

# Al Rajhi Bank Investor Presentation

Senior Unsecured Sustainable Sukuk

March 2023



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# Investor Presentation

<b>05</b>	Executive Summary
<b>09</b>	Al Rajhi Bank Overview
<b>15</b>	KSA's Macroeconomic Environment
<b>18</b>	Financial Update
<b>25</b>	ESG Framework
<b>31</b>	Transaction Overview
<b>34</b>	Appendix A



# Executive Summary

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# Executive Summary | Transaction Summary and Issuance Rationale

## Transaction Summary

- Senior Unsecured Sustainable Sukuk Issuance
- Regulation S Only
- USD – Denominated
- Benchmark Size
- Fixed rate
- Proceeds to be applied to finance and/or refinance, in whole or in part, eligible Sustainable projects as set out in the Bank’s Sustainable Finance Framework

## Issuance Rationale

- Diversify funding sources into the international capital markets
- Establish a new benchmark reference for future issuances
- Access a new liquidity pool



# Investment Highlights | The Unique Al Rajhi Bank Story (1/2)

## 1 World's Largest Islamic Bank

Al Rajhi Bank is the **largest Islamic bank in the world** by total assets and market capitalisation. It also ranks #16<sup>1</sup> among global banks, by market capitalisation

## 2 Dominant Islamic and Domestic Retail Franchise

Al Rajhi is the **largest bank in KSA** by number of customers with retail banking market share of 43.6%<sup>2</sup>. Al Rajhi commands **exceptional market shares** in the retail segment: 44.3% in personal loans<sup>2</sup>, 51.7% in auto loans<sup>2</sup> and 42.9% in mortgages<sup>2</sup> in a domestic market with strong macroeconomic fundamentals

## 3 Unique Funding and Liquidity Profile

**Sticky and attractive deposit mix** (64%<sup>2</sup> of customer non-profit bearing deposits), resulting in very limited funding concentration risk. The loan-to-deposit ratio at 85.9%<sup>2</sup> and robust LCR and NSFR of 125.8%<sup>2</sup> and 110.0%<sup>2</sup> respectively showcase the ability to fund healthy balance sheet growth

## 4 Sector Leading Profitability

Profitable and **operationally efficient** franchise with RoE of 22.7%<sup>2</sup> and RoA of 2.5%<sup>2</sup>, and very low cost-to-income ratio of 26.1%. Al Rajhi Bank **Net Profit Margin<sup>3</sup> is among the top in KSA** at 3.55%<sup>2</sup>

<sup>1</sup> Source: Bloomberg at 24-March-2023

<sup>2</sup> FY 22

<sup>3</sup> Equivalent to NIM (net interest margin)



# Investment Highlights | The Unique Al Rajhi Bank Story (2/2)

5

## Solid capital position

Tier 1 ratio and Total capital ratio at 20.3%<sup>1</sup> and 21.4%<sup>1</sup> respectively, **comfortably above** the local regulatory requirement (11.0% Pillar I CAR)

6

## Resilient Asset Quality supported by exceptional Performance of Retail Loan book

Consistently prudent management philosophy achieving the **lowest NPL ratio in KSA** at 0.54%<sup>1</sup>, a low cost of risk at 0.39%<sup>1</sup>, and **very high coverage ratio** at 260%<sup>1</sup>. Exceptionally sound retail franchise with contained retail Non-Performing exposure stably in the 35-45bps area, reflecting the bank's low risk business model

7

## Future – Proof Bank

**Leading Digital Banking Platform** with 92:8 digital to manual ratio and more than 11.4 million active digital customers, positioning Al Rajhi Bank well for the future

8

## Experienced Management Team

Management Team with **significant banking experience** in a bank with a strong corporate governance framework

<sup>1</sup> FY 22



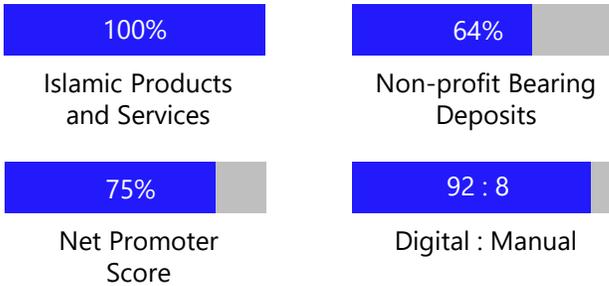
# Al Rajhi Bank Overview

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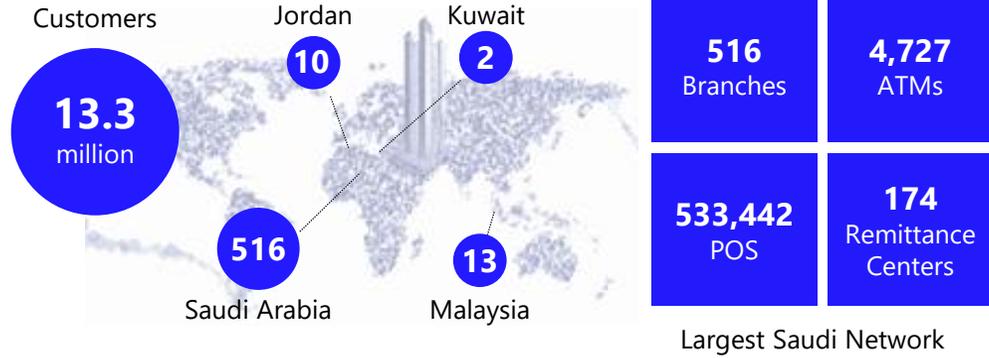


# Al Rajhi Bank | Key Highlights as of FY 22

## Al Rajhi Bank at a Glance



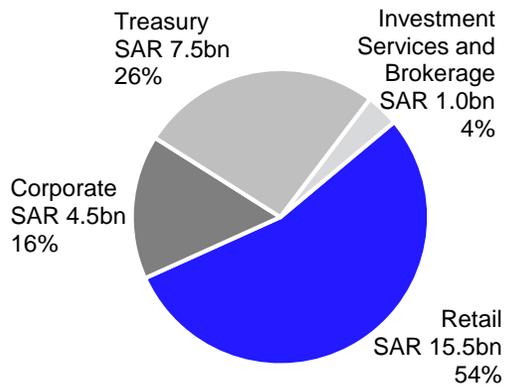
## Presence & Branches



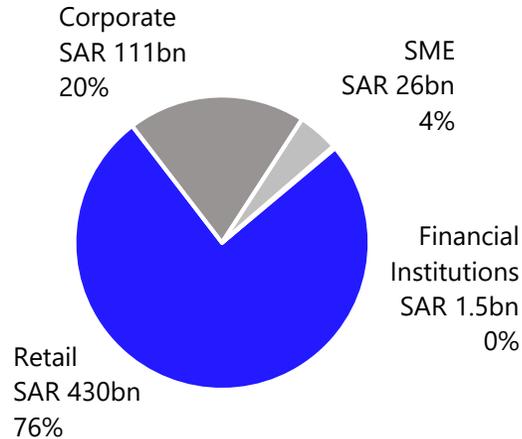
## Market Shares



## FY 22 Operating Income, Mix by Segment (SARbn)

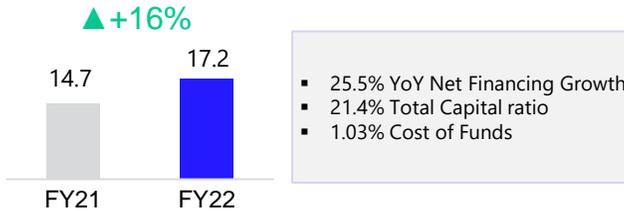


## FY 22 Financing, Net Mix By Segment (SARbn)

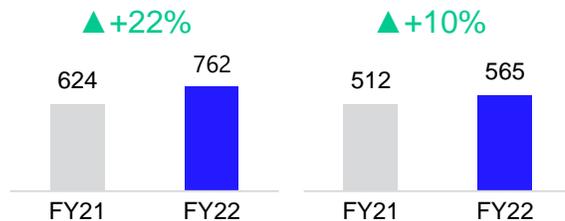


## Financial Highlights

Group Net Income After Zakat (SARbn)



Total Assets (SARbn)    Customer Deposits (SARbn)



## Awards



# Credit Ratings & Agency Views

	S&P	Fitch	Moody's
Long term	BBB+	A-	A1
Short term	A-2	F-2	P-1
Outlook	Positive	Stable	Stable

## S&P Global

- 'ARB is likely to continue outperforming the market in terms of profitability in 2021-2022. We believe that, over the next few years, ARB will retain better-than-average earnings capacity due to its low cost of funding'
- 'ARB's funding is dominated by core deposits with a large portion coming from non-remunerated demand deposits. We expect the bank to continue displaying a strong stable-funding ratio'
- 'ARB's mortgage portfolio will keep expanding by around 30% annually over the next few years'
- 'We view ARB as a highly systemically important bank in Saudi Arabia, and the authorities as highly supportive of the domestic banking sector'

## FitchRatings

- 'ARB is the second-largest bank in Saudi Arabia and the market leader in retail financing, with a focus on mortgage financing. ARB's profitability metrics have been stronger than peers due to its retail focus'
- '...Strong business profile, strong funding profile, healthy profitability and strong asset quality...'
- 'The share of non-profit-bearing deposits decreased on the back of liquidity tightening in the sector. However, it remains stronger than the sector average. ...The regulatory loan to deposit ratio was lower at 85.9% at end-4Q22, compared with a 90% regulatory maximum'
- 'ARB's strong capital ratios are at the top end of the sector. ...The bank's capitalisation is also supported by strong pre-impairment operating profitability...'

## MOODY'S

- 'Dominant Islamic retail franchise, which drives low funding costs and high profitability'
- 'Solid asset quality, driven by a granular financing book'
- 'Strong albeit moderating capitalisation'
- 'Sound liquidity and funding, supported by an established retail deposit franchise'
- 'Very high likelihood of support from the Saudi authorities in case of need'
- 'The stable outlook reflects the resilience of the operating environment in Saudi Arabia which will support the bank's solvency and liquidity for the outlook period. The stable outlook also reflects that the capacity of the Saudi government to support the country's banks will remain unchanged, as indicated by the stable outlook on the sovereign's A1 issuer rating'

## Rating Agency Views

Sources: S&P rating report as of 15-Jun-2022, Fitch rating announcement as of 18-Jan-2023, Moody's rating report as of 28-Nov-2022



