

# Al Rajhi Bank Results Presentation

1Q 2023 Earnings Conference Call and Webcast



# 1Q 2023 Earnings Call

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# First Quarter 2023 Results Summary | Results are in line with expectations

1.9% YTD Balance Sheet Growth	1.5% Sequential Growth in financing portfolio	2.4% Growth in liabilities	LDR below regulatory minima
	Net Financing <b>568.3bn</b> $\xrightarrow{+1.5\%}$ <b>577.0bn</b> FY 22 1Q 23	Total Liabilities <b>661.4bn</b> $\xrightarrow{+2.4\%}$ <b>677.0bn</b> FY 22 1Q 23	Loan to Deposit Ratio <b>85.9%</b> $\xrightarrow{\text{green line}}$ <b>87.8%</b> FY 22 1Q 23
0.3% net income growth YoY	4.0% drop in net yield income, impacted by cost of funds	2.4% Non yield income growth	2.5% lower operating income
	Net Yield income <b>5,340mn</b> $\xrightarrow{-4.0\%}$ <b>5,125mn</b> 1Q 22 1Q 23	Non Yield Income <b>1,616mn</b> $\xrightarrow{+2.4\%}$ <b>1,655mn</b> 1Q 22 1Q 23	Operating Income <b>6,957mn</b> $\xrightarrow{-2.5\%}$ <b>6,781mn</b> 1Q 22 1Q 23
Stable credit quality	14 bps COR reduction	6 bps higher in NPL ratio	NPL coverage remained strong
	Cost of risk <b>0.39%</b> $\xrightarrow{\text{green line}}$ <b>0.25%</b> FY 22 1Q 23	NPL <b>0.54%</b> $\xrightarrow{\text{green line}}$ <b>0.60%</b> FY 22 1Q 23	NPL Coverage <b>260%</b> $\xrightarrow{\text{green line}}$ <b>230%</b> FY 22 1Q 23
Key Ratios	Operating efficiency remains solid	Improved capital position	Lower NPM
	Cost to income ratio <b>25.4%</b> $\xrightarrow{\text{green line}}$ <b>26.5%</b> 1Q 22 1Q 23	Total Capital Adequacy Ratio <b>19.2%</b> $\xrightarrow{\text{green line}}$ <b>20.9%</b> 1Q 22 1Q 23	NPM <b>3.80%</b> $\xrightarrow{\text{green line}}$ <b>3.00%</b> 1Q 22 1Q 23



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

## Bank

**Build** on our core

## OF

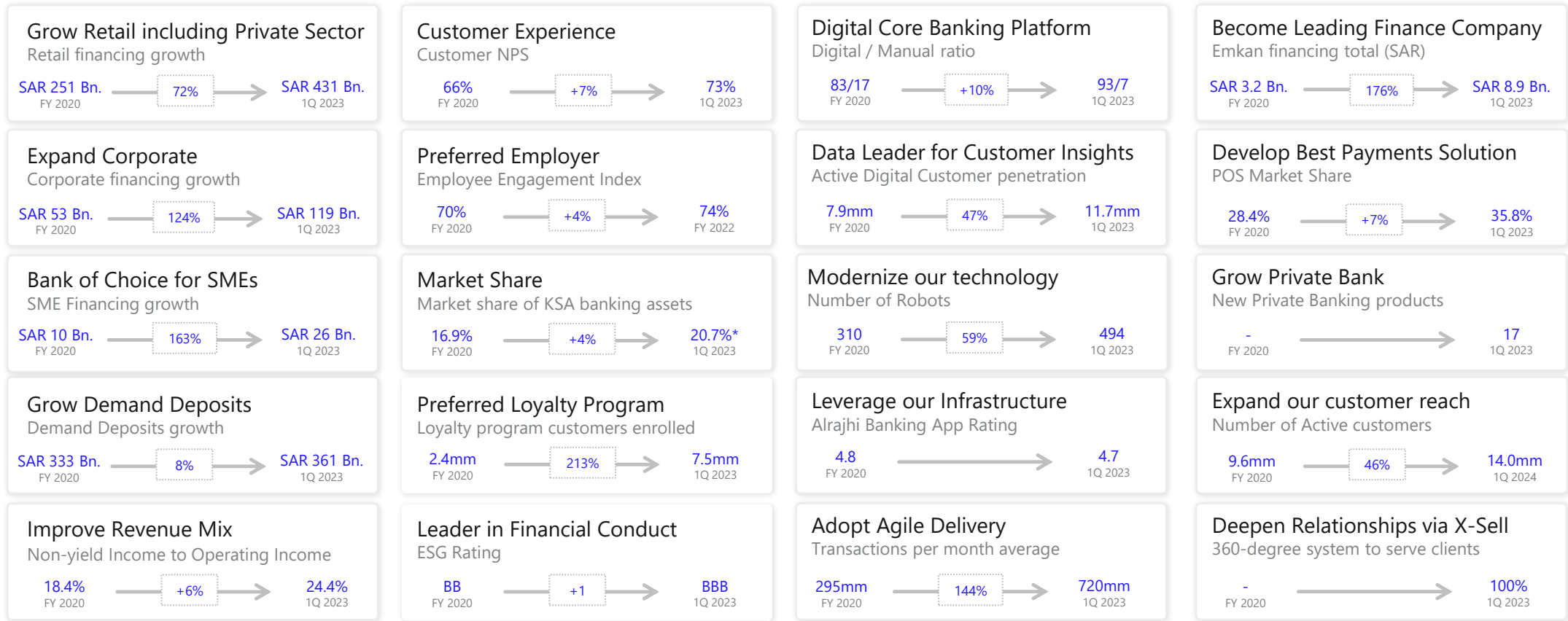
**Outperform** our competition

## The

**Transform** technology

## Future

**Focus** on new client needs



\*As per initial data from SAMA

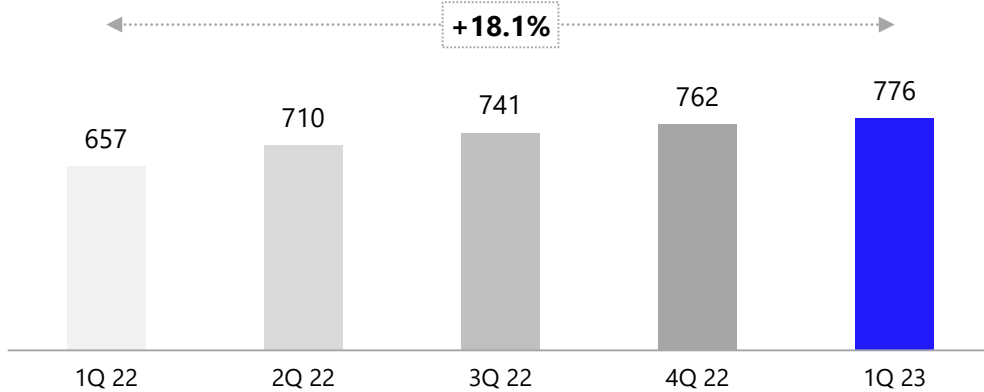


# 1Q 2023 Financial Highlights

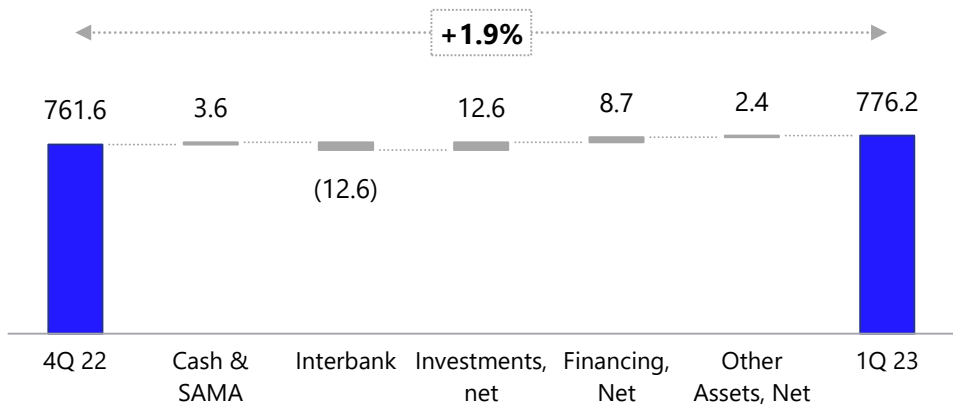
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# Balance Sheet Trends (1) | Balance sheet growth of 2% YTD driven by Financing and Investments

