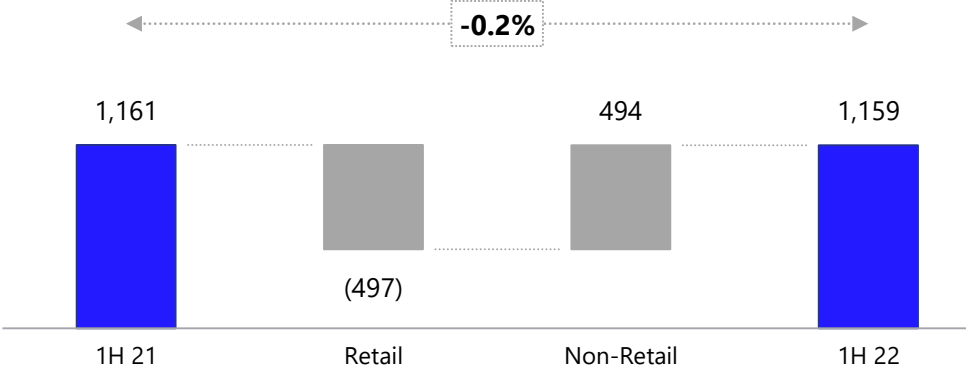
Cost of Risk (%)



Movement in Net Impairment (SARmn)



Movement in Net Impairment by Group (SARmn)

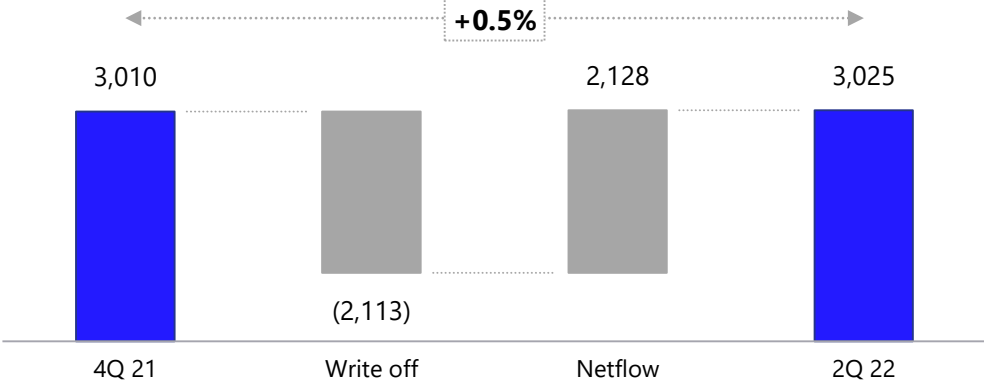


Asset Quality Trends (1) | Asset quality remains healthy and NPL coverage remains strong and stable

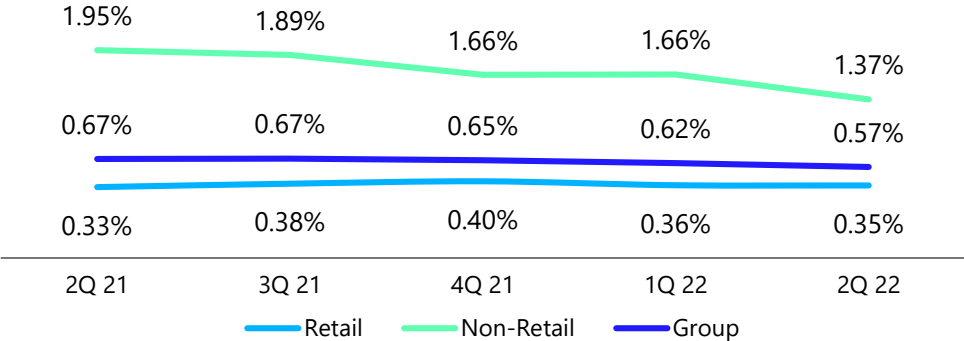
Movement in NPL (SARmn)



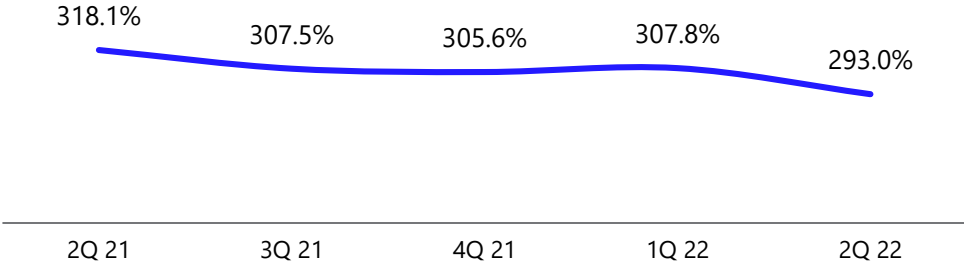
NPL Formation (SARmn)