# We are building the “Bank of the Future” | Strong Focus on Implementing our Strategy

## Bank

**Build** on our core

Grow Retail including Private Sector

Expand Corporate

Bank of Choice for SMEs

Grow Demand Deposits

Improve Revenue Mix

## OF

**Outperform** our competition

Customer Experience

Preferred Employer

Market Share

Preferred Loyalty Program

Leader in Financial Conduct

## The

**Transform** technology

Digital Core Banking Platform

Data Leader for Customer Insights

Modernize our technology

Leverage our Infrastructure

Adopt Agile Delivery

## Future

**Focus** on new client needs

Become Leading Finance Company

Develop Best Payments Solution

Grow Private Bank

Expand customer reach

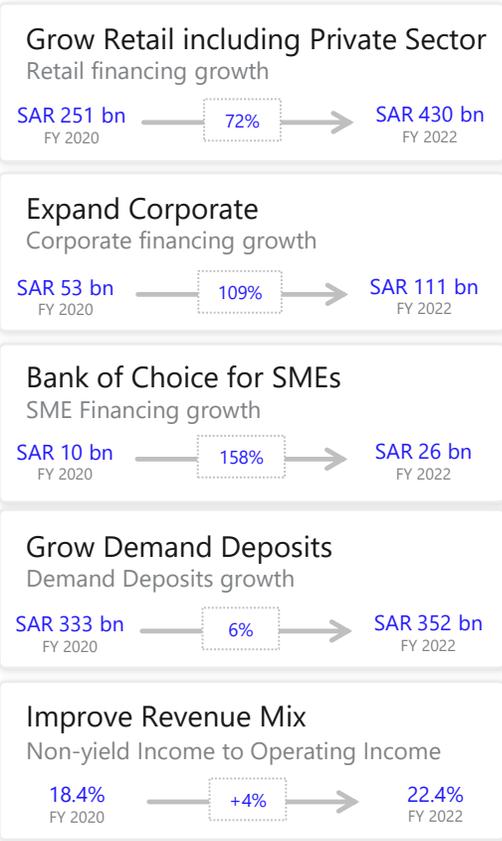
Deepen Relationships via X-Sell



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

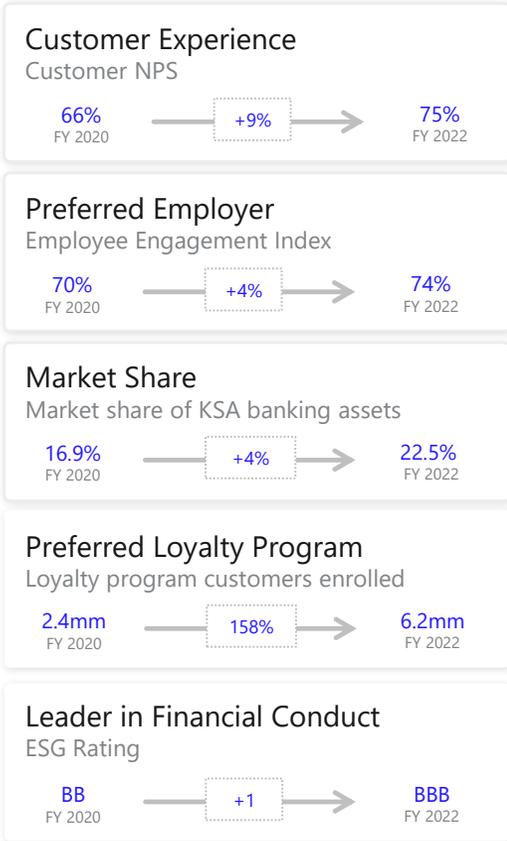
## Bank

**Build** on our core



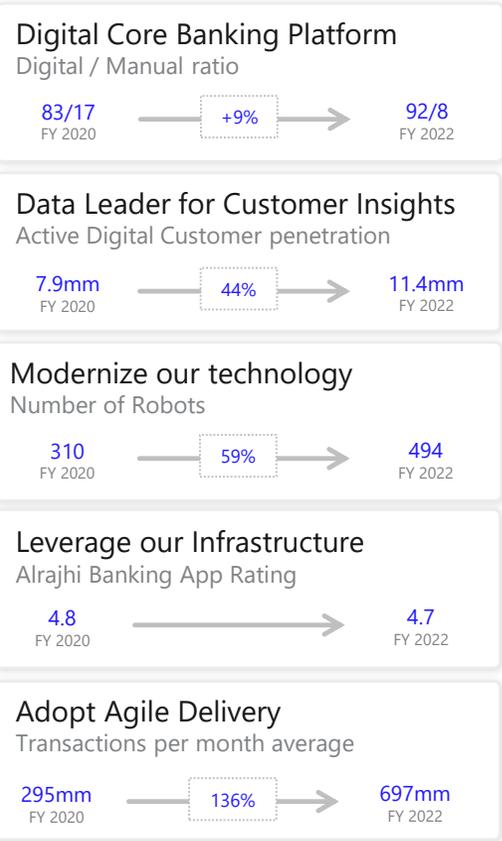
## OF

**Outperform** our competition



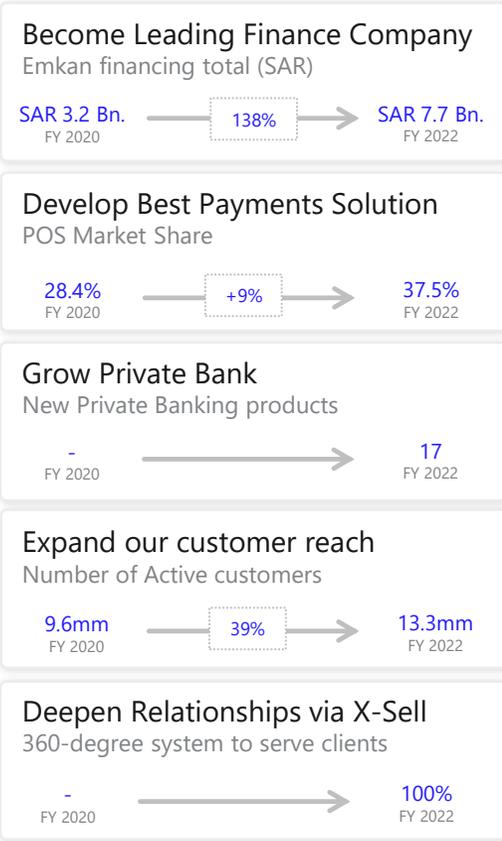
## The

**Transform** technology



## Future

**Focus** on new client needs



# ESG Highlights | FY 2022

	USD <b>1.2bn</b> Green syndicated loan		<b>Renovation</b> Of children with disability Association clinic	ISO/DIS 37301:2020 Compliance	
	Started using solar energy system in 44 branches to reduce utilities consumption	SAR <b>41.6mn</b> Donation in 2022	<b>6</b> Key social projects delivered	ISO 22301:2019 Business Continuity Management	
SAR <b>762bn</b> Total Assets	Around <b>SAR 3bn</b> of financing renewable energy projects	SAR <b>2.0bn</b> Zakat paid	<b>91</b> kidney transplants through Shifaa platform	<b>1,448</b> Sharia Board Resolutions	<b>109%</b> growth in female employees in 2022
SAR <b>17.2bn</b> Net Profit after Zakat	ISO Green Certification for the head office building	SAR <b>3.4bn</b> in salaries and benefits paid	<b>10</b> batches of Graduate Development Program since 2015	<b>137</b> Policies & Frameworks	<b>28%</b> of female employees at group level
<b>0%</b> Financing exposure in Tobacco, Alcohol & Gambling	<b>92:8</b> Digital to Manual Ratio	SAR <b>25.5bn</b> in financing for SMEs	<b>141,000+</b> total training days	<b>4 out of 11</b> Independent Board Directors	<b>+100%</b> growth in female customers since 2015
<b>Financial Sustainability</b>	<b>Environmental</b>	<b>Social</b>		<b>Governance</b>	<b>Gender Diversity</b>



# KSA's Macroeconomic Environment

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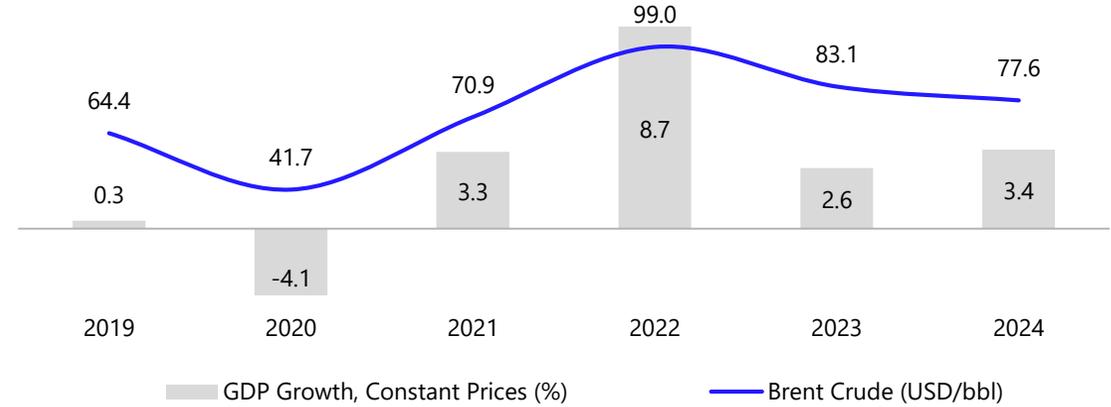


# KSA Economic Outlook | Economic conditions remain positive for the Kingdom

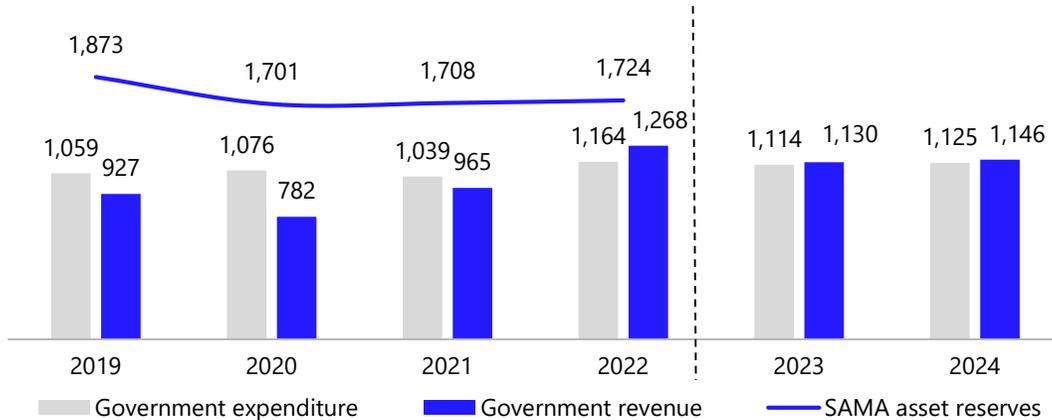
## Highlights

- GDP grew by 8.7% in 2022 driven by higher oil prices and recovery in non-oil activities
- IMF revised down Saudi's GDP growth forecasts in 2023 to 2.6% while revising up 2024 to 3.4%
- Inflation averaged 2.5% in 2022 and expected to normalize in 2023 to 2.2%

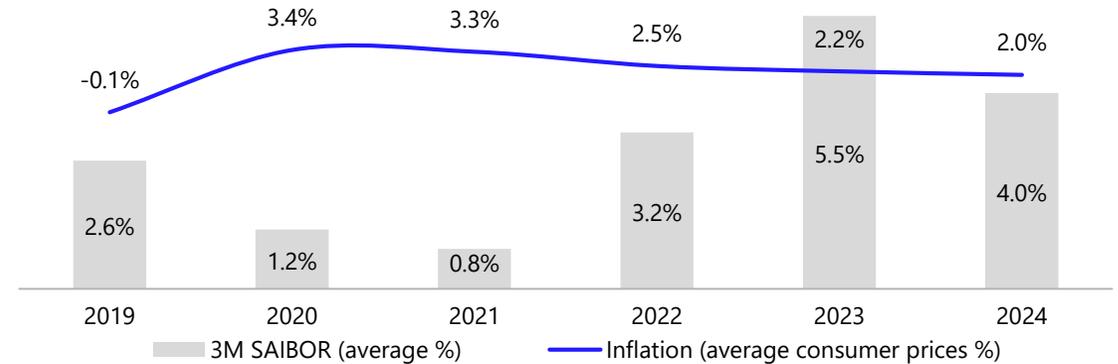
## GDP Growth/Brent Oil Price



## Expenditure/Revenue and Asset Reserves (SARbn)



## 3M SAIBOR / Inflation



Source: SAMA, IMF, MoF, U.S. Energy Information

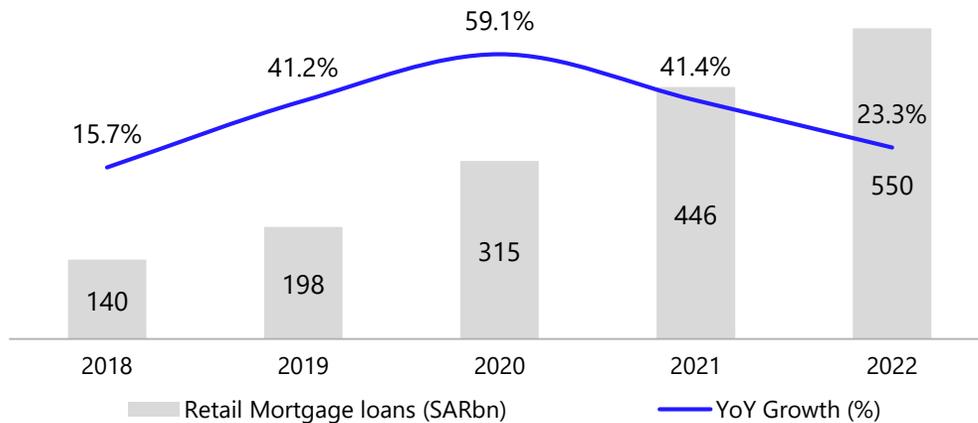


# Banking Sector Highlights | Banking system loans growth was broad based

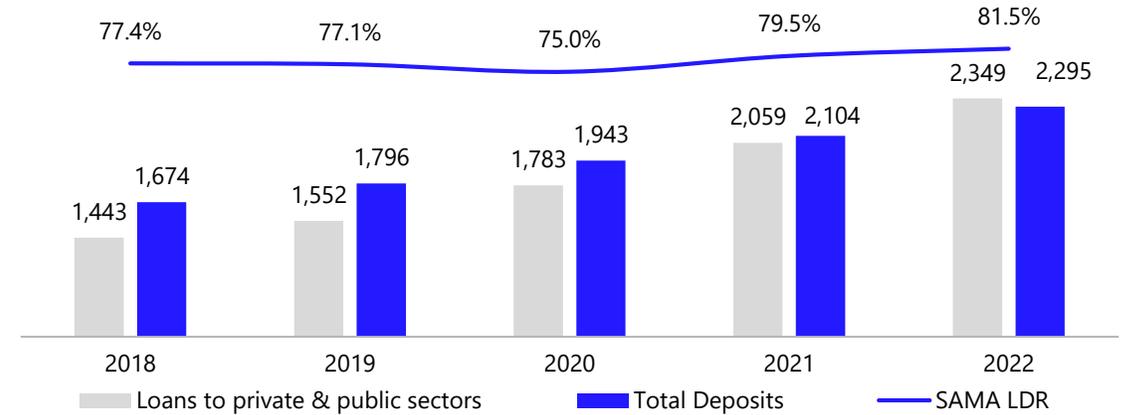
## Recent Developments

- Strong loan growth in the banking system during 2022 despite the slower deposits growth
- SRC has revised up the mortgage subsidies cap rate in early November 2022, for the fourth time in 2022
- Consumer spending increased by 9.5% in 2022 with continuous migration to cashless payment methods