Total Assets (SARbn)



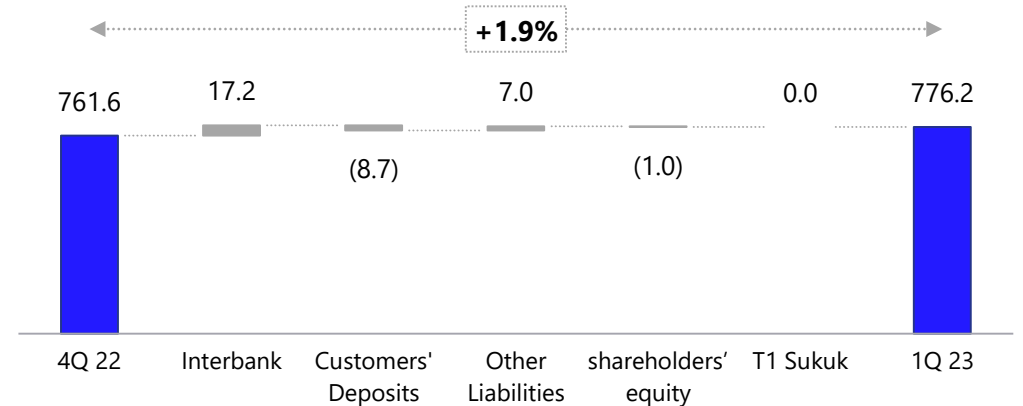
Movement in Assets (SARbn)



SAR (mn)

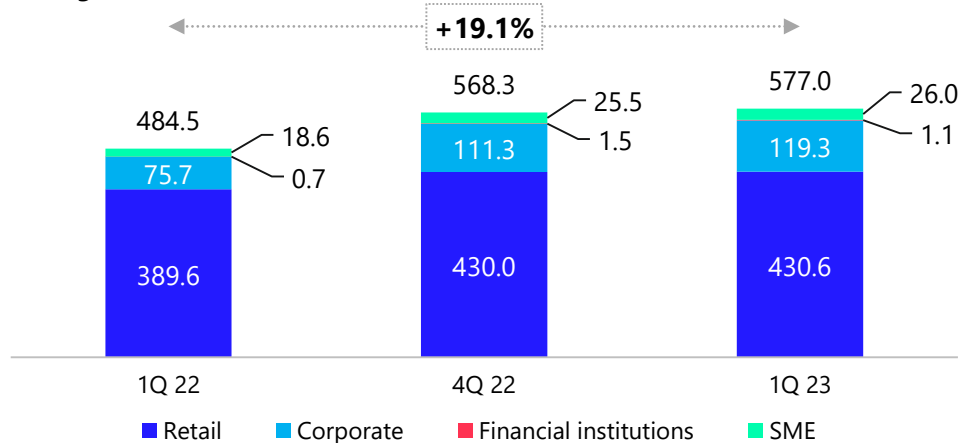
	1Q 23	4Q 22	QoQ	1Q 22	YoY
Cash & balances with SAMA	45,625	42,052	+8%	36,143	+26%
Due from banks & other FI	13,010	25,656	-49%	20,222	-36%
Investments, net	114,737	102,146	+12%	93,758	+22%
Financing, net	577,011	568,338	+2%	484,526	+19%
Other assets, net	25,814	23,456	+10%	22,689	+14%
<b>Total assets</b>	<b>776,196</b>	<b>761,649</b>	<b>+2%</b>	<b>657,339</b>	<b>+18%</b>
Due to banks & other FI	88,086	70,839	+24%	38,827	+127%
Customers' deposits	556,197	564,925	-2%	507,892	+10%
Other liabilities	31,938	24,699	+29%	31,889	+0%
<b>Total liabilities</b>	<b>676,969</b>	<b>661,424</b>	<b>+2%</b>	<b>578,970</b>	<b>+17%</b>
<b>Total equity</b>	<b>99,227</b>	<b>100,225</b>	<b>-1%</b>	<b>78,368</b>	<b>+27%</b>

Movement in Funding (SARbn)

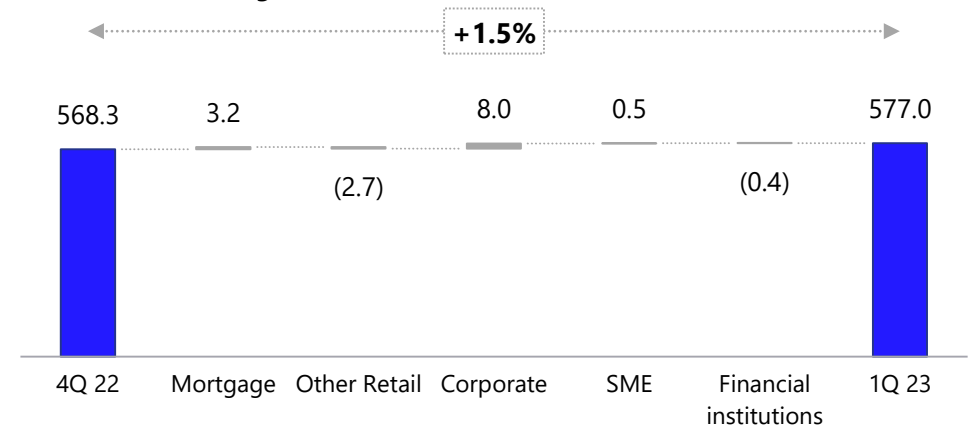


## Balance Sheet Trends (2) | Financing growth driven by mortgage and corporate

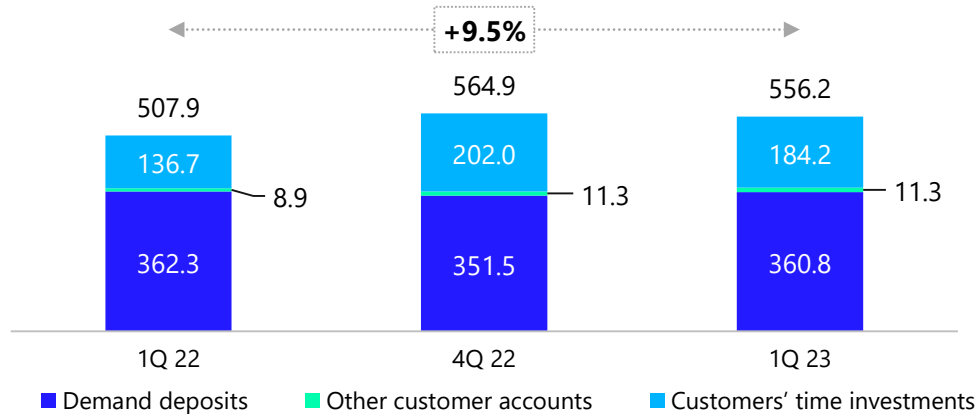
Financing, Net (SARbn)



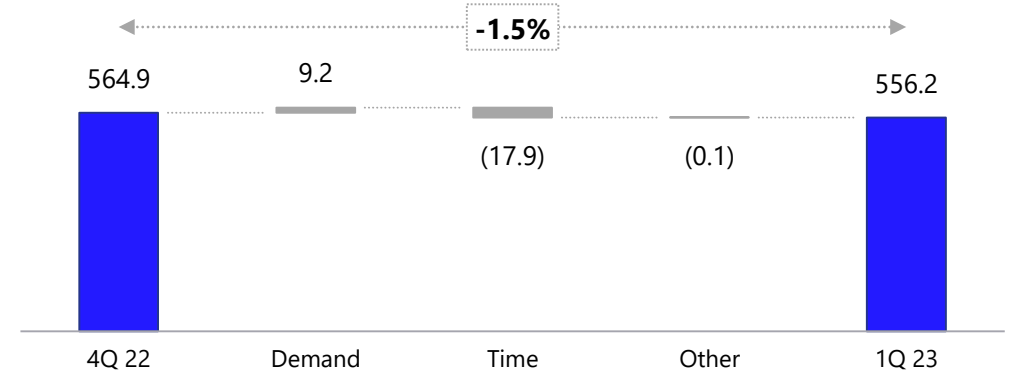
Movement in Financing (SARbn)