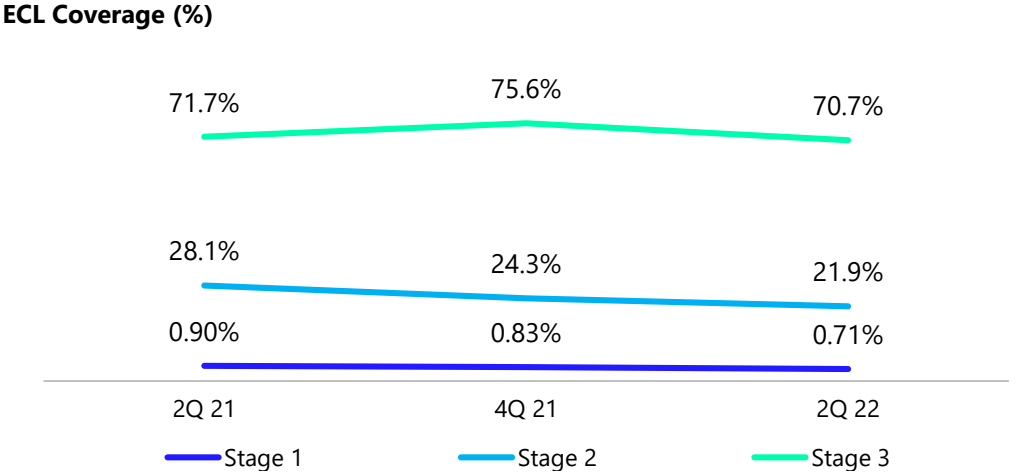
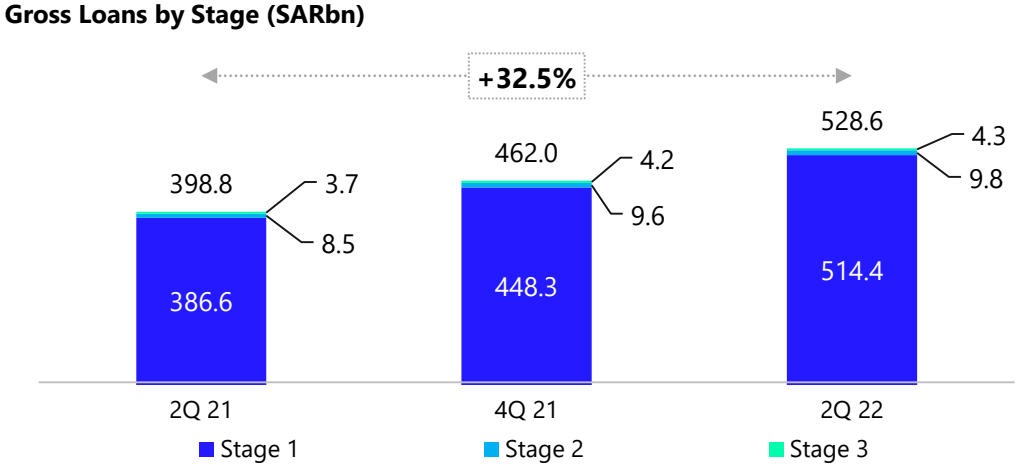
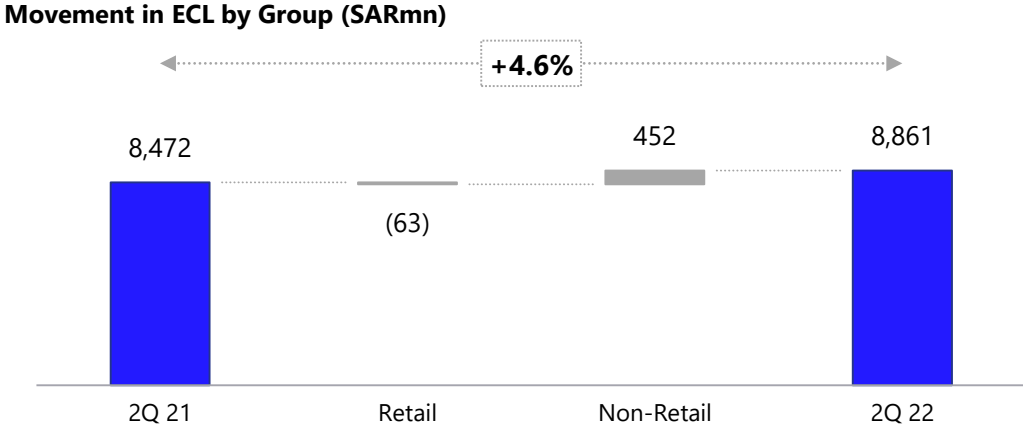
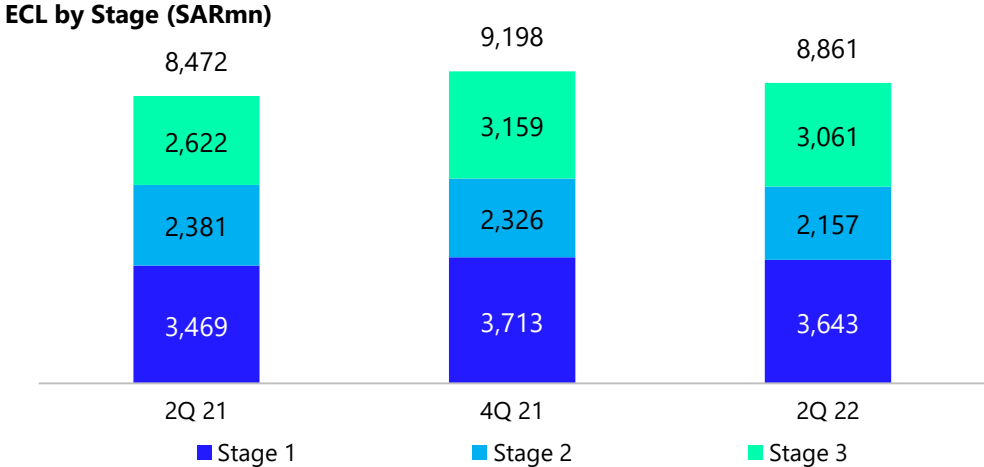
NPL Ratio (%)