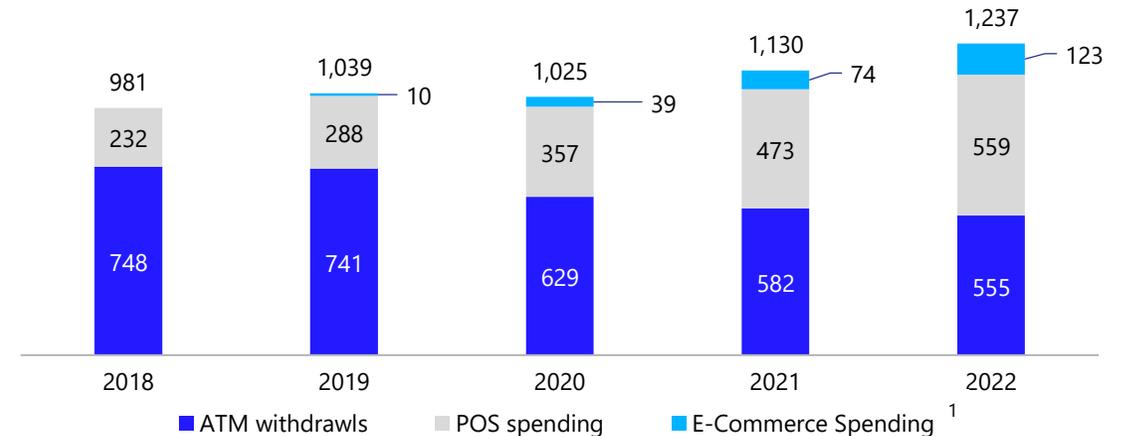
## Retail Mortgage (SARbn)



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



## POS/ATM & E-Commerce (SARbn)



Source: SAMA  
<sup>1</sup>E-Commerce started in 2019



# Financial Update

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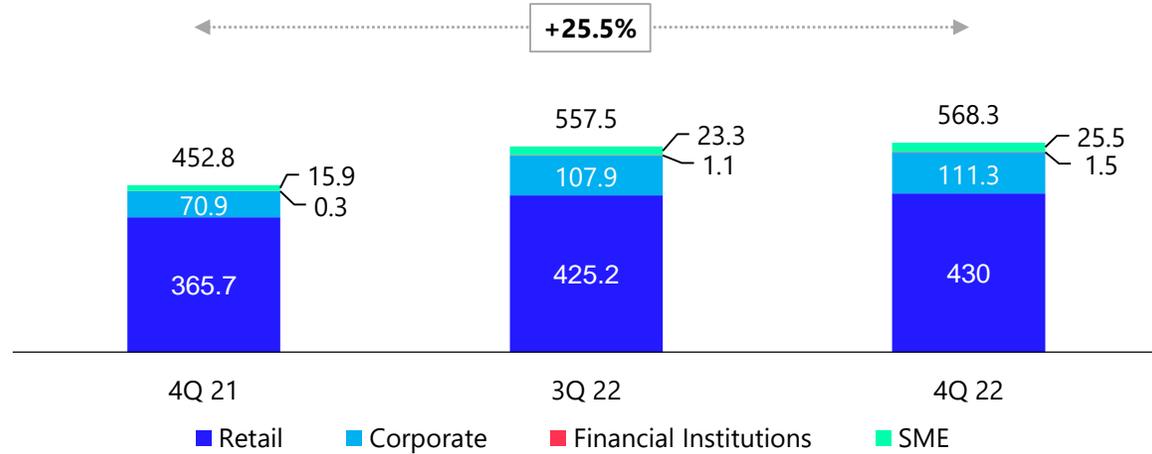
# ARB had a strong set of results in 2022 | Results are in line with or ahead of expectations

22% YoY Balance Sheet Growth	25.5% Growth in financing driven by all lines of business	19.0% Growth in liabilities	LDR below regulatory minima
	Net Financing <b>452.8bn</b> $\xrightarrow{+25.5\%}$ <b>568.3bn</b> FY 21 FY 22	Total Liabilities <b>556.4bn</b> $\xrightarrow{+19.0\%}$ <b>662.1bn</b> FY 21 FY 22	Loan to Deposit Ratio <b>82.3%</b> $\xrightarrow{\text{green line}}$ <b>85.9%</b> FY 21 FY 22
Solid 16% net income growth YoY	8.7% Net yield income growth, impacted by lower NPM	20.2% Non yield income growth	11.1% Operating income growth
	Net Yield income <b>20,392mn</b> $\xrightarrow{+8.7\%}$ <b>22,173mn</b> FY 21 FY 22	Non Yield Income <b>5,324mn</b> $\xrightarrow{+20.2\%}$ <b>6,402mn</b> FY 21 FY 22	Operating Income <b>25,716mn</b> $\xrightarrow{+11.1\%}$ <b>28,575mn</b> FY 21 FY 22
Stable credit quality	21 bps COR reduction	11 bps improvement in NPL ratio from strong loan growth	NPL coverage remained strong
	Cost of risk <b>0.60%</b> $\xrightarrow{\text{green line}}$ <b>0.39%</b> FY 21 FY 22	NPL <b>0.65%</b> $\xrightarrow{\text{green line}}$ <b>0.54%</b> FY 21 FY 22	NPL Coverage <b>306%</b> $\xrightarrow{\text{green line}}$ <b>260%</b> FY 21 FY 22
Key Ratios	86 bps better operating efficiency	Improved capital position	Lower NPM
	Cost to income ratio <b>26.9%</b> $\xrightarrow{\text{green line}}$ <b>26.1%</b> FY 21 FY 22	Total Capital Adequacy Ratio <b>17.5%</b> $\xrightarrow{\text{green line}}$ <b>21.4%</b> FY 21 FY 22	NPM <b>4.21%</b> $\xrightarrow{\text{green line}}$ <b>3.55%</b> FY 21 FY 22

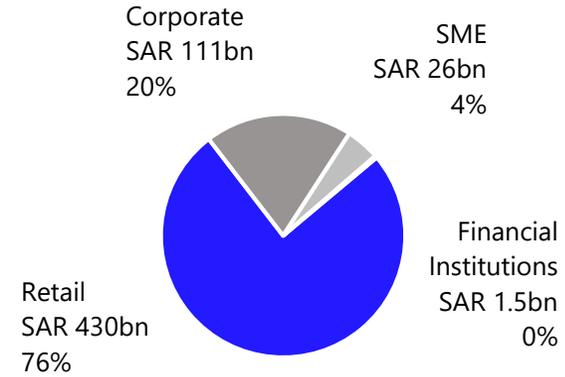


# Financing | Financing growth driven by all lines of business

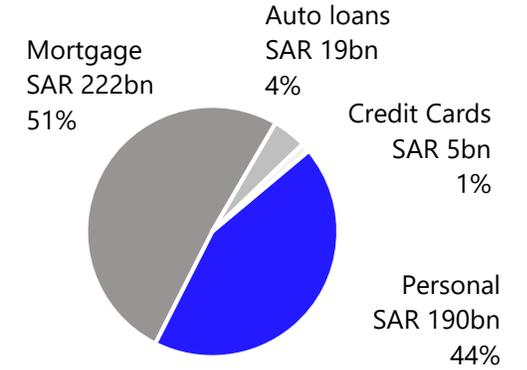
## Financing, Net (SARbn)



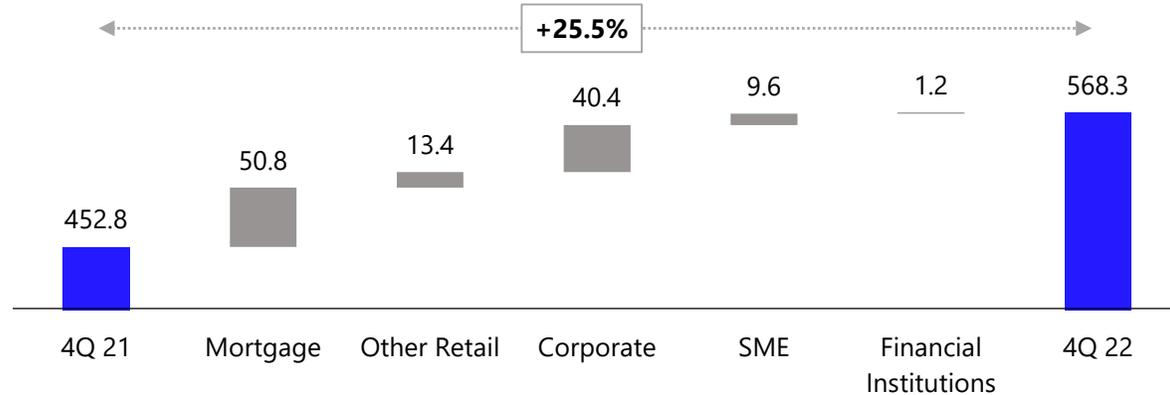
## FY 22 – Financing, Net Mix By Segment (SARbn)



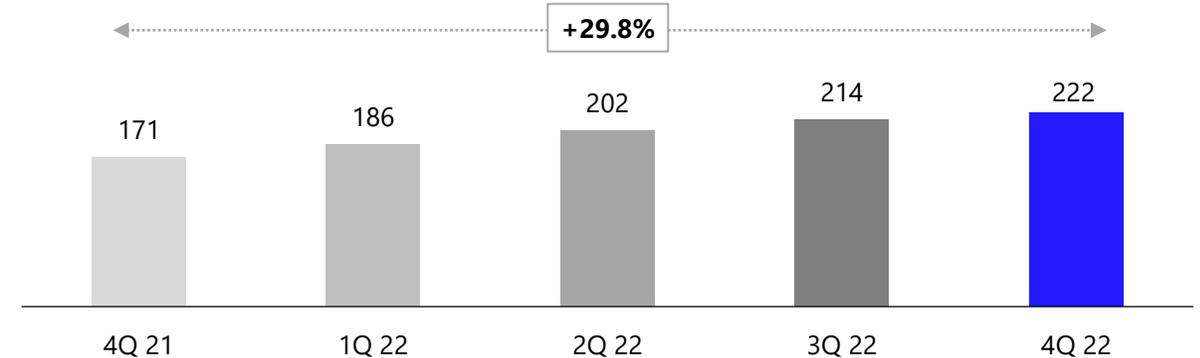
## FY 22 – Retail Financing Mix By Segment (SARbn)