Total Customers' Deposits (SARbn)

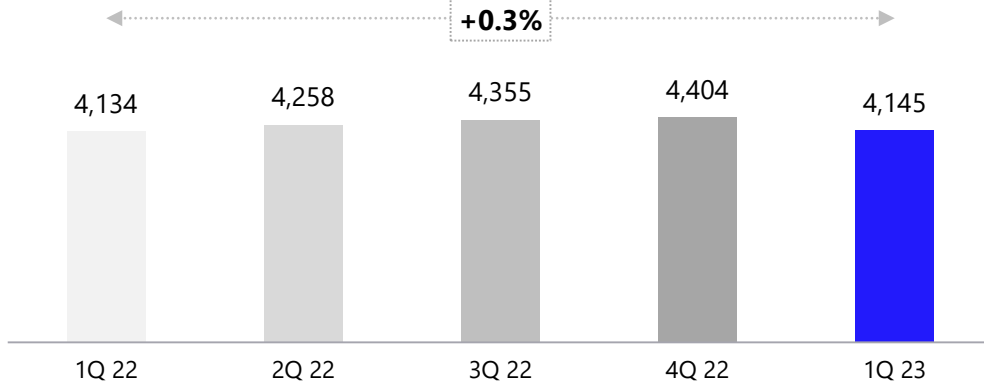


Movement in Total Customers' Deposits (SARbn)



# Net Income Trends | net profit edged up to SAR 4.1 Bn. in 1Q 2023

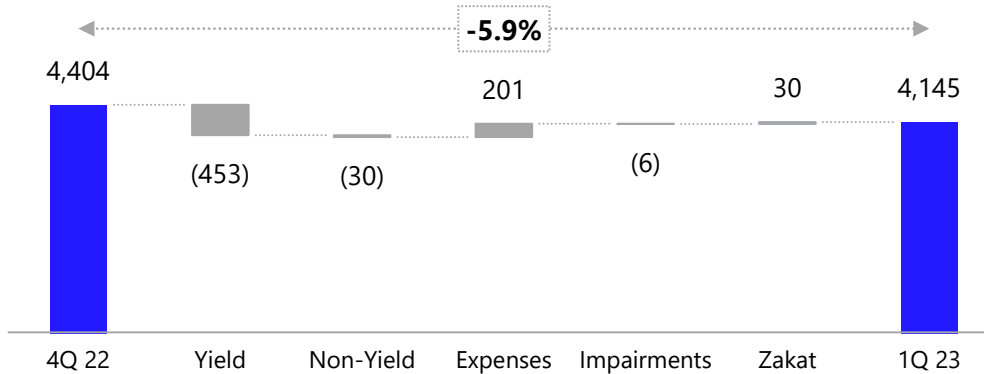
Net Income For The Period After Zakat (SARmn)



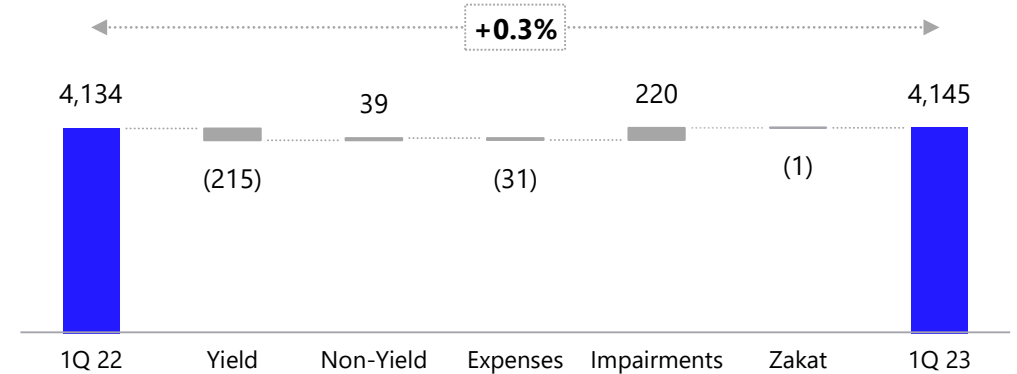
SAR (mn)

	1Q 23	1Q 22	YoY	1Q 23	4Q 22	QoQ
<b>Net financing &amp; investment income</b>	<b>5,125</b>	<b>5,340</b>	<b>-4%</b>	<b>5,125</b>	<b>5,579</b>	<b>-8%</b>
Fee from banking services, net	1,210	1,148	+5%	1,210	1,179	+3%
Exchange Income, net	298	237	+26%	298	298	+0%
Other operating income, net	148	232	-36%	148	209	-29%
<b>Fees and other income</b>	<b>1,655</b>	<b>1,616</b>	<b>+2%</b>	<b>1,655</b>	<b>1,685</b>	<b>-2%</b>
<b>Total operating income</b>	<b>6,781</b>	<b>6,957</b>	<b>-3%</b>	<b>6,781</b>	<b>7,264</b>	<b>-7%</b>
Operating expenses	-1,800	-1,769	+2%	-1,800	-2,001	-10%
<b>Pre-provision profit</b>	<b>4,980</b>	<b>5,188</b>	<b>-4%</b>	<b>4,980</b>	<b>5,263</b>	<b>-5%</b>
Total impairment charge	-359	-578	-38%	-359	-353	+2%
<b>Net income for the period before Zakat</b>	<b>4,622</b>	<b>4,609</b>	<b>+0%</b>	<b>4,622</b>	<b>4,911</b>	<b>-6%</b>
Zakat	-477	-476	+0%	-477	-506	-6%
<b>Net income for the period after Zakat</b>	<b>4,145</b>	<b>4,134</b>	<b>+0%</b>	<b>4,145</b>	<b>4,404</b>	<b>-6%</b>

Net Income After Zakat Growth Drivers By Type (SARmn)