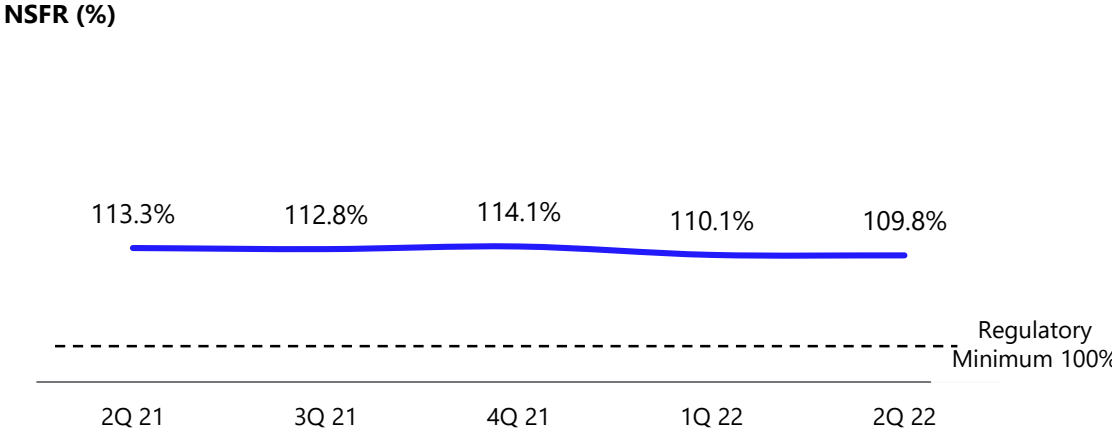
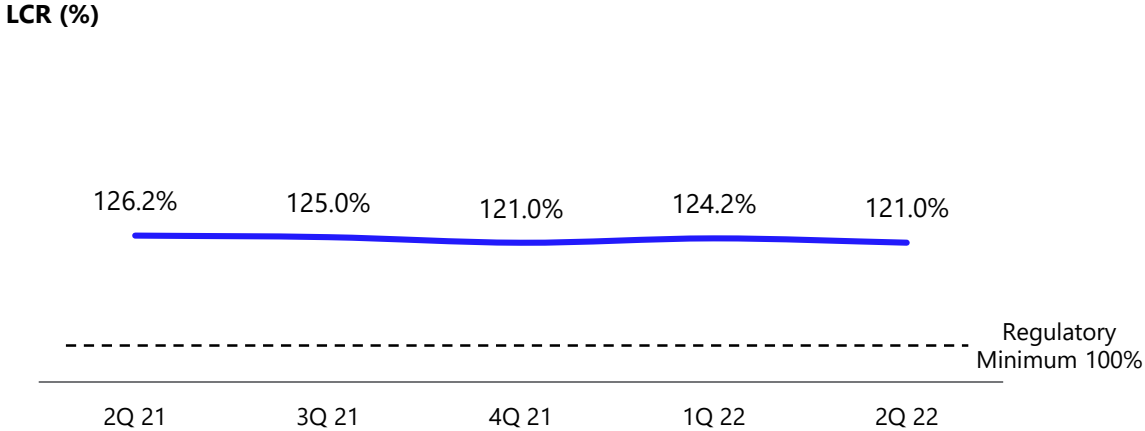
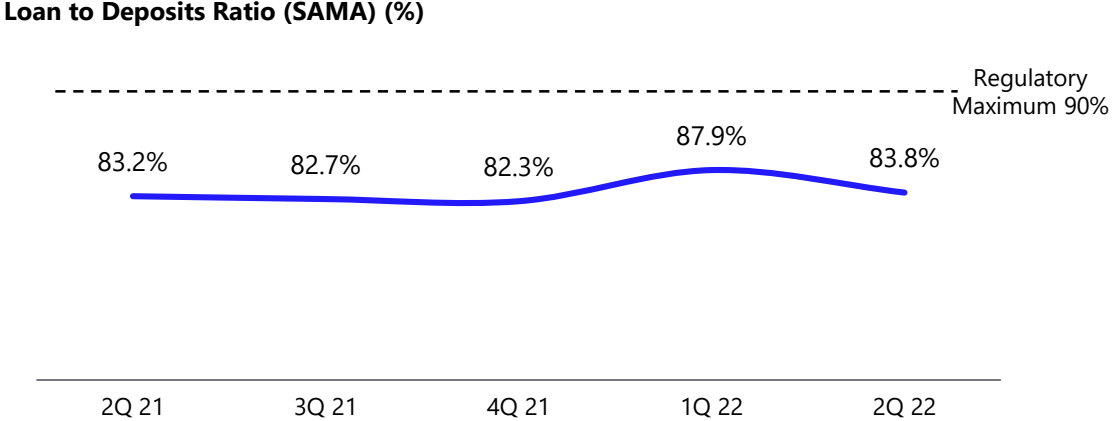
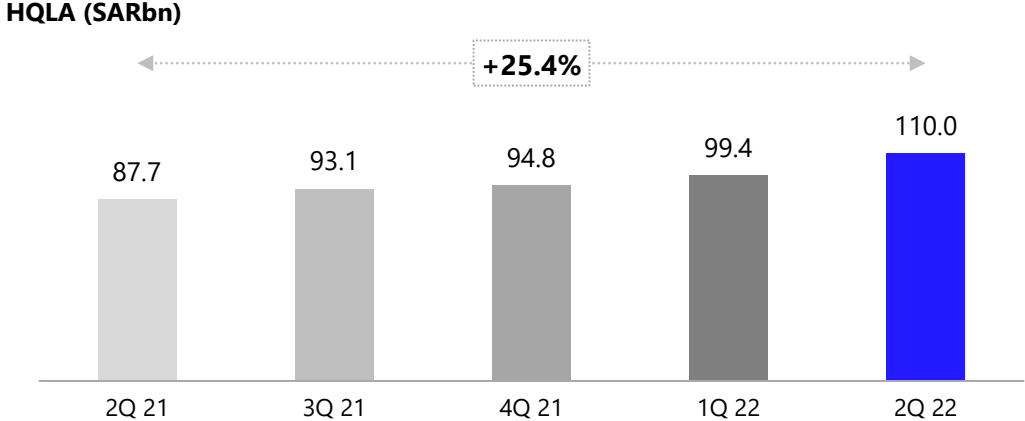
NPL coverage ratio (%)