## Movement in Financing (SARbn)

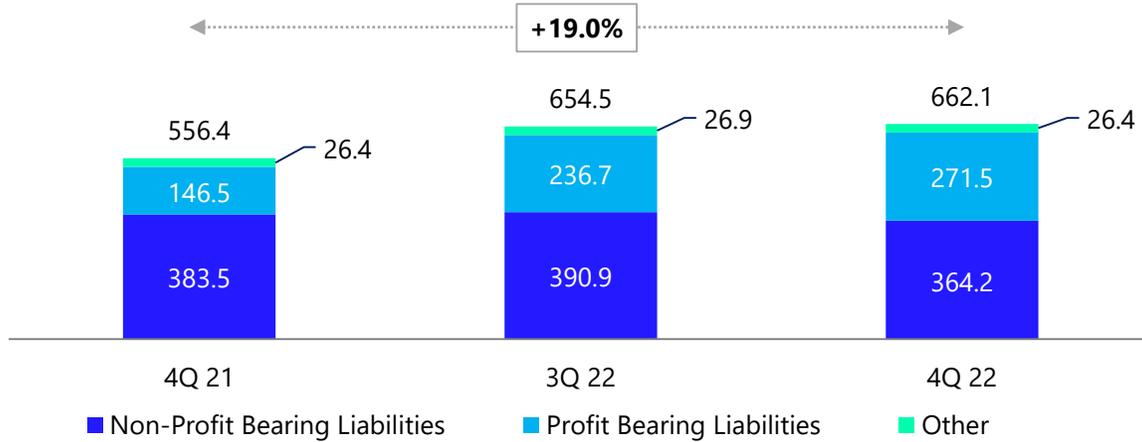


## Mortgage Financing (SARbn)

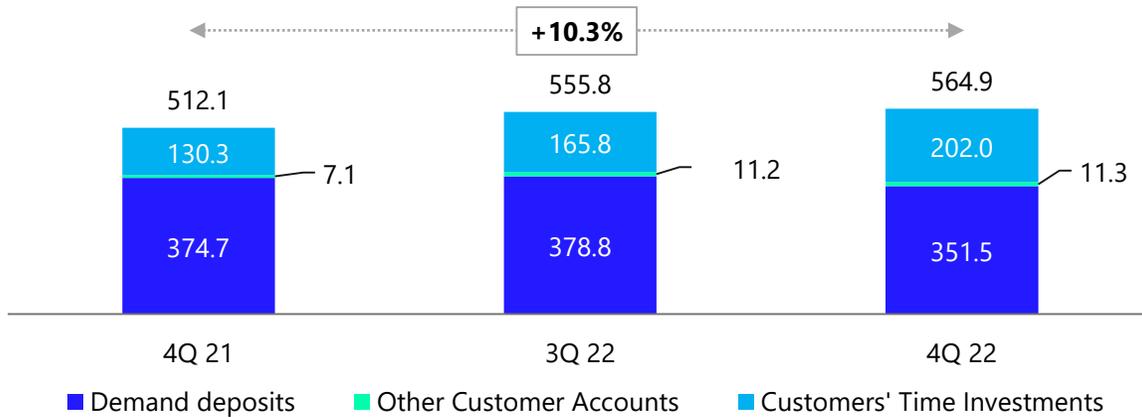


# Funding | Balance sheet shows relatively stable funding mix

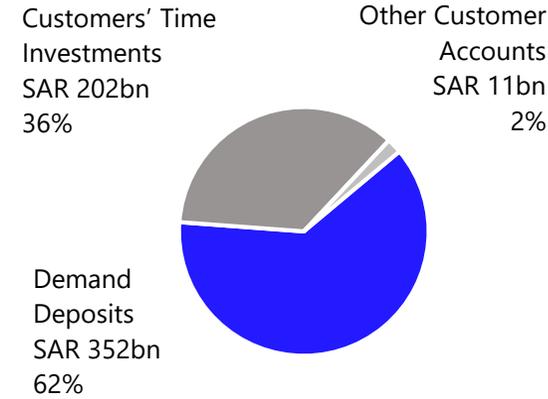
## Total Liabilities (SARbn)



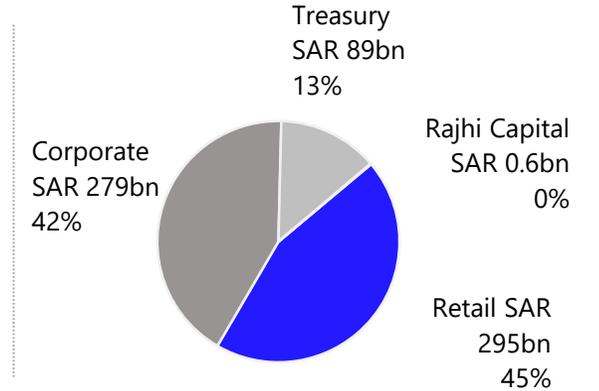
## Total Customer' Deposits (SARbn)



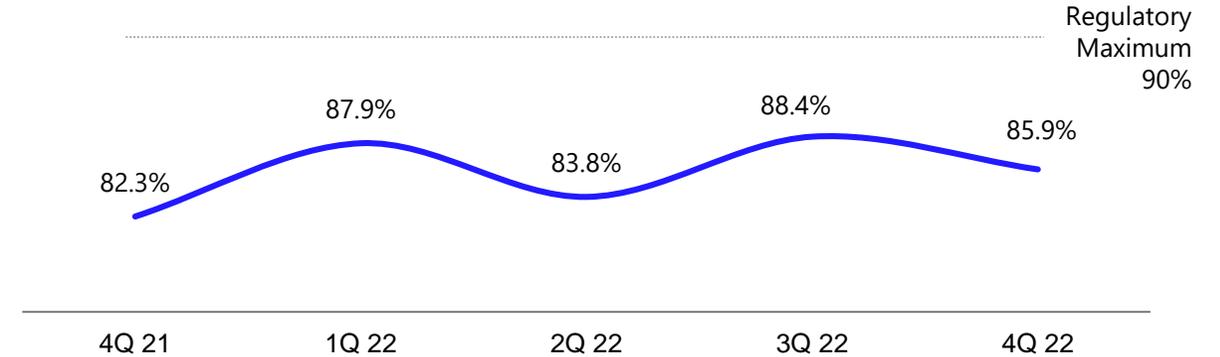
## 4Q 22 - Total Customers' Deposits Mix By Type (SARbn)



## 4Q 22 - Total Liabilities Mix By Segment (SARbn)



## Loan to Deposits Ratio (SAMA) (%)<sup>1</sup>

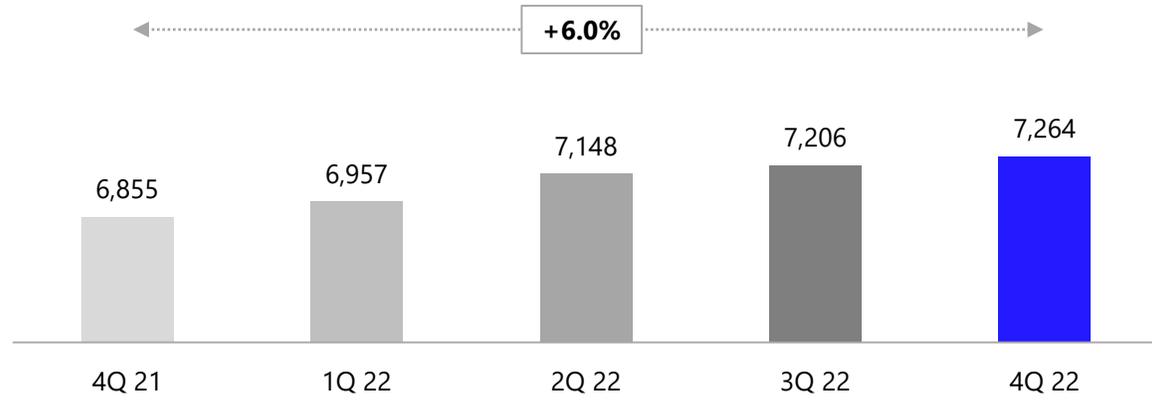


<sup>1</sup> Financing, net divided by total customers' deposits and adjusted in accordance with SAMA guidelines.

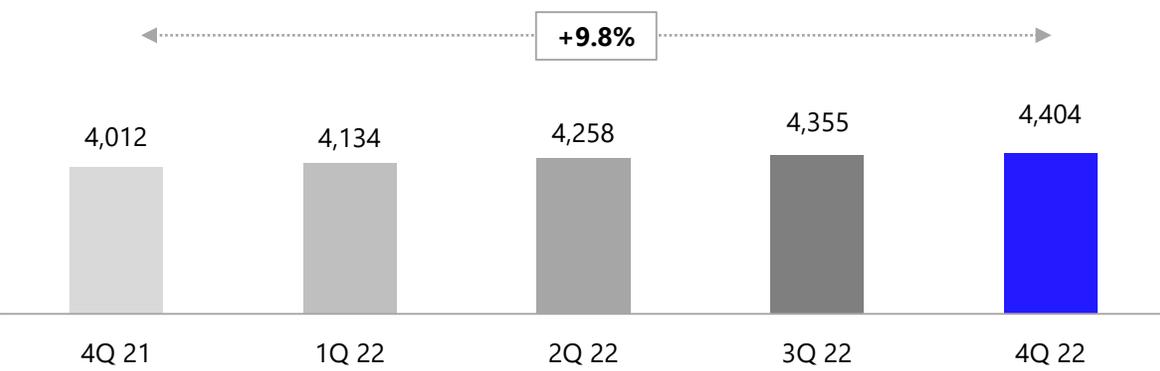


# Profitability | High profitability maintained despite rising cost of funds and decreasing net profit margin

**Total Operating Income (SARmn)**



**Net Income For The Period After Zakat (SARmn)**



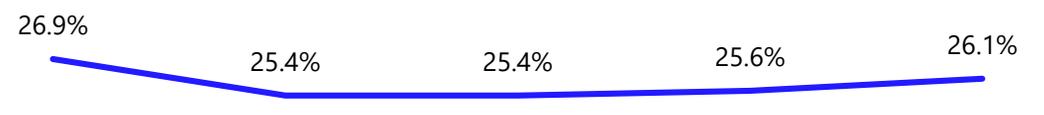
**Cost of Funds (%)<sup>1</sup>**



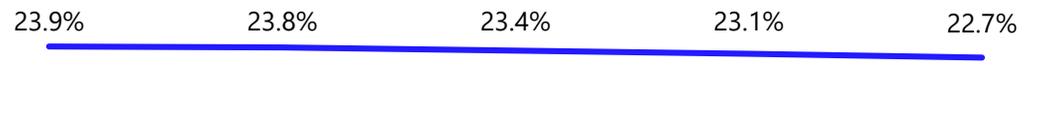
**Net Profit Margin (%)<sup>2</sup>**



**Cost To Income Ratio (%)<sup>3</sup>**



**Return on Equity (%)<sup>4</sup>**

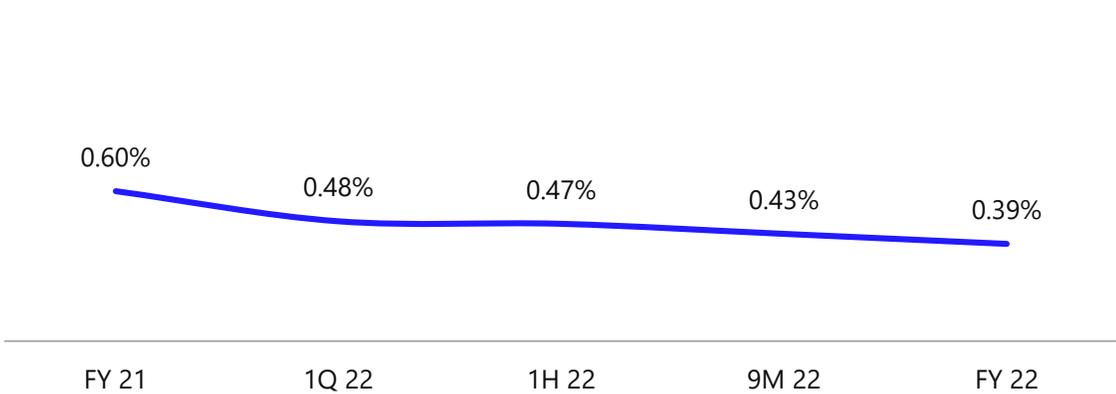


<sup>1</sup> Calculated as the aggregate return paid on customers', banks' and financial institutions' time deposits divided by average balance of due to banks and other financial institutions and customers' deposits. The average balance is calculated as the sum of the opening and closing balances for the period divided by two. <sup>2</sup> Net financing and investment income for period divided by average income earning assets for the period, with average income earning assets calculated as the sum of daily income earning assets divided by the number of days. Income earning assets comprise due from banks and other financial institutions, net, financing, net and investments, net. <sup>3</sup> Total operating expenses before impairment charge divided by total operating income. <sup>4</sup> Net income for the period divided by average total shareholders' equity calculated as the sum of average total shareholders' equity for each month in the period divided by number of months in the period.  
Note: Quarterly data annualised