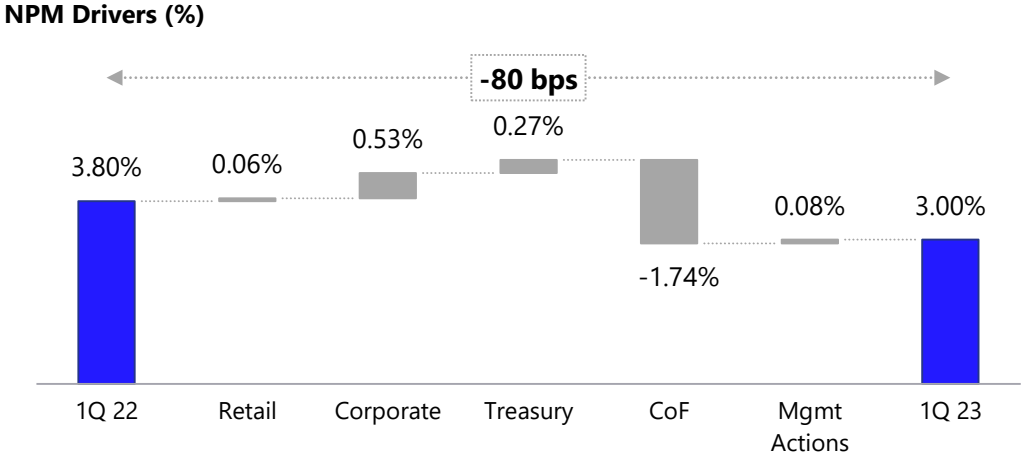
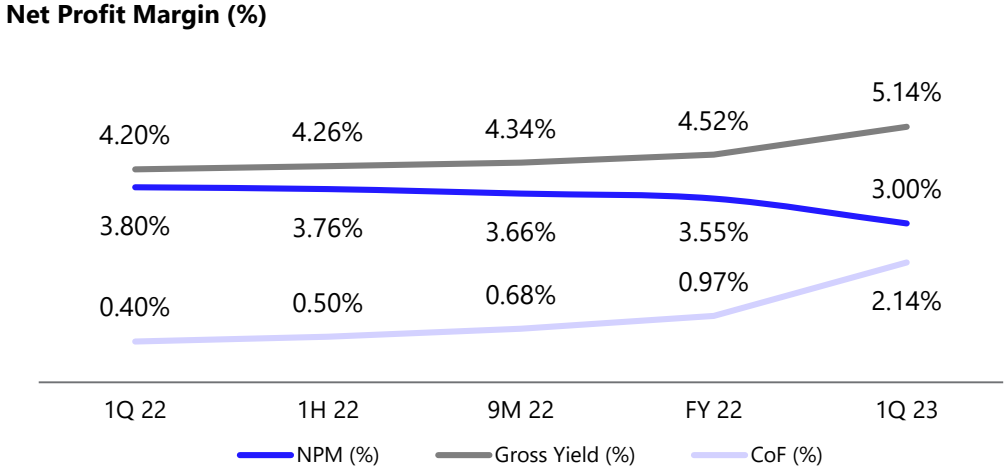
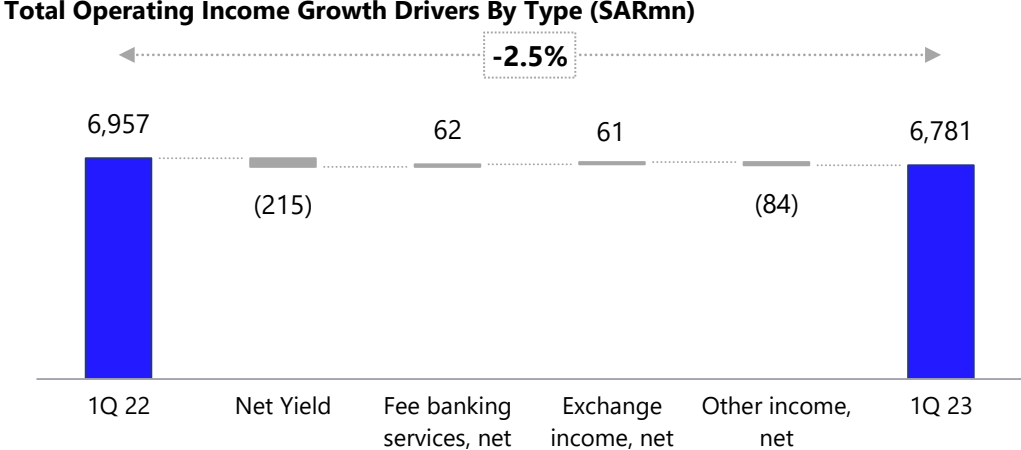
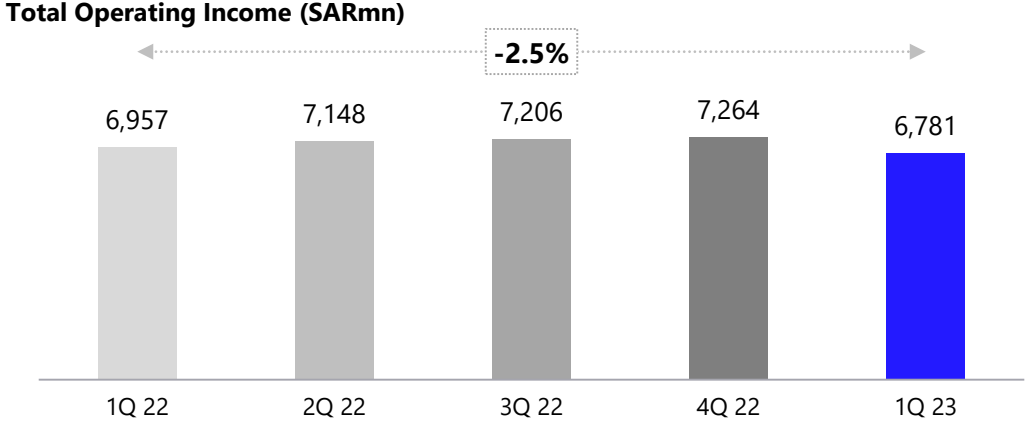


Net Income After Zakat Growth Drivers By Type (SARmn)



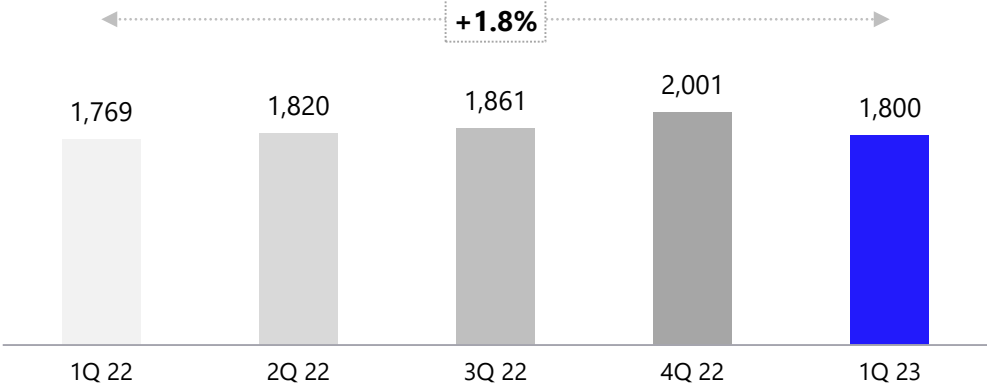


# Operating Income Trends | Lower operating income driven by higher cost of funding

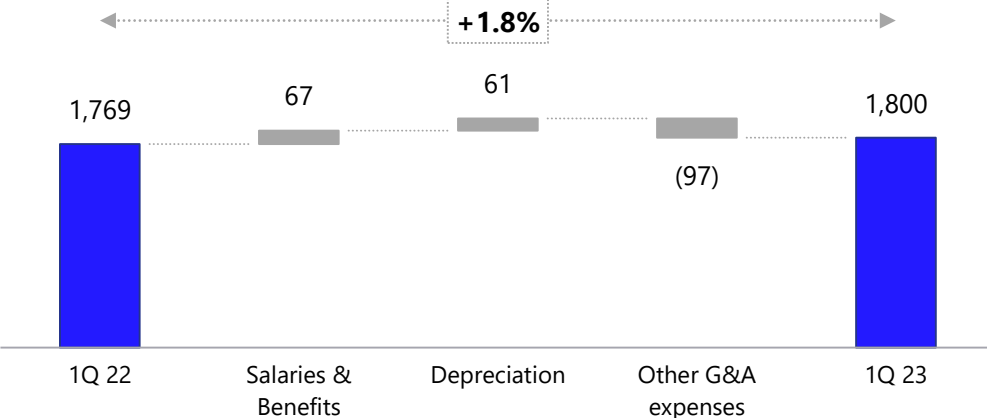


# Expenses Trends | Cost efficiencies remains solid

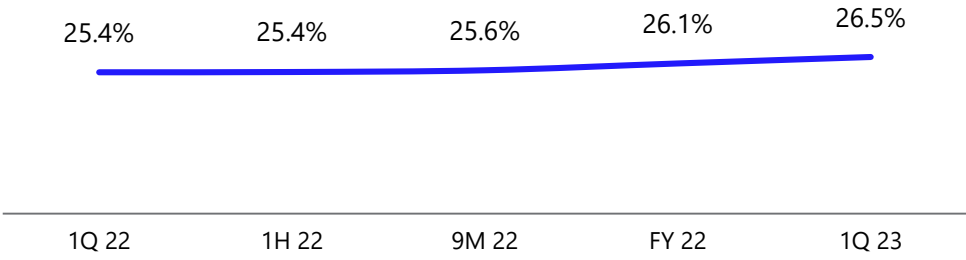
Operating Expenses (SARmn)