Asset Quality Trends (2) | Healthy stage coverage reflecting prudent risk management

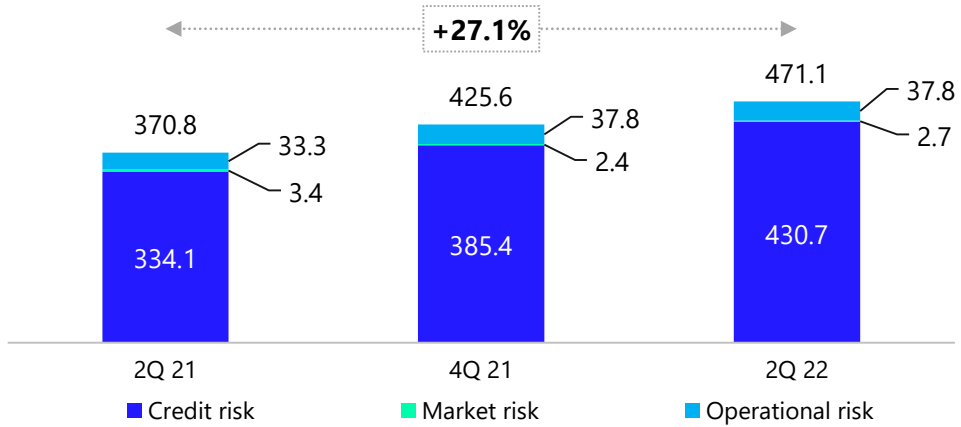


Liquidity Trends | Liquidity remains comfortably within regulatory requirements

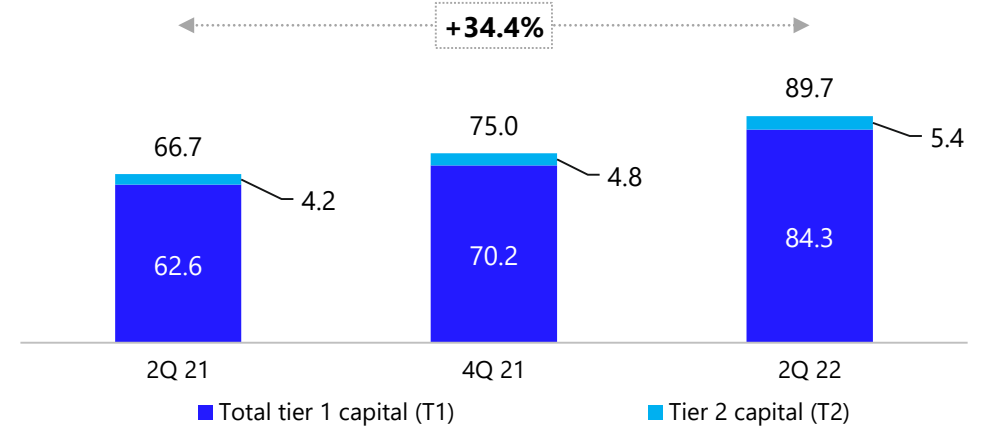


Capitalization Trends | Capital position well above regulatory minima

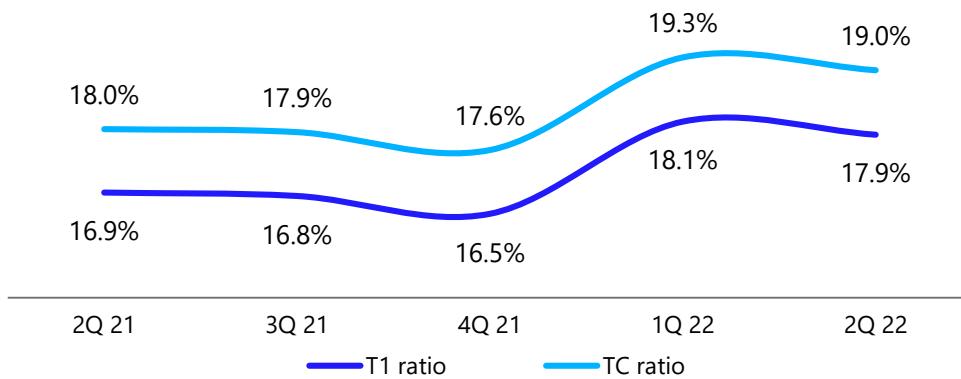
RWA (SARbn)



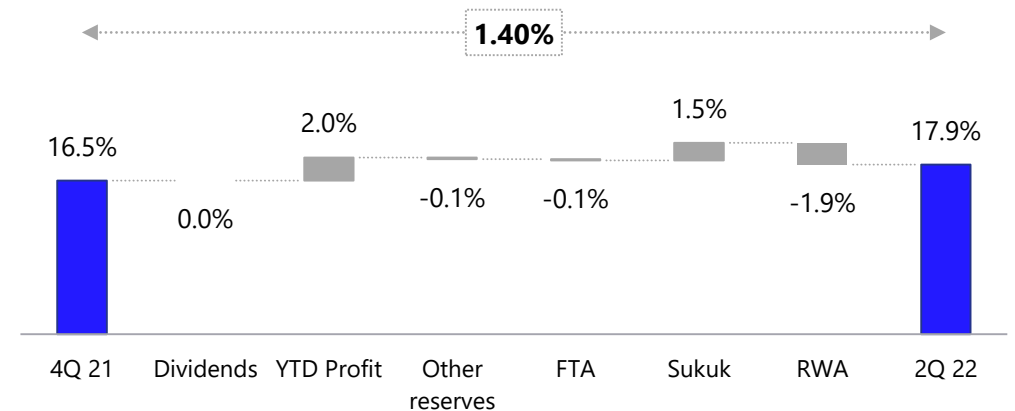
Total Capital (SARbn)



Capital Ratios (%)

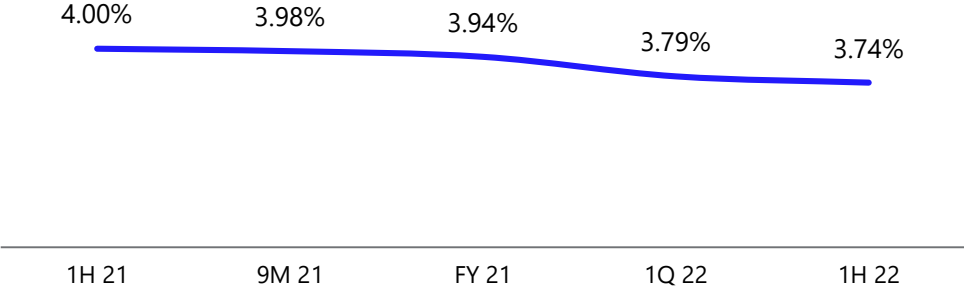


Tier 1 Drivers (%)