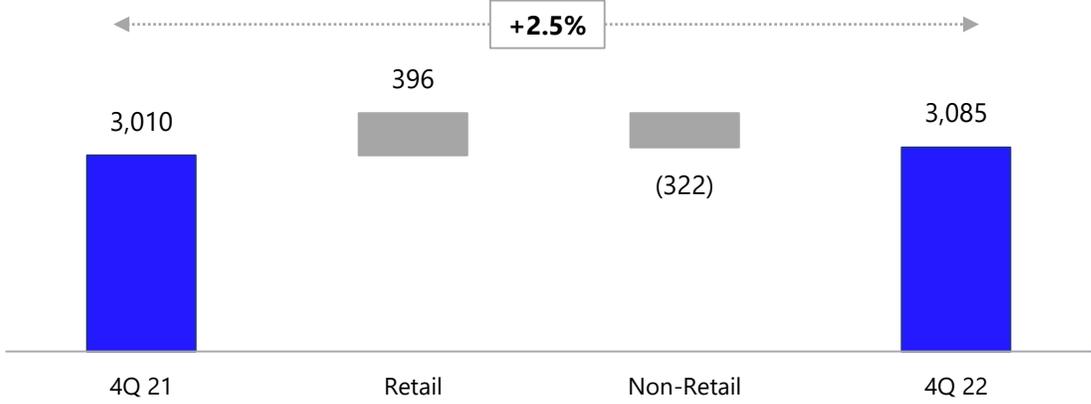


# Asset Quality | Asset quality remains healthy with strong NPL coverage

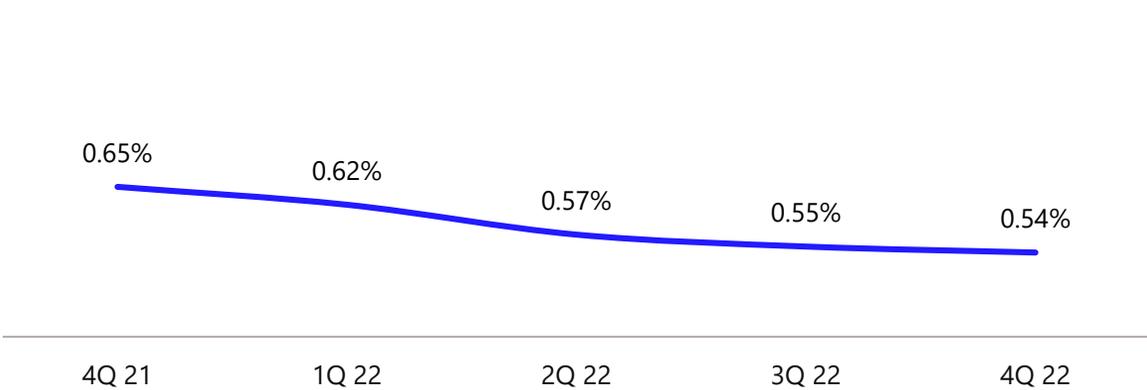
**Cost of Risk(%)<sup>1</sup>**



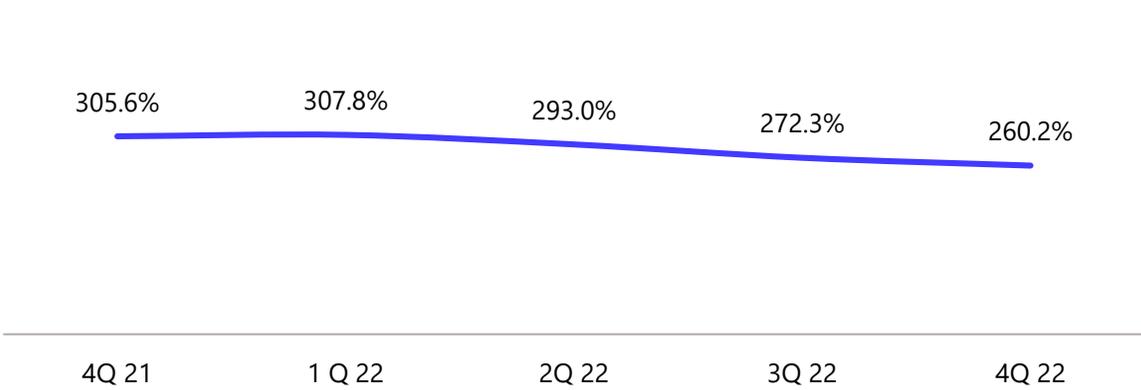
**Movement in NPL (SARmn)**



**NPL Ratio(%)<sup>2</sup>**



**NPL Coverage Ratio(%)<sup>3</sup>**

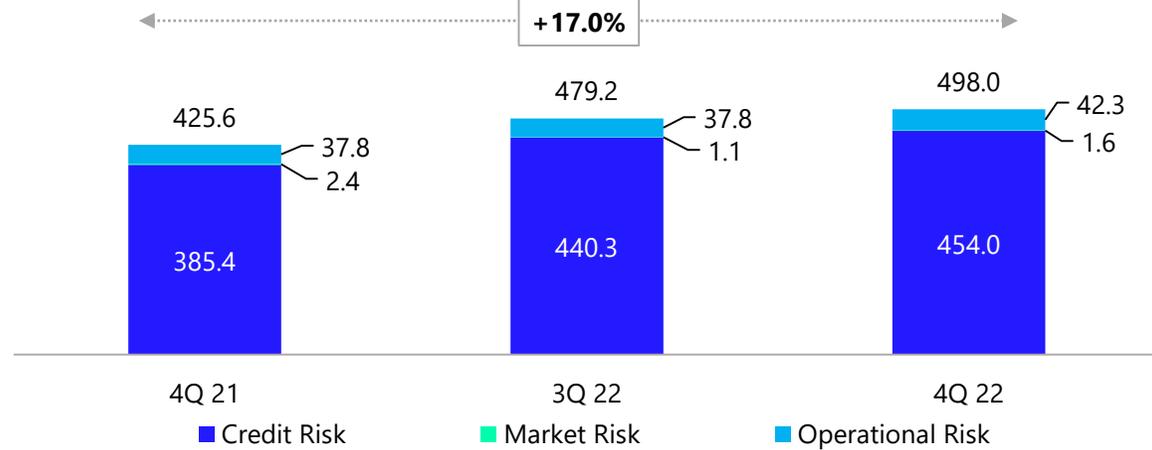


<sup>1</sup> Quarterly data annualised; Calculated as Group NCL divided by average gross financing. Average gross financing is calculated as the sum of the opening and closing balances for the period divided by two.  
<sup>2</sup> Non-performing financing as a percentage of gross financing, each as set out in note 7-1 to each of the Financial Statements.  
<sup>3</sup> ECLs in respect of financing as a percentage of non-performing financing.

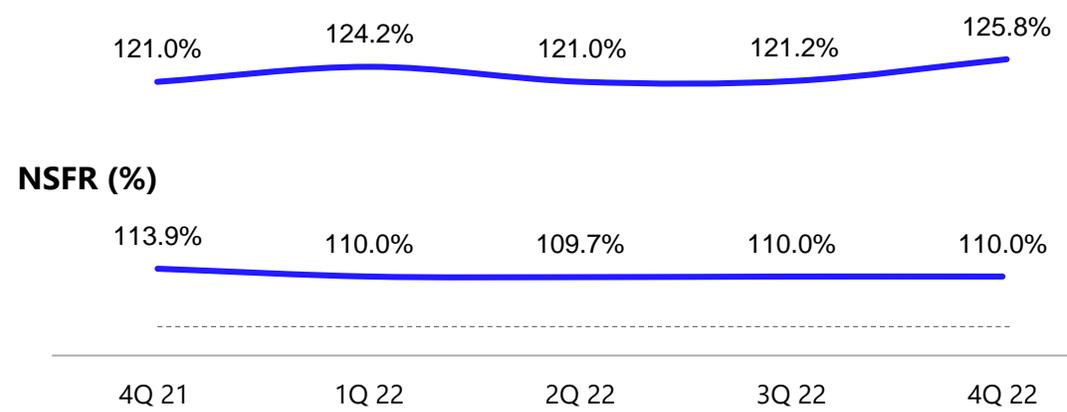


# Capitalization, Liquidity & Investments | Capital and liquidity positions healthy and efficient to continue to support financing growth

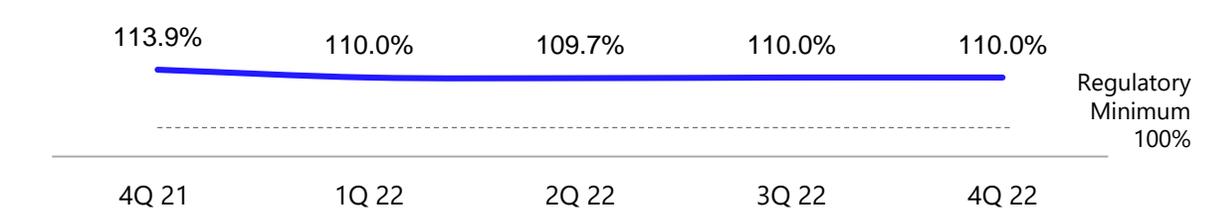
## RWA (SARbn)



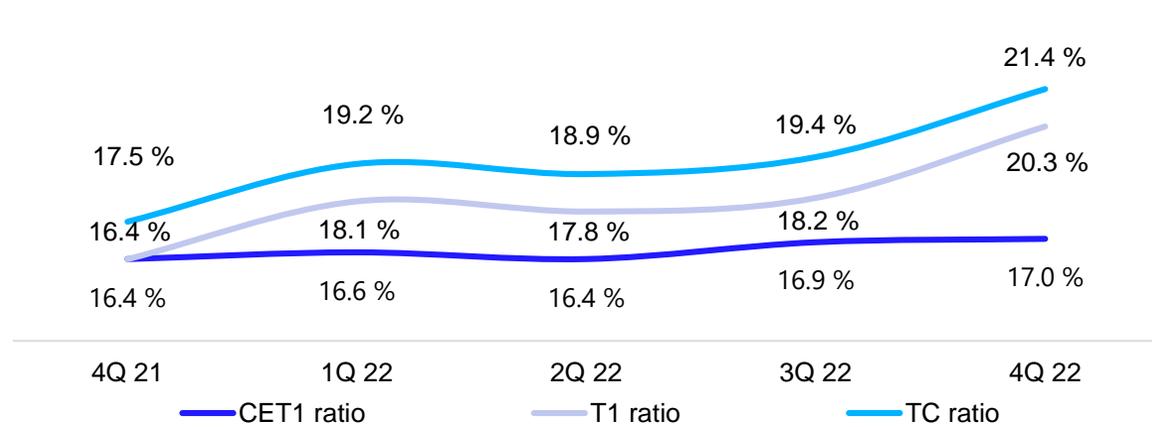
## LCR (%)



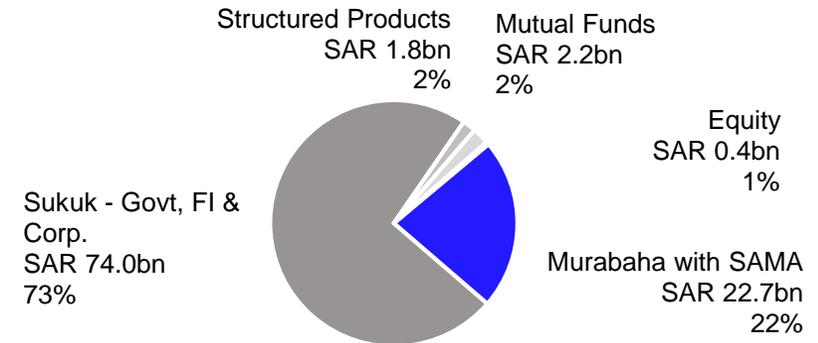
## NSFR (%)



## Capital Ratios (%)



## 4Q 22 – Investments, Mix by Asset (SARbn)



# ESG Framework



# Al Rajhi Bank's Sustainability Approach

- Al Rajhi's ESG approach is led by its fundamental focus as a provider of **Shariah-led Islamic finance**, which has social responsibility at its core.
- Al Rajhi has a **dedicated ESG Committee** that works to oversee the sustainability approach, agenda and integration of ESG in decision-making
- Al Rajhi is committed to improving how management communicates and approaches target performance and progress around material ESG issues.