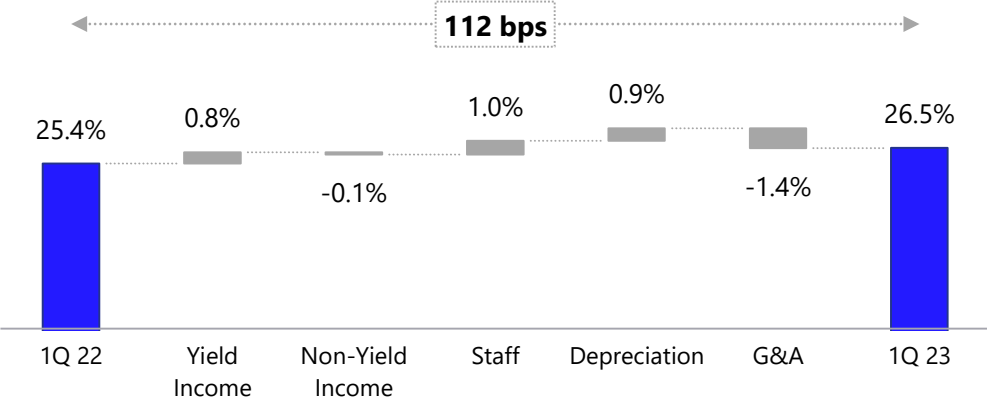
Operating Expenses Growth Drivers By Type (SARmn)



Cost To Income Ratio (%)

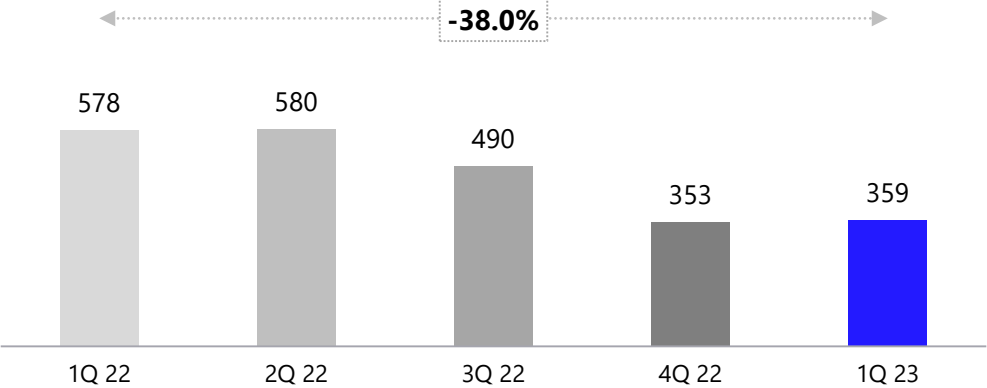


Cost to Income Ratio Drivers (%)

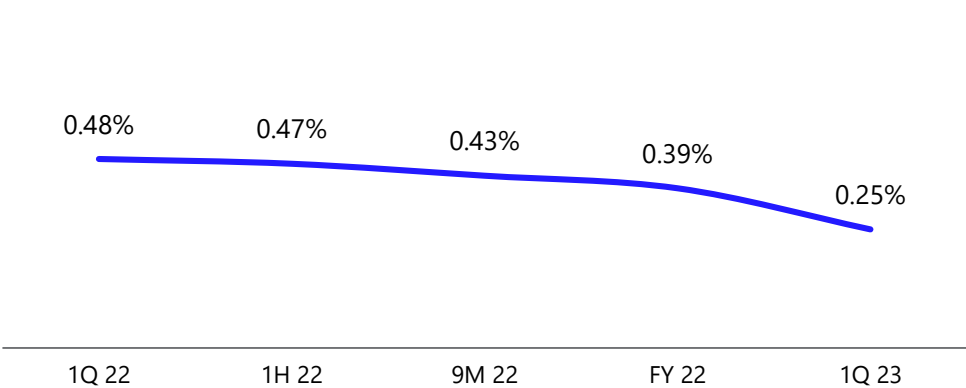


# Net Impairment & Cost of Risk | Lower net impairment resulted in cost of risk improvement

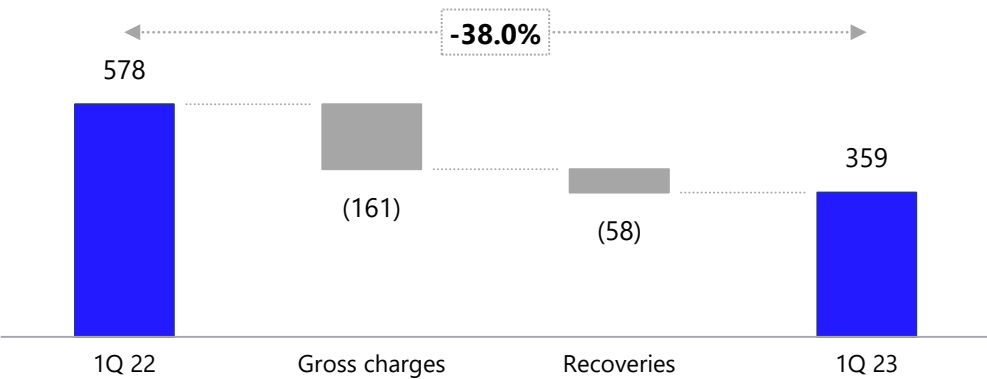
Net Impairment Charges (SARmn)



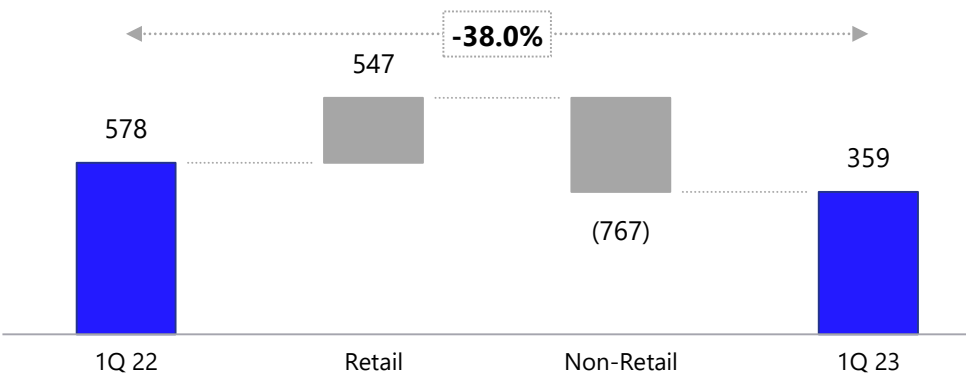
Cost of Risk (%)