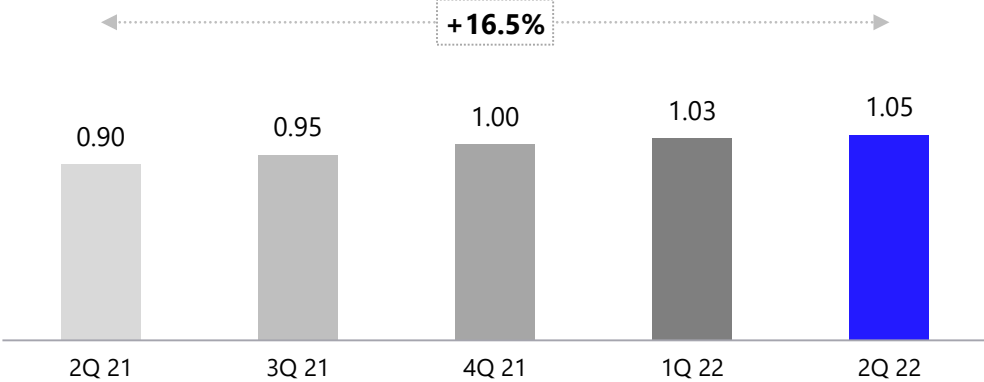


Return Metrics | Al Rajhi Bank's returns remain industry-leading

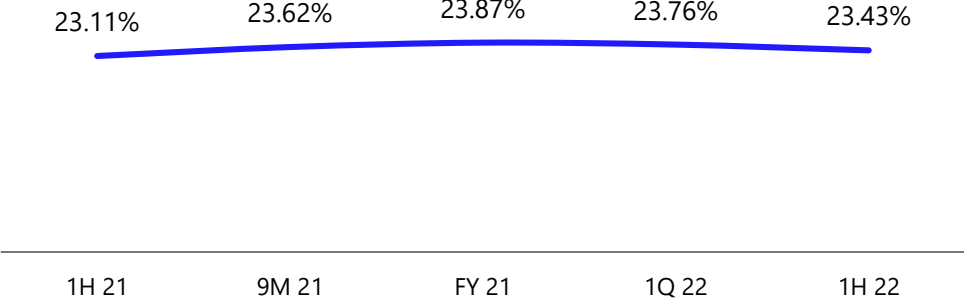
Return on RWA (%)



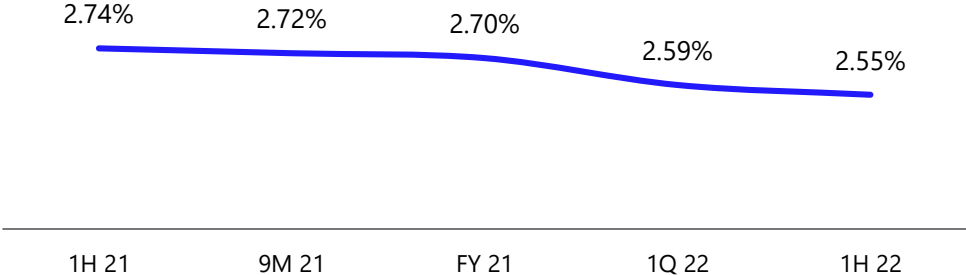
Earnings per Share (SAR)



Return on Equity (%)



Return on Assets (%)



FY 2022 Guidance

FY 2022 Assumptions and Outlook | Driven by positive economic outlook with focus in delivering efficiencies

Economy



- IMF maintains a 7.6% GDP growth in 2022 and revised up 2023 growth forecasts to 3.7% compared to 3.6% earlier
- Saudi economy grew by 11.8% in 2Q 2022, recording the highest growth rate since 2011
- Consumer spending increased by 8.3% in 1H 2022 on the back of improved economic activities
- Credit growth is expected to continue during 2022 supported by government and PIF initiatives and projects

Interest Rates



- Interest rates are expected to move higher during 2022 as US inflation staying well above its 2% target
- Competition is expected to continue which will negate the positive impact of higher interest rates
- Retail ex-mortgage assets re-pricing is expected to occur in the range of 1-3 years
- SRC has revised up the mortgage subsidies cap rate again in late June 2022

Strategy & Execution



- "Bank of the Future" strategy is paving the way for growth opportunities across all business lines
- Strategy execution is on track to build a financial ecosystem addressing changing customer needs
- The focus will continue to improve the bank overall efficiencies through several initiatives
- ESG remains a focus for the management to build a sustainable business that contributes to the bottom line



FY 2022 Guidance | Continuation of excellent results and strategy execution

		FY 2022 Guidance	1H 2022 Actual	Guidance Revision	
Balance Sheet	Financing	Low twenties	+14.8%	—	No change
	Net profit margin	-55 bps to -65 bps	-45 bps	—	No change
Profitability	Cost to income ratio	Below 26.5%	25.4%	—	No change
	ROE	23% – 24%	23.43%	—	No change
Asset Quality	Cost of risk	0.40% - 0.50%	0.47%	—	No change
Capital	Tier 1 ratio	17% - 18%	17.9%	—	No change



Q & A

ESG Highlights

ESG Highlights | 2Q 2022

			91 kidney transplants through Shifaa platform	ISO/DIS 37301:2020 Compliance	
	Started using solar energy system in 5 branches to reduce utilities consumption	SAR 32mn Donation in 2021	9 batches of Graduate Development Program since 2015	ISO 22301:2019 Business Continuity Management	101 women-owned suppliers engaged
SAR 710bn Total Assets	Over USD1bn of financing renewable energy projects	SAR 965mIn Zakat paid	3,663 Employees volunteered in social programs	1,209 Sharia Board Resolutions	69% growth in female employees since 2015
SAR 8.4bn Net Profit after Zakat	ISO Green Certification for the head office building	SAR 1.6bn in salaries and benefits paid	18,300+ of volunteering hours Clocked	137 Policies & Frameworks	17% of female employees
0% Financing exposure in Tobacco, Alcohol & Gambling	91:9 Digital to Manual Ratio	SAR 21.8bn in financing for SMEs	65,200+ total training days	4 out of 11 Independent Board Directors	93% growth in female customers since 2015
Financial Sustainability	Environmental	Social		Governance	Gender Diversity