## Bank's Materiality Assessment

- Corporate planning exercise
- Analysis of emerging global and local trends
- Review of industry issues and developments
- Meetings with stakeholders and feedback received from multiple engagement channels

ESG Pillars	Sustainable Development Goals	The Bank's Contribution
<b>Environment</b>  	SDG 7 – Affordable and clean energy SDG 12 – Responsible Consumption and Production	<ul style="list-style-type: none"> <li>• Managing environmental impact</li> <li>• Financing renewable energy projects</li> </ul>
<b>Social</b>       	SDG 1 – No poverty SDG 2 – Zero hunger SDG 5 – Gender equality SDG 8 – Decent work and economic growth SDG 9 – Industry, innovation and infrastructure SDG 10 – Reduced inequalities SDG 11 – Sustainable cities and communities	<ul style="list-style-type: none"> <li>• Sustainable finance</li> <li>• Responsible customer relations</li> <li>• Digital leadership</li> <li>• Financial inclusion</li> <li>• Community projects and sponsorships</li> <li>• Employee volunteering</li> <li>• Responsible employer</li> <li>• Responsible procurement</li> </ul>
<b>Governance</b>  	SDG 8 – Decent work and economic growth SDG 16 – Peace, justice and strong institutions	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Managing risk</li> <li>• World class compliance framework</li> </ul>



# Al Rajhi Bank's Sustainability Approach in Action

## Driving Social Empowerment

### Kafalah Program participant:

- Established by the Ministry of Finance and banks operating in the Kingdom of Saudi Arabia
- Program works to support SME by enabling them to benefit from a government guarantee, boosting access to finance

### Digital Solutions:

- Work to support SME and Corporate Banking clients, such as the launch of the first-of-its-kind mobile banking app in 2020
- Increased range of highly rated product offerings helping to increase number of active digital customers, whilst also reducing travel time to branches
- Achieved 92:8 digital to manual ratio for retail customers

### Affordable Housing:

- Contributed SAR40 million in funding for 222 housing units, in an agreement under "Jood Eskan" initiative
- Work closely with Real Estate Development Fund and Ministry of Housing to boost housing affordability for Saudi Nationals

## Supporting the Energy Transition

### Al Rajhi works closely with the Renewable Energy Project Development Office (REDPO) and National Renewable Energy Program (NREP)

- Financed 5 out of 6 renewable projects awarded in 2020
- USD700 million of renewables financing provided in 2021
- Mandated lead Arranger to ACWA Power led consortium financing of Jubail 3 Independent Water Plant (IWP)

## Corporate Social Responsibility

### Healthcare:

- The Bank fully sponsored the establishment of the Al Rajhi Bank Diabetes Centre, a first-of-its-kind healthcare centre valued SAR 13.5 Mn. in the city of Buraidah; with the capacity to provide over 100,000 medical services annually.

### Education:

- Implementing one of the Kingdom's largest educational and social initiatives – the Al Rajhi Bank Programme for Educational Orphans Care – with close to 100 male and female students

### Employee Volunteering

- In 2020 achieved a target of reaching more than 50k employee volunteering hours in period since 2016
- In 2021 alone, achieved more than 18.3k volunteering hours with more than 3.6k hours in social programs



# Al Rajhi Bank's Sustainable Finance Framework

ARB's Sustainable Financing Framework is aligned with the International Capital Market Association (ICMA) Green Bond Principles (GBP) 2021, Social Bond Principles (SBP) 2021, and Sustainability Bond Guidelines (SBG) 2021 and Loan Market Association (LMA) Green Loan Principles (GLP) 2021 and Social Loan Principles (SLP) 2021

## 1. Use of Proceeds – ARB will allocate an amount equivalent to proceeds to finance and/or re-finance Eligible Green and/or Social Projects

### Eligible Green Categories:

- Renewable Energy
- Energy Efficiency
- Sustainable Water and Wastewater Management
- Pollution Prevention and Control
- Environmentally sustainable management of living natural resources and land use
- Clean Transportation
- Green Buildings

### Eligible Social Categories:

- Employment Generation and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socio-economic Crises
- Affordable Housing
- Access to Essential Services



**Lookback period : 3 years**  
**Time Period to Full Allocation : 2 years**

### Exclusions Criteria

Proceeds will not be allocated to projects where the majority of revenues are derived from fossil fuels, nuclear power generation, conflict minerals, weapons, gambling, vaping, tobacco, alcohol, mining and oil and gas

## 2. Process for Project Evaluation and Selection – ARB's SFWG will be responsible for governing and implementing initiatives set out under the Framework

- SFWG comprises of personnel from **Finance (Chair)**, Corporate Social Responsibility, Treasury, Risk, Corporate – Structured Finance, Corporate – SME, Retail – Real Estate and Retail – MSB.
- The SFWG will meet **at least two times a year.**



- ✓ Ratify Eligible Sustainable Projects meeting eligibility criteria, proposed by Members
- ✓ Ensure Projects are assessed from environmental and social risk management perspective, in line with Risk Management Framework
- ✓ Undertake regular monitoring of asset pool, replacing ineligible Projects with eligible ones

## 3. Management of Proceeds – Earmark using Sustainable Finance Register

- Proceeds will be deposited in ARB's **general funding accounts** and earmarked for allocation using the **Sustainable Finance Register.**
- Any proceeds temporarily unallocated will be invested according to the Bank's standard liquidity policy into **cash or cash equivalents**

### Green Finance Register:

- Green Financing Instrument
- Allocation of Proceeds: Eligible Project List and details, Amount of unallocated proceeds



## 4. Reporting – Commitment to report on Allocation and Impact on an annual basis

- On an **annual** basis following issuance until **full allocation**, ARB will publish an Allocation Report and an Impact Report, detailing environmental and social benefits of eligible projects

### Example Impact Reporting metrics – Calculation methodologies and assumptions provided

- ✓ Capacity of Renewable Energy Plants (MW)
- ✓ Annual Renewable Energy Generation (MWh/GWh)
- ✓ Annual energy savings (MWh/GJ)
- ✓ Energy Efficiency gains (MWh / % vs. baseline)
- ✓ Water Treatment facilities
- ✓ Waste reduced / avoided
- ✓ Level of certification by property
- ✓ Amount of loans to SMEs
- ✓ Housing Units
- ✓ People Benefitted



# Use of Proceeds Summary

Green Project Categories		
Renewable Energy		Production, transmission and storage of energy from <b>Solar</b> (PV and CSP, min. 85% solar), <b>Wind</b> , <b>Biofuels</b> (waste sources e.g. used cooking oil), <b>Biomass</b> (Sustainable Feedstock only) <b>Green hydrogen</b> and <b>green ammonia</b> (from electrolysis powered by 100% renewable energy)
Energy Efficiency		Projects that <b>reduce energy consumption by at least 20%</b> compared to the average of national energy consumption of an equivalent project or technology: District cooling; Grid infrastructure upgrading older generation 3G/4G; Smart energy grids, energy meters, management systems and battery storage; Upgrade of telecommunications infrastructure to 5G <i>Improvement activities that result in the lock in of fossil fuel technologies will be excluded</i>
Sustainable Water and Wastewater Management		Construction, upgrades, renovations or improvements for transportation and treatment of wastewater, incl.: <b>Water and wastewater treatment plants (WWTP)</b> , Sewer and pumping stations Projects that increase <b>water-use efficiency</b> , e.g. water saving systems, technologies and metering <b>Desalination plants</b> powered by reverse osmosis technology that have an average carbon intensity at or below 100gCO <sub>2</sub> e/kWh over the residual asset life
Pollution Prevention and Control		Construction, upgrades and renovation of facilities for <b>collection, sorting, processing and conversion and treatment of waste</b> , incl.: Waste sorting, separation and material recovery; Recycling and reuse; Biological treatment facilities (including anaerobic digestion and composting); Waste to energy plants which sort all recyclables and have bottom ash recovery
Environmentally Sustainable Mgmt. of Living Natural Resources and Land Use		Projects related to <b>sustainable forestry practices</b> certified in accordance with the Forestry Stewardship Council (FSC) or Programme for the Endorsement of Forest Certified (PEFC)
Clean Transportation		<b>Low carbon vehicles</b> and associated infrastructure: <b>Passenger</b> cars and <b>Public</b> rail transportation (<75gCO <sub>2</sub> /km to 2020, and <50gCO <sub>2</sub> /km thereafter to 2030); <b>Freight</b> transportation (<25gCO <sub>2</sub> /t-km to 2030, <21gCO <sub>2</sub> /t-km from 2030 to 2050) Electric vehicle <b>charging infrastructure</b>
Green Buildings		Buildings that belongs to the top 15% in terms of energy efficiency of their local market or certified with minimum standards: <b>LEED "Gold"</b> ; <b>Mostadam "Gold"</b> ; <b>BREEM "Excellent"</b> ; <b>Global Sustainability Assessment System (GSAS) "4 star"</b> Acquisition, development, construction and refurbishment of <b>data centres</b> with a PUE<1.5

Social Project Categories		
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance		Loans to <b>Micro, Small and Medium Enterprises (MSME)</b> and <b>microfinance</b> clients, as well as the provision of supportive measures including extension of payment periods and exemption of facility fees during natural disasters and pandemics <b>Target Populations</b> MSMEs Women-owned and Women-focused MSMEs MSMEs whose economic activities have been affected by pandemics and natural disasters
Affordable Housing		Financing and/or refinancing of <b>government-supported or government-subsidized mortgages</b> incl. development and construction of homes covered under such programmes Populations eligible for government-supported affordable housing mortgage financing schemes
Access to Essential Services	 	Construction or expansion of <b>public hospitals and schools</b> for the provision of not-for-profit, free or subsidised healthcare and education, including <b>government-owned public-private partnerships (PPP)</b> General population, including populations that lack quality access to essential goods and services

## Exclusions Criteria

Proceeds will not be allocated to projects where the majority of revenues are derived from fossil fuels, nuclear power generation, conflict minerals, weapons, gambling, vaping, tobacco, alcohol, mining and oil and gas



# S&P Global Ratings Second Party Opinion

Al Rajhi Bank has appointed S&P Global Ratings to assess this Sustainable Finance Framework and its alignment with the GBPs, SBPs, SBGs, GLPs and SLPs and issue a Second Party Opinion accordingly.

	Use of Proceeds	Project Evaluation & Selection	Management of Proceeds	Reporting
<b>S&amp;P Commitments Score</b>	<b>Aligned</b>	<b>Aligned</b>	<b>N/A</b>	<b>Aligned</b>
<b>Overall: Aligned</b>	<ul style="list-style-type: none"> <li>We consider Al Rajhi Bank’s overall use of proceeds commitments to be aligned with the relevant principles.</li> <li>Al Rajhi Bank commits to use an amount equal to the net proceeds of instruments issued under its framework to finance or refinance eligible green and/or social projects in line with the environmental and social project categories of the relevant principles.</li> <li>The framework lists seven eligible environmental categories and lists three eligible social categories that cover projects benefiting a specific target population and projects benefiting the general population. Projects benefiting a specific target population are in line with governmental initiatives and correspond to the categories of employment generation and affordable housing. Projects benefiting the general population comprise the construction or expansion of public, free, or subsidized health care and education facilities.</li> <li>The issuer has committed to a three-year look-back period for refinanced projects and to disclose the share of financing versus Refinancing, which we see as contributing to the transparency of the use of proceeds practices. Finally, we consider that all eligible projects contribute to at least one environmental or social objective. That said, the framework could better identify the intended sustainability objective of each project category.</li> </ul>	<ul style="list-style-type: none"> <li>We consider Al Rajhi Bank’s overall process for project selection and evaluation commitments to be aligned with the relevant principles.</li> <li>For eligible social project categories, the framework discloses eligibility criteria in line with government definitions and local programs sponsored by the government, which we see as a strength of the framework</li> <li>We also see positively the bank’s well-defined eligibility criteria for some of the green project categories, including those related to the environmentally sustainable management of living natural resources and land use, clean transportation, and green buildings.</li> </ul>	<ul style="list-style-type: none"> <li>We consider Al Rajhi Bank’s management of proceeds to be aligned with the relevant principles..</li> <li>Al Rajhi Bank has committed to track all proceeds from instruments issued under the framework through a sustainable finance register to earmark proceeds for allocation to eligible projects. The framework clearly communicates the information to be included in the register which was viewed as an advanced exercise of transparency</li> </ul>	<ul style="list-style-type: none"> <li>We consider Al Rajhi Bank’s overall reporting practices to be aligned with the relevant principles.</li> <li>The issuer commits to publishing annual allocation and impact reports until the net proceeds are fully allocated, or until no more instruments are outstanding.</li> <li>We view positively Al Rajhi Bank’s commitment to disclose the calculation methods and key assumptions used for its reporting metrics, as well as its intention to follow the Harmonized Framework For Impact Reporting.</li> </ul>