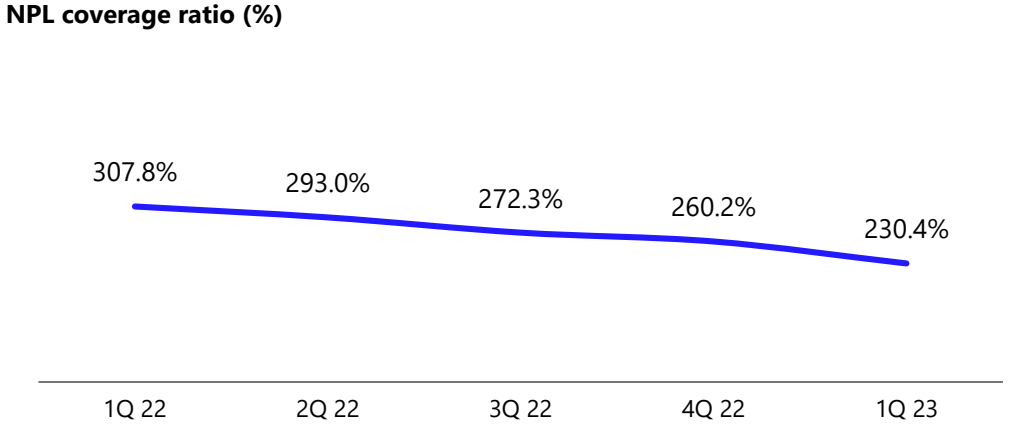
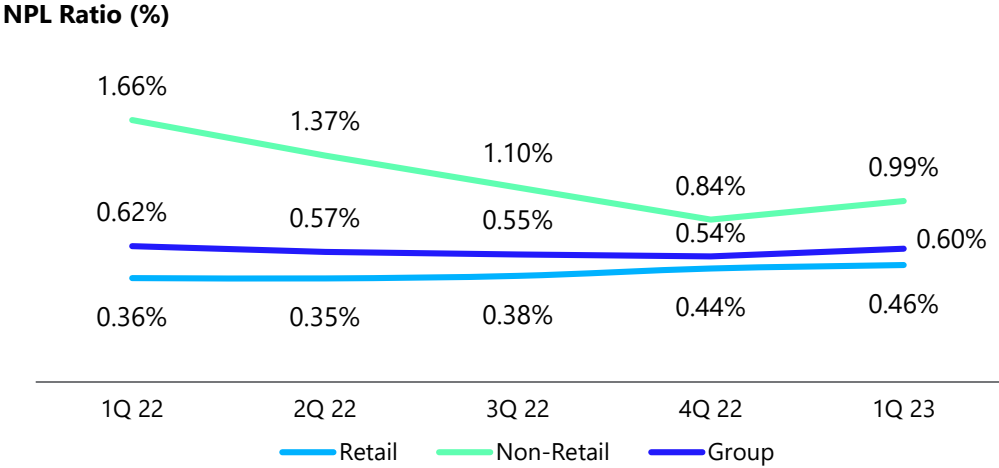
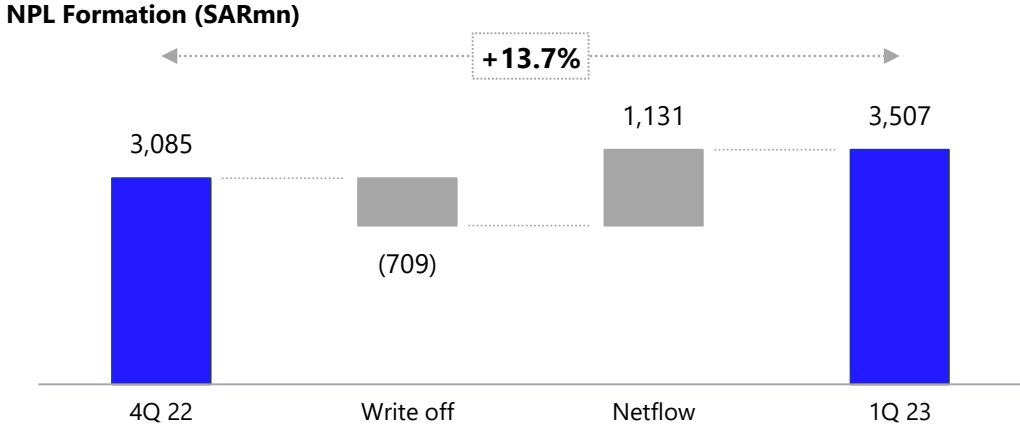
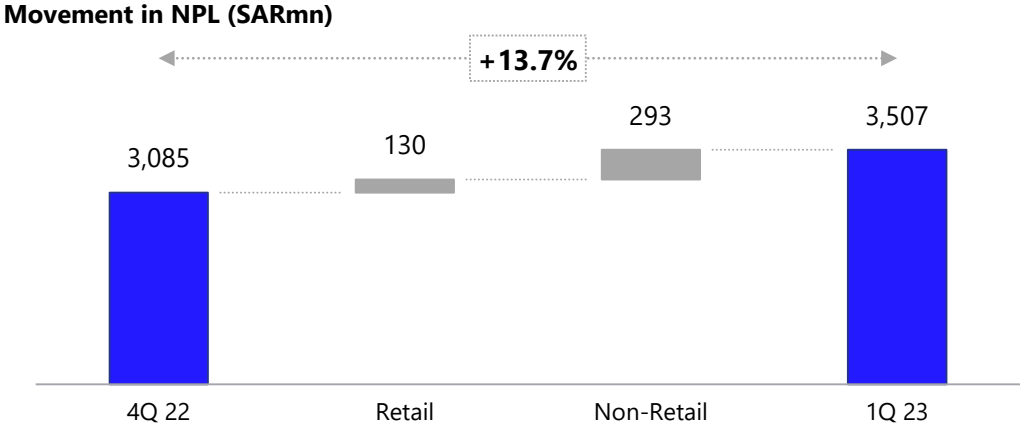
Movement in Net Impairment (SARmn)



Movement in Net Impairment by Group (SARmn)

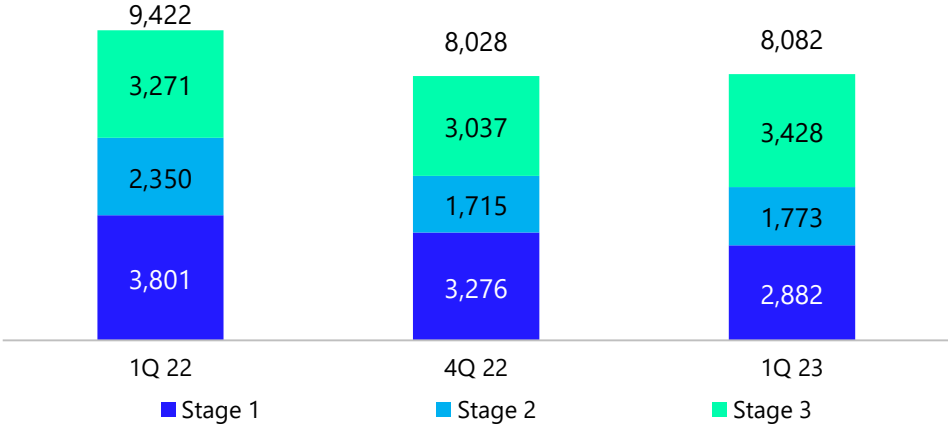


# Asset Quality Trends (1) | Asset quality remains healthy with high NPL coverage

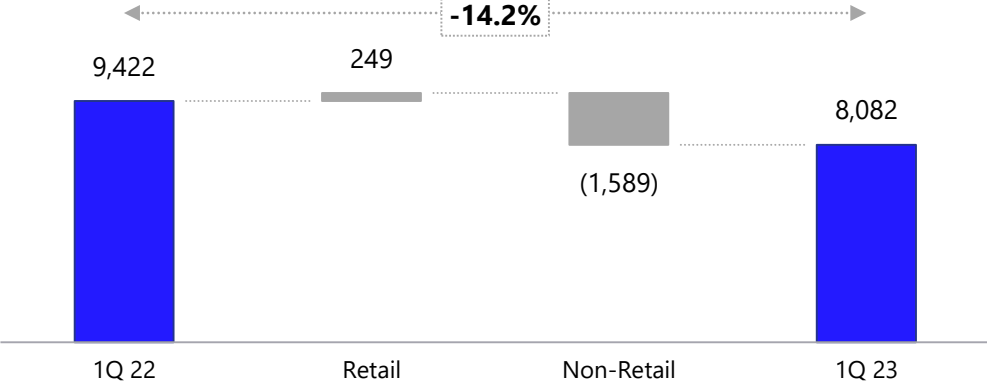


# Asset Quality Trends (2) | Healthy stage coverage reflecting prudent risk management

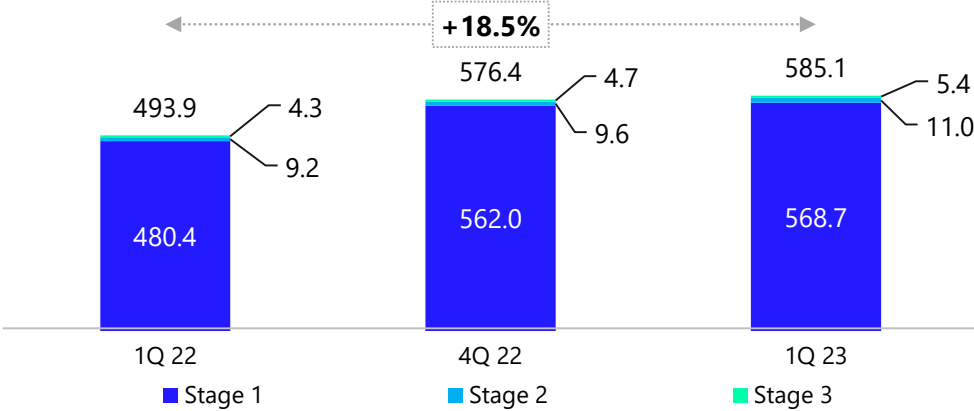
ECL by Stage (SARmn)