■ 2Q 2022 figures

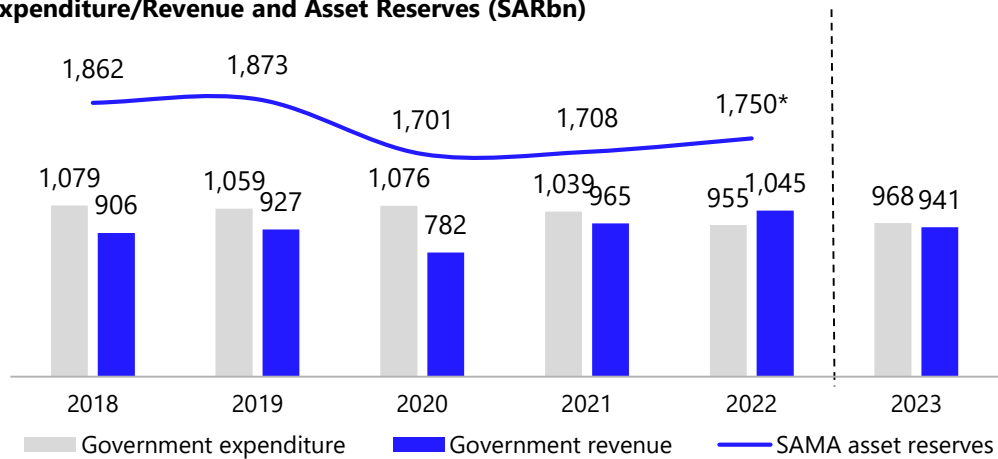


KSA's Macro-Economic Environment

Highlights

- IMF maintains a 7.6% GDP growth in 2022 and revised up 2023 growth forecasts to 3.7% compared to 3.6% earlier
- GDP grew by 11.8% in 2Q 2022 driven by higher oil prices and recovery in non-oil activities
- Average inflation estimated to be 2.5% in 2022 and expected to normalize in 2023 to 2.0%

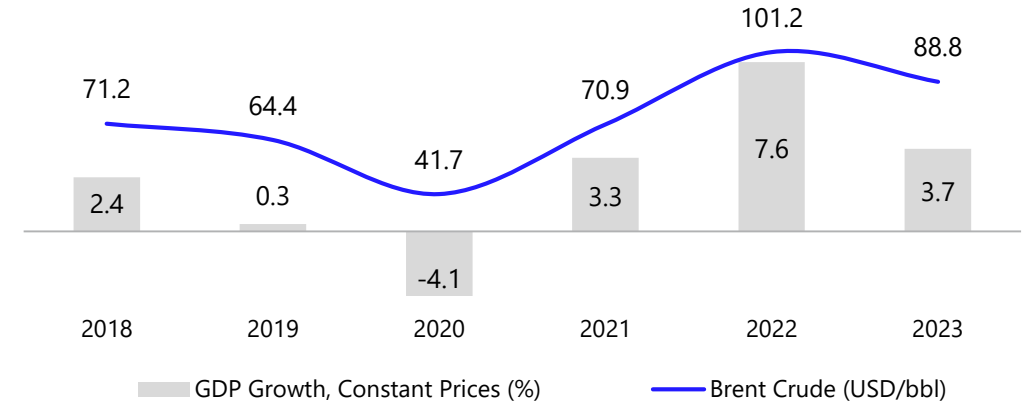
Expenditure/Revenue and Asset Reserves (SARbn)