# Transaction Overview

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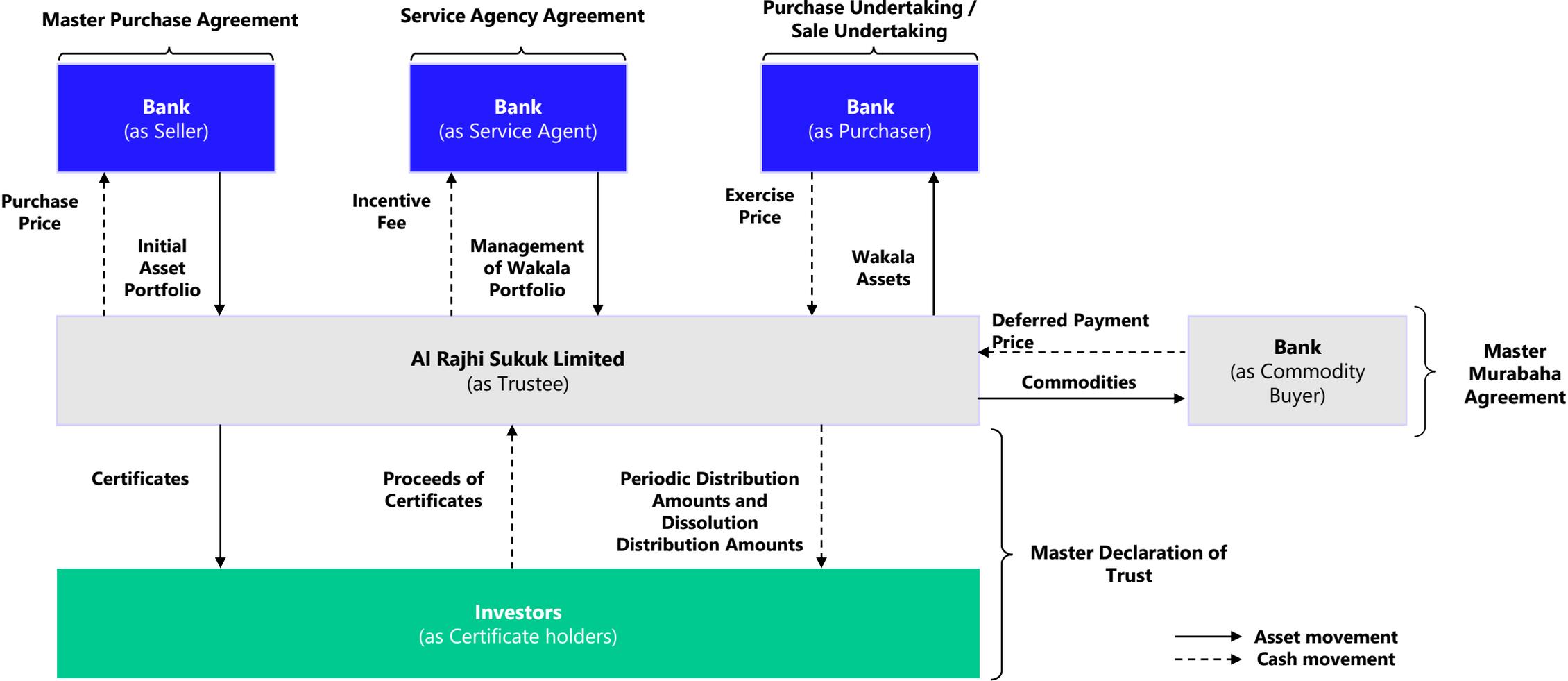
# Summary Terms & Conditions | Senior Unsecured Sustainable Sukuk

Key Terms
Obligor
Issuer / Trustee
Sukuk Structure
Currency / Issue Size
Status
Obligor Rating
Instrument Rating
Use of Proceeds
Format
Maturity
Joint Lead Managers and Bookrunners
Sole Sustainability Structuring Agent
Documentation
Listing Venue
Denominations
Governing Law

Description
<ul style="list-style-type: none"> <li>Al Rajhi Banking and Investment Corporation</li> </ul>
<ul style="list-style-type: none"> <li>Al Rajhi Sukuk Limited</li> </ul>
<ul style="list-style-type: none"> <li>Wakala Murabaha</li> </ul>
<ul style="list-style-type: none"> <li>USD Benchmark</li> </ul>
<ul style="list-style-type: none"> <li>Senior Unsecured</li> </ul>
<ul style="list-style-type: none"> <li>BBB+ Positive (S&amp;P) / A- Stable (Fitch) / A1 Stable (Moody's)</li> </ul>
<ul style="list-style-type: none"> <li>A- Stable (Fitch) / A1 Stable (Moody's)</li> </ul>
<ul style="list-style-type: none"> <li>To finance and/or refinance, in whole or in part, Eligible Sustainable Projects as set out in the Bank's Sustainable Finance Framework</li> </ul>
<ul style="list-style-type: none"> <li>Reg S Only</li> </ul>
<ul style="list-style-type: none"> <li>5 years</li> </ul>
<ul style="list-style-type: none"> <li>Al Rajhi Capital, Citi, Emirates NBD Capital, Goldman Sachs International, HSBC, J.P. Morgan, KFH Capital and Standard Chartered Bank</li> </ul>
<ul style="list-style-type: none"> <li>Standard Chartered Bank</li> </ul>
<ul style="list-style-type: none"> <li>Al Rajhi Sukuk Limited's USD 4bn Trust Certificate Issuance Programme</li> </ul>
<ul style="list-style-type: none"> <li>London Stock Exchange's International Securities Market</li> </ul>
<ul style="list-style-type: none"> <li>\$200k x \$1k</li> </ul>
<ul style="list-style-type: none"> <li>Governing Law of the Certificates</li> </ul>



# Sukuk Structure | Wakala Murabaha



# Appendix A

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# Financial Summary | Balance Sheet trends

<b>Balance Sheet (SARmn)</b>	<b>4Q 22</b>	<b>4Q 21</b>	<b>FY 22</b>	<b>FY 21</b>	<b>FY 20</b>	<b>FY 19</b>
Cash & Balances	42,052	40,363	42,052	40,363	47,362	39,294
Investments, net	102,146	84,433	102,146	84,433	60,285	46,842
Financing and advances, net	568,338	452,831	568,338	452,831	315,712	249,682
Other assets	49,830	46,018	49,830	46,018	45,465	48,268
<b>Total assets</b>	<b>762,366</b>	<b>623,645</b>	<b>762,366</b>	<b>623,645</b>	<b>468,824</b>	<b>384,086</b>
Due to banks and other financial institutions	70,839	17,952	70,839	17,952	10,764	2,219
Customers' deposits	564,925	512,072	564,925	512,072	382,631	312,405
Other liabilities	26,377	26,339	26,377	26,339	17,311	18,269
<b>Total liabilities</b>	<b>662,141</b>	<b>556,363</b>	<b>662,141</b>	<b>556,363</b>	<b>410,706</b>	<b>332,894</b>
Shareholder's equity	83,725	67,282	83,725	67,282	58,118	54,191
Tier 1 Sukuk	16,500	0	16,500	0	0	0
<b>Total liabilities and equity</b>	<b>762,366</b>	<b>623,645</b>	<b>762,366</b>	<b>623,645</b>	<b>468,824</b>	<b>384,086</b>
<b>Capital</b>						
CET 1 Ratio	17.0%	16.4%	17.0%	16.4%	18.0%	18.8%
Tier 1 Ratio	20.3%	16.4%	20.3%	16.4%	18.0%	18.8%
Total CAR Ratio	21.4%	17.5%	21.4%	17.5%	19.1%	19.9%
RWA (SARmn)	497,973	425,629	497,973	425,629	323,009	272,321
<b>Asset Quality Ratios</b>						
Cost of Risk <sup>1</sup>	0.25%	0.53%	0.39%	0.60%	0.75%	0.71%
NPL Ratio <sup>2</sup>	0.54%	0.65%	0.54%	0.65%	0.76%	0.90%
NPL Coverage Ratio <sup>3</sup>	260.0%	305.6%	260.0%	305.6%	305.6%	303.0%
<b>Liquidity Ratios</b>						
Loan to Deposit Ratio (SAMA)	85.9%	82.3%	85.9%	82.3%	78.8%	79.9%
Liquidity Coverage Ratio	125.8%	121.0%	125.8%	121.0%	155.3%	175.0%

<sup>1</sup> Calculated as Group NCL divided by average gross financing. Average gross financing is calculated as the sum of the opening and closing balances for the period divided by two.

<sup>2</sup> Non-performing financing as a percentage of gross financing, each as set out in note 7 to each of the Financial Statements.

<sup>3</sup> ECLs in respect of financing as a percentage of non-performing financing.



# Financial Summary | Income Statement trends

<b>Income Statement (SARmn)</b>	<b>4Q 22</b>	<b>4Q 21</b>	<b>FY 22</b>	<b>FY 21</b>	<b>FY 20</b>	<b>FY 19</b>
<b>Net financing and investment income</b>	<b>5,579</b>	<b>5,355</b>	<b>22,173</b>	<b>20,392</b>	<b>16,913</b>	<b>16,428</b>
Fee from banking services, net	1,179	1,114	4,624	3,933	2,660	1,987
Exchange Income, net	298	218	1,162	788	784	774
Other operating income, net	209	167	616	603	365	295
<b>Fees and other income</b>	<b>1,685</b>	<b>1,500</b>	<b>6,402</b>	<b>5,324</b>	<b>3,808</b>	<b>3,057</b>
<b>Total operating income</b>	<b>7,264</b>	<b>6,855</b>	<b>28,575</b>	<b>25,716</b>	<b>20,721</b>	<b>19,484</b>
Operating expenses	(2,001)	(1,791)	(7,451)	(6,927)	(6,742)	(6,386)
<b>Pre-provision profit</b>	<b>5,263</b>	<b>5,064</b>	<b>21,124</b>	<b>18,790</b>	<b>13,979</b>	<b>13,099</b>
Total impairment charge	(353)	(590)	(2,001)	(2,345)	(2,166)	(1,772)
<b>Net income before Zakat</b>	<b>4,910</b>	<b>4,474</b>	<b>19,123</b>	<b>16,445</b>	<b>11,814</b>	<b>11,326</b>
Zakat	(506)	(461)	(1,972)	(1,699)	(1,218)	(1,168)
<b>Net income for the period after Zakat</b>	<b>4,404</b>	<b>4,012</b>	<b>17,151</b>	<b>14,746</b>	<b>10,596</b>	<b>10,156</b>
<b>Return Metrics</b>						
Cost of Funds <sup>1</sup>	1.72%	0.31%	0.97%	0.22%	0.13%	0.17%
Net Profit Margin <sup>2</sup>	3.26%	3.93%	3.55%	4.21%	4.71%	5.22%
Cost / Income Ratio <sup>3</sup>	27.5%	26.1%	26.1%	26.9%	32.5%	32.8%
ROA <sup>4</sup>	2.3%	2.7%	2.5%	2.7%	2.6%	2.8%
ROE <sup>5</sup>	21.6%	24.5%	22.7%	23.9%	19.9%	20.5%

<sup>1</sup> Calculated as the aggregate return paid on customers', banks' and financial institutions' time deposits divided by average balance of due to banks and other financial institutions and customers' deposits. The average balance is calculated as the sum of the opening and closing balances for the period divided by two.

<sup>2</sup> Net financing and investment income for the period divided by average income earning assets for the period, with average income earning assets calculated as the sum of daily income earning assets divided by the number of days. Income earning assets comprise due from banks and other financial institutions, net, financing, net and investments, net.