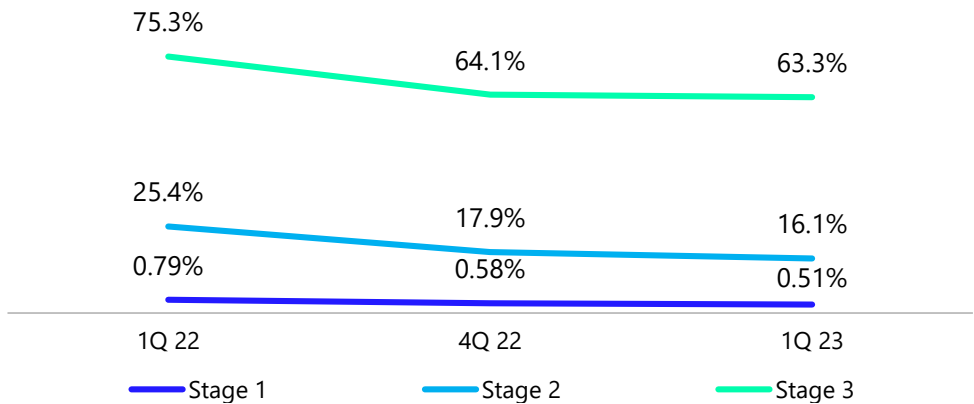
Movement in ECL by Group (SARmn)



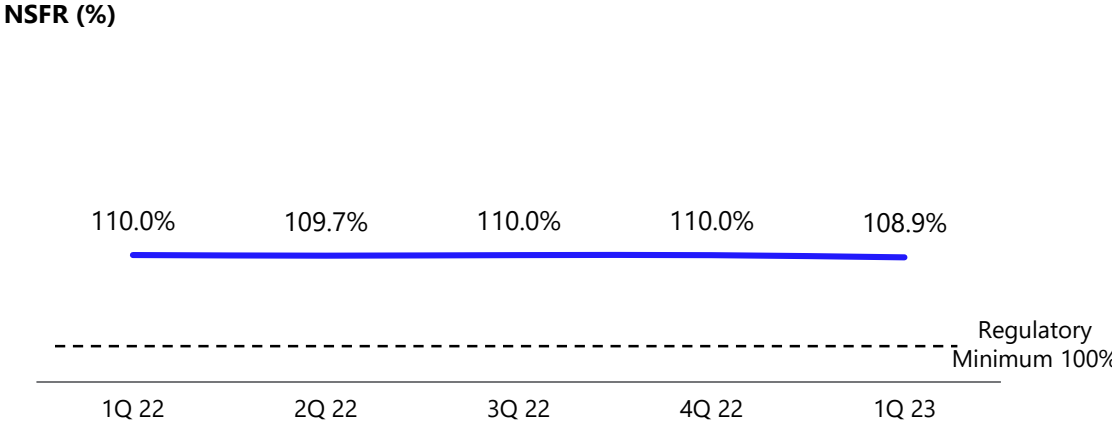
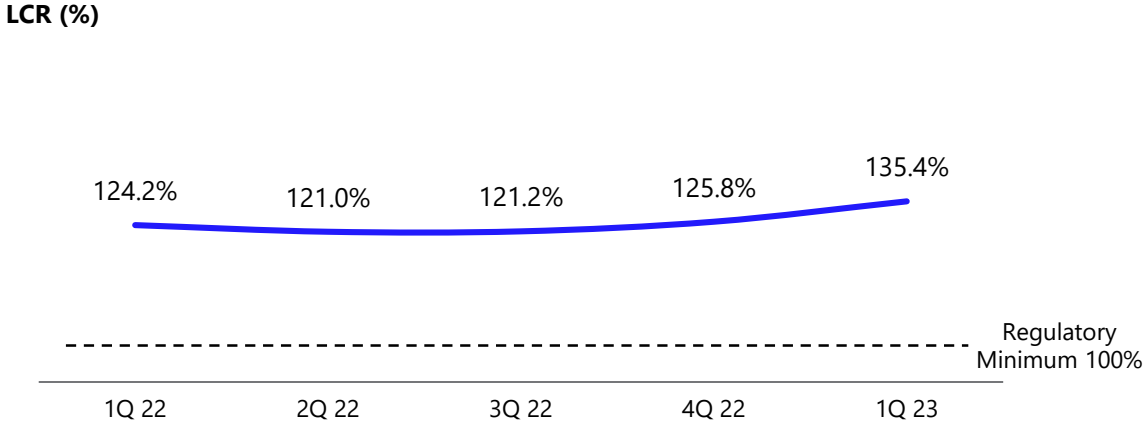
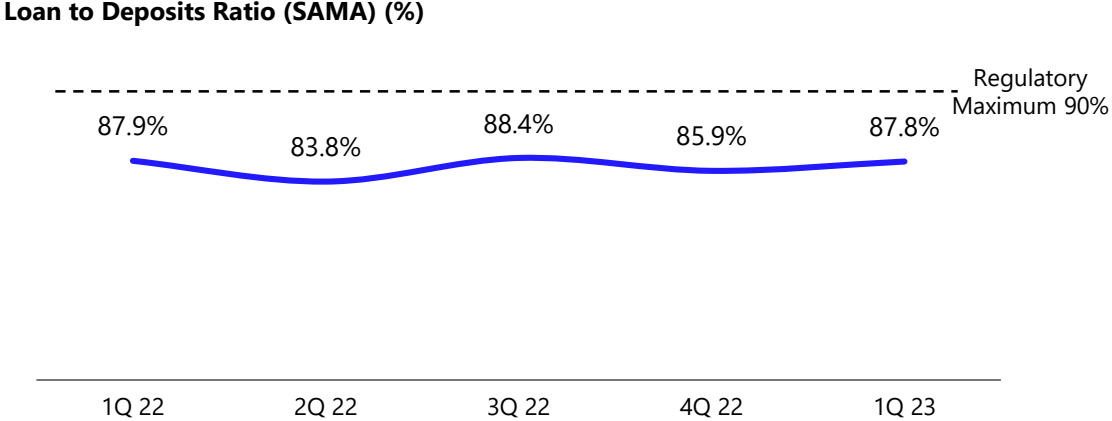
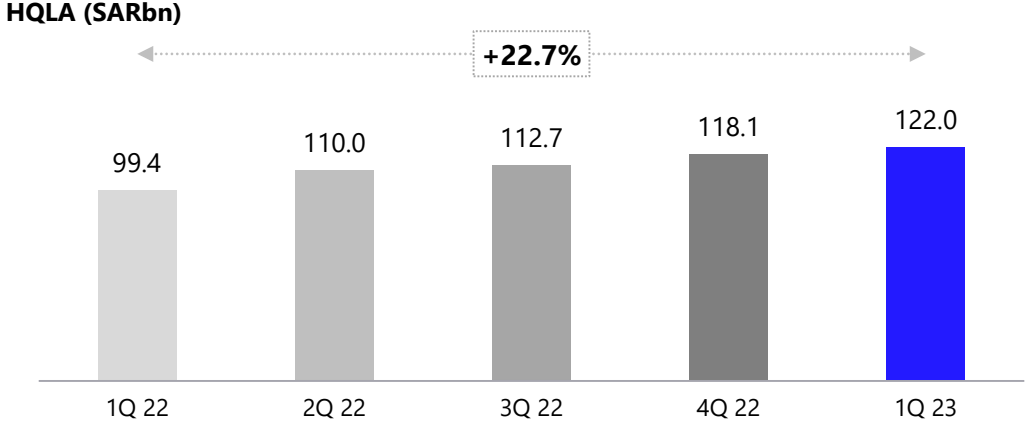
Gross Loans by Stage (SARbn)



ECL Coverage (%)

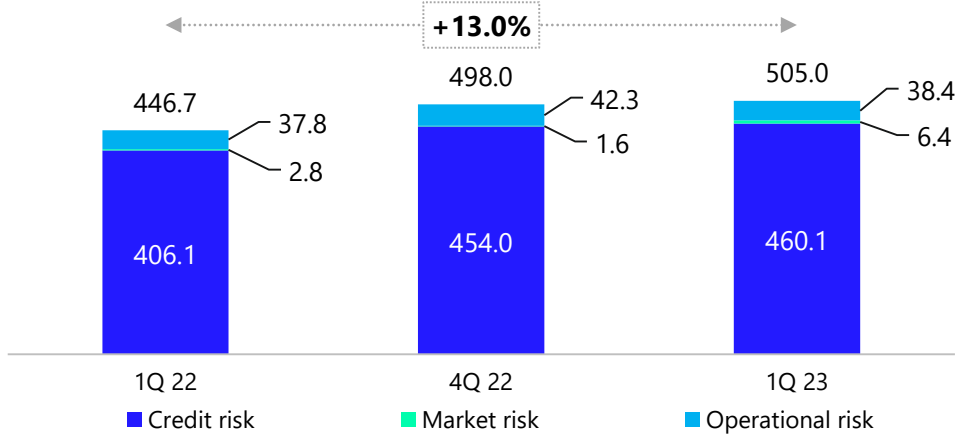


# Liquidity Trends | Liquidity remains comfortably within regulatory requirements

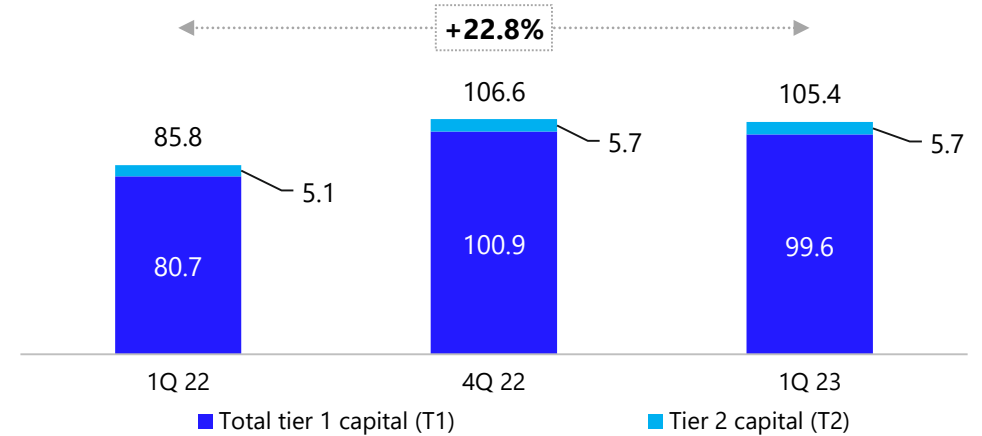


# Capitalization Trends | Capital position well above regulatory minima

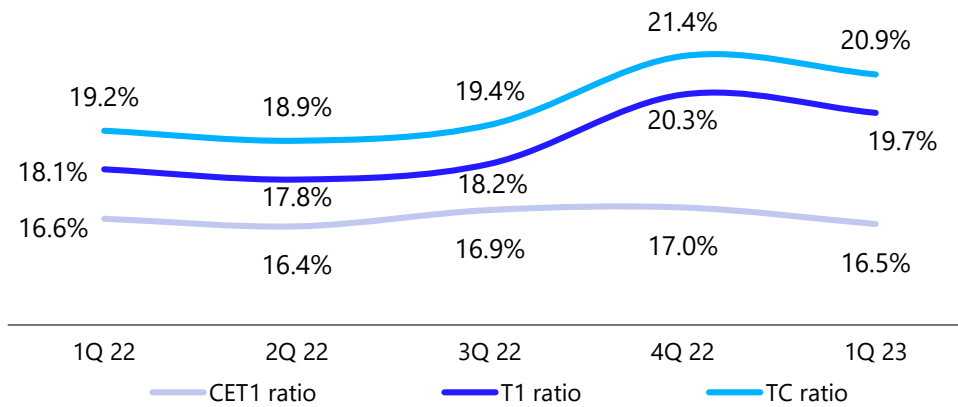
RWA (SARbn)



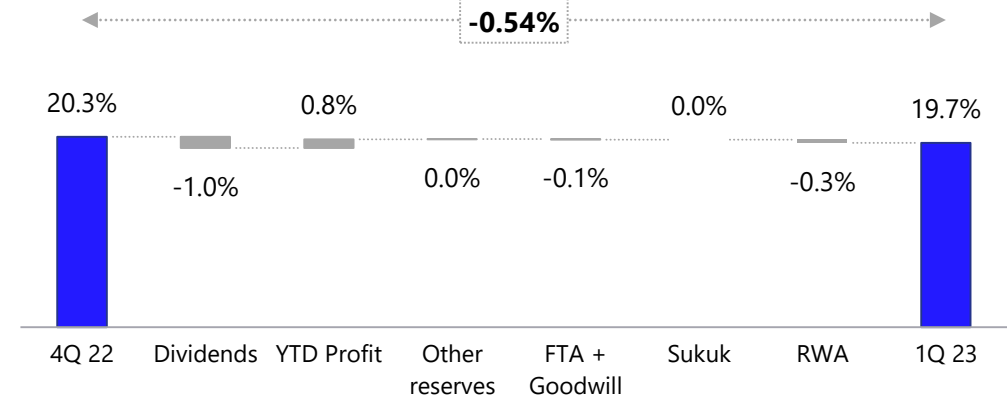
Total Capital (SARbn)



Capital Ratios (%)

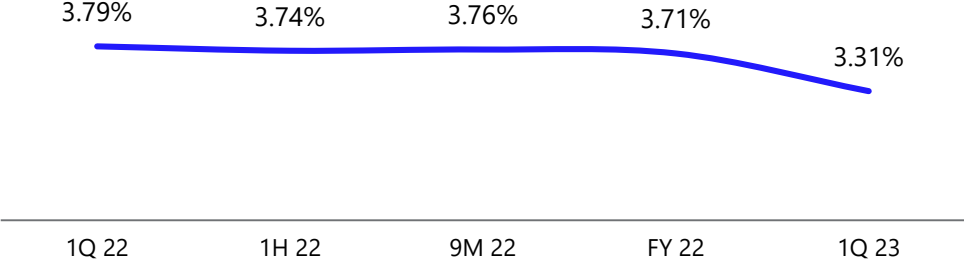


Tier 1 Drivers (%)

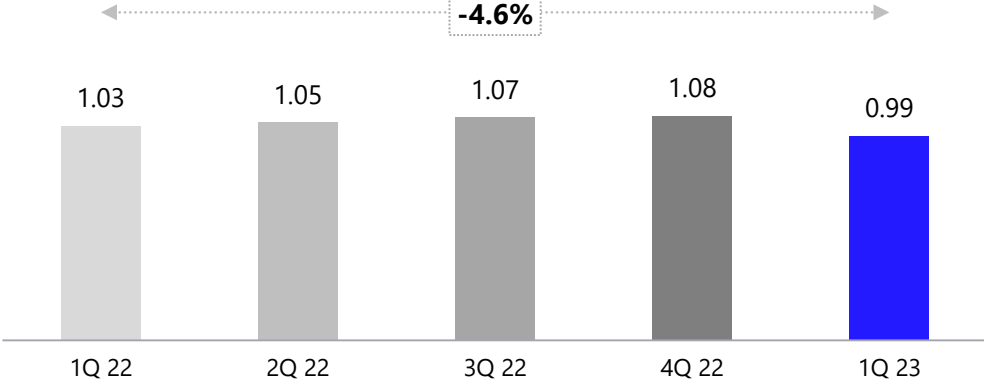


# Return Metrics | Al Rajhi Bank's returns remain industry-leading