Source: MoF, SAMA

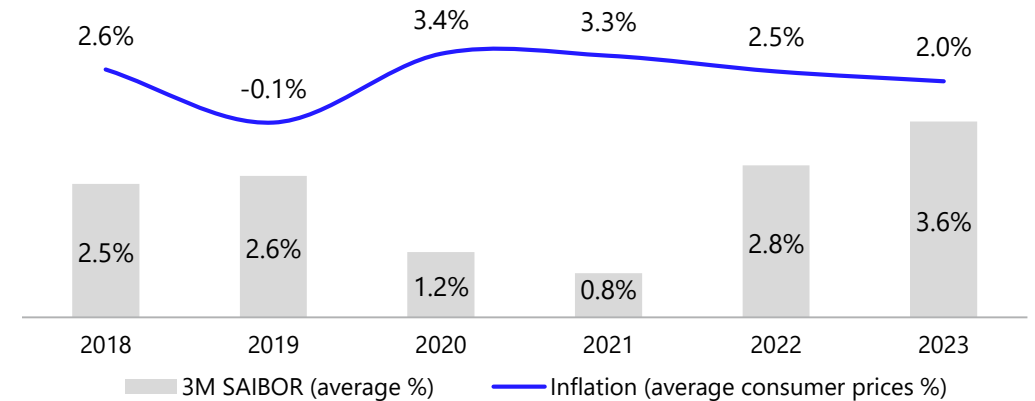
* June 2022 figure

GDP Growth/Brent Oil Price



Source: IMF, U.S. Energy Information

3M SAIBOR / Inflation



Source: SAMA, IMF, MoF

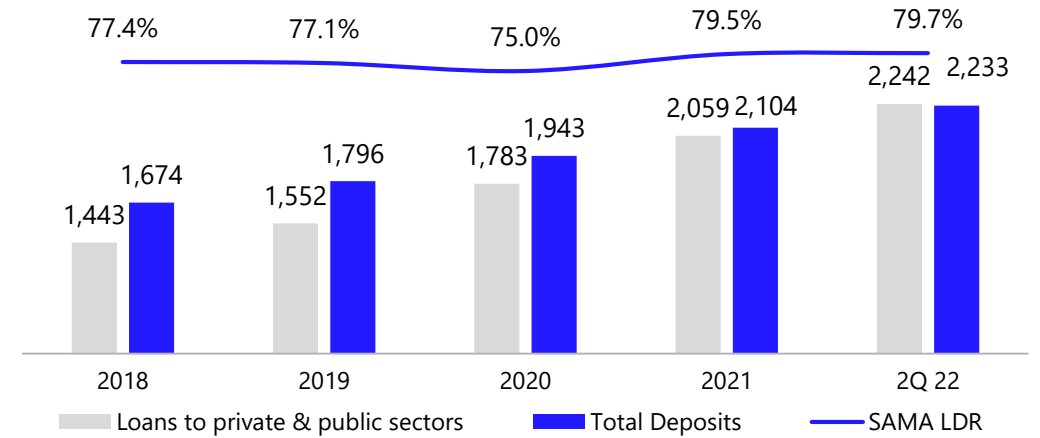


Banking Sector Highlights | Banking system loans growth was broad based

Recent Developments

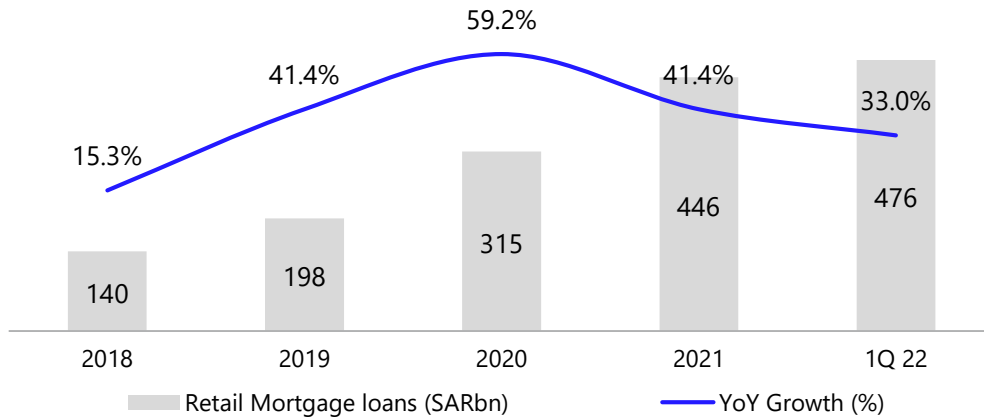
- Broad-based loan growth in the banking system during the first half of 2022
- SRC has revised up the mortgage subsidies cap rate in late June 2022
- Consumer spending increased by 8.3% YoY with continuous migration to cashless payment methods

SAMA LDR (%) & Bank Loans and Deposits (SARmn)



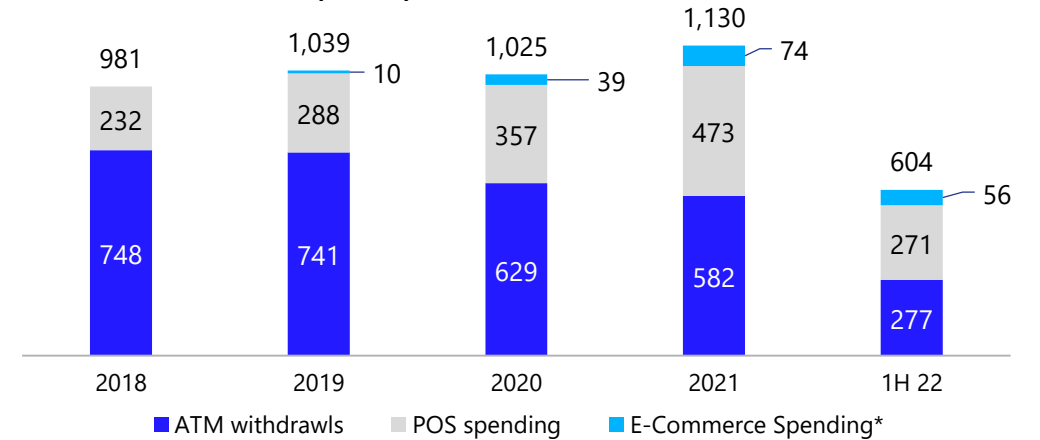
Source: SAMA

Retail Mortgage (SARbn)



Source: SAMA

POS/ATM & E-Commerce (SARbn)



Source: SAMA

* E-Commerce started in 2019



IR Contact Information

Additional Information | Contact investor relations for more information

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Visit our website ([here](#)) for more Investor disclosures:

- Annual Report
- Financial Statements
- Investor Presentation
- Factsheet
- Data Supplement
- Earnings Release

Upcoming Events in 3Q 2022

Saudi Corporate Day – London	5 th September
GS 10 th Annual CEEMEA Financials Symposium - London	7 th – 8 th September
EFG 16 th Annual One on One Conference – Dubai	21 st – 22 nd September
JPM 5 th Annual Saudi Arabia Investment Forum – New York	10 th – 11 th October



Alrajhi Mobile App



Alrajhi Business App



Alrajhi IR App



Alrajhi Tadawul Mobile App



Emkan App



urpay App



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