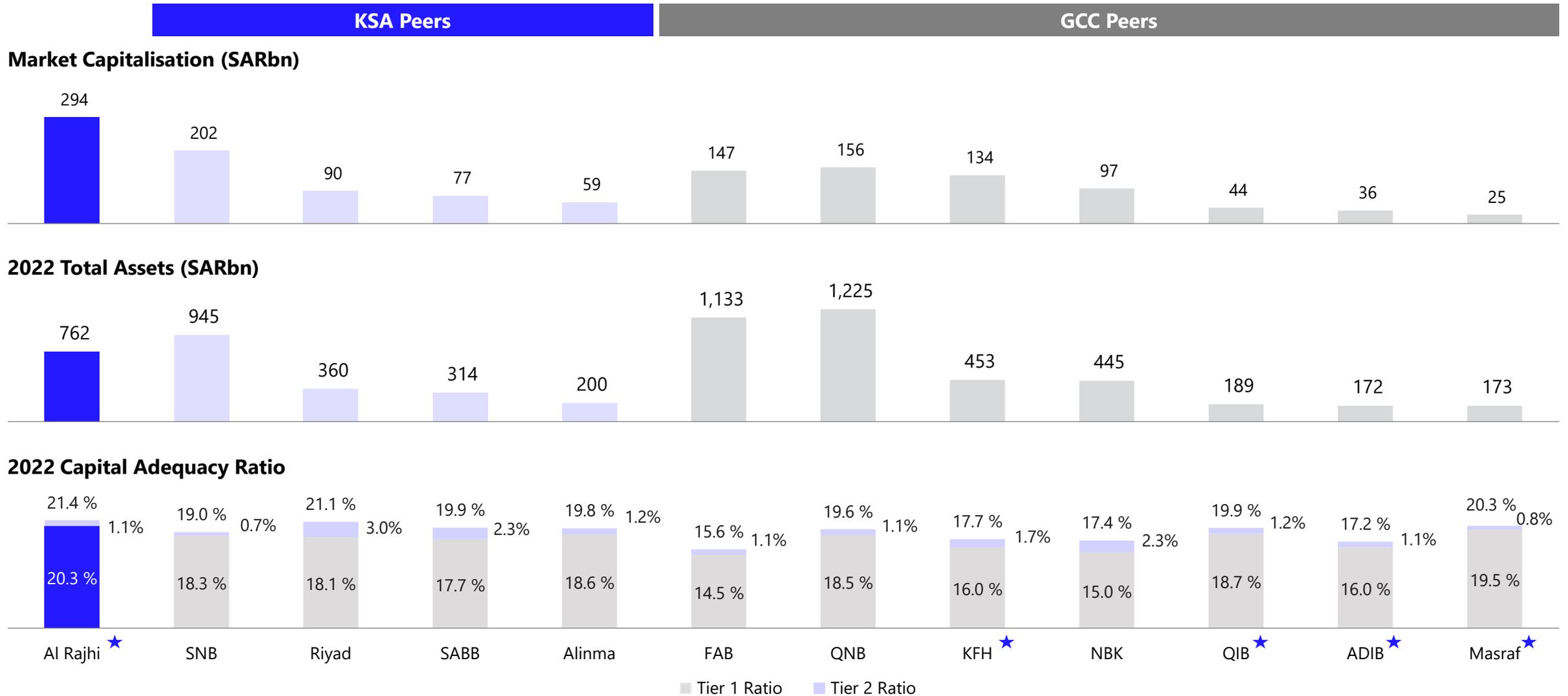
<sup>3</sup> Total operating expenses before impairment charge divided by total operating income.

<sup>4</sup> Net income for the period divided by average total assets, with average total assets calculated as the sum of average total assets for each month in the period divided by number of months.

<sup>5</sup> Net income for the period divided by average total shareholders' equity calculated as the sum of average total shareholders' equity for each month in the period divided by number of months.



# Peer Comparison | 1/4

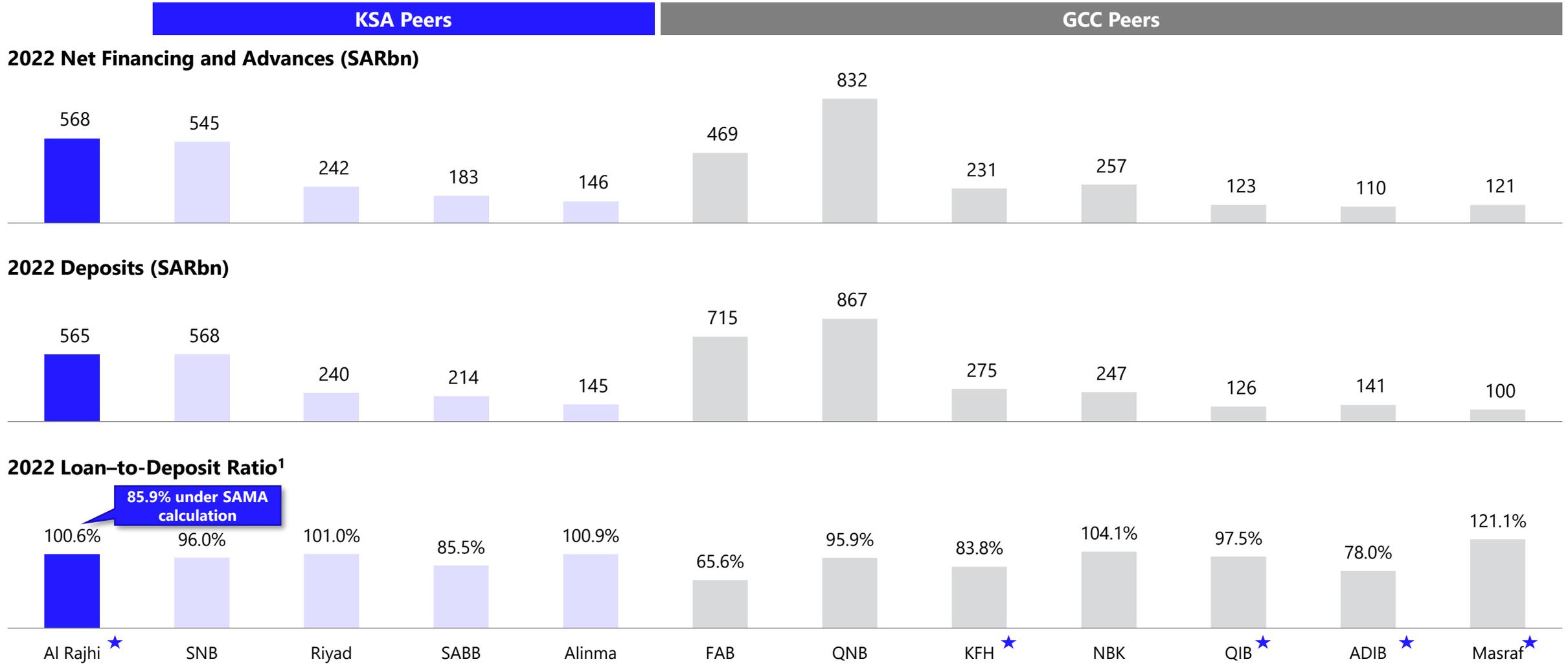


Sources: Company disclosures, SNL, Eikon | Market data as at 24-Mar-2023  
 Note: Consistent metrics definitions were used across peers which may result in differences with reported figures.

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# Peer Comparison | 2/4



<sup>1</sup>Calculated based on Net Financing and Advances and Customer deposits.

Sources: SNL | Market data as at 24-Mar-2023

Note: Consistent metrics definitions were used across peers which may result in differences with reported figures.

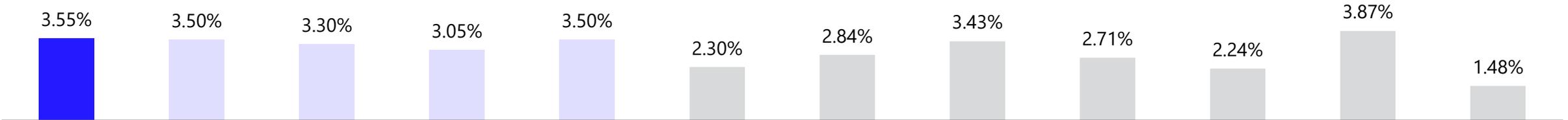
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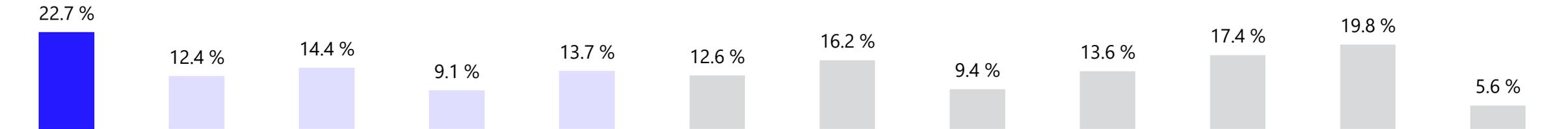
# Peer Comparison | 3/4



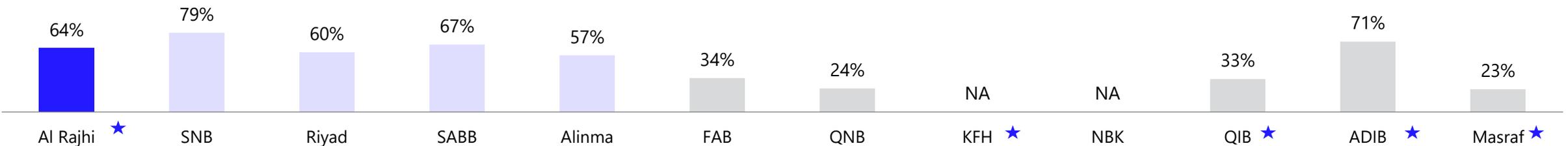
## 2022 Net Profit Margin<sup>1</sup>



## 2022 RoE<sup>2</sup>



## 2022<sup>3</sup> Share of Current and Savings Account Deposits on Total Deposits



<sup>1</sup> Equivalent to NIM. For Al Rajhi reported disclosures. For peers calculated as sum of net interest income and net gain on securities held at fair value and securities held for trading for the period divided by average income earning assets for the period. Income earning assets comprise due from banks and other financial institutions, net, financing, net, and securities excluding derivatives. The average balance is calculated as the sum of the opening and closing balances for the period divided by two. <sup>2</sup> For Al Rajhi reported disclosures. For peers RoE calculated as net income to shareholders post sukuk costs divided by average equity to shareholders excluding Tier 1 notes. <sup>3</sup> For Al Rajhi reported disclosures. For peers calculated as deposits, except for time deposits, divided by total deposits. Deposit Mix details not available for KFH and NBK.

Sources: reported disclosures for Al Rajhi, SNL and reported disclosures for peers.

Note: Consistent metrics definitions were used across peers which may result in differences with reported figures.

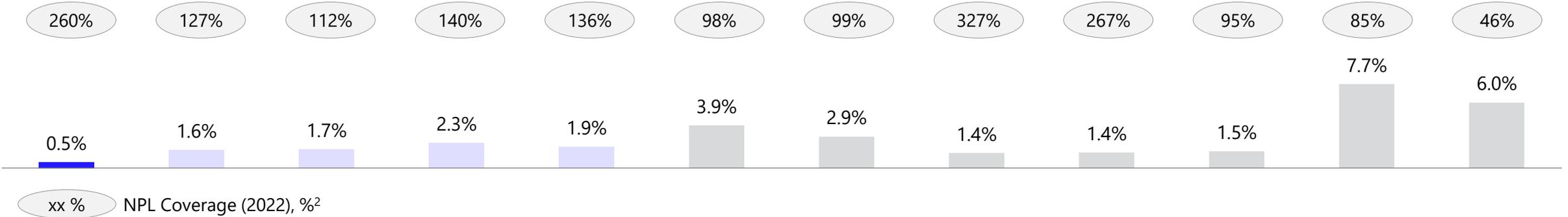
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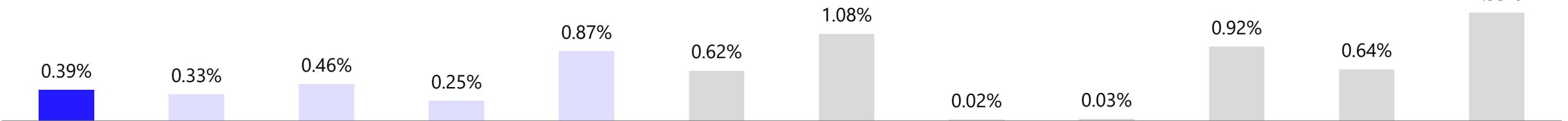
# Peer Comparison | 4/4



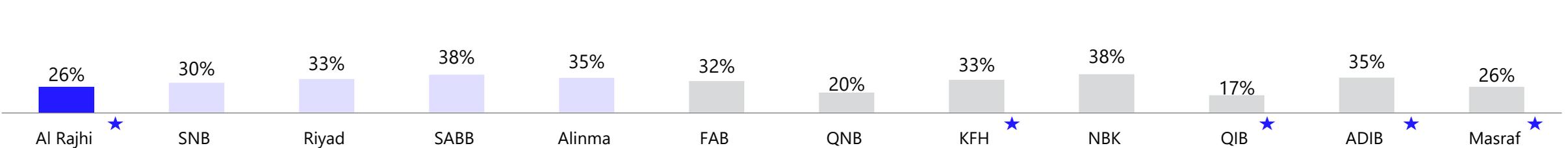
## NPL Ratio (2022)<sup>1</sup> & NPL Coverage Ratio



## Cost Of Risk (2022)



## C/I Ratio (2022)



<sup>1</sup>Non-performing financing as a percentage of gross financing. <sup>2</sup> ECLs in respect of financing as a percentage of non-performing financing.  
 Sources: Al Rajhi reported disclosures for Al Rajhi, SNL for peers.  
 Note: Consistent metrics definitions were used across peers which may result in differences with reported figures.

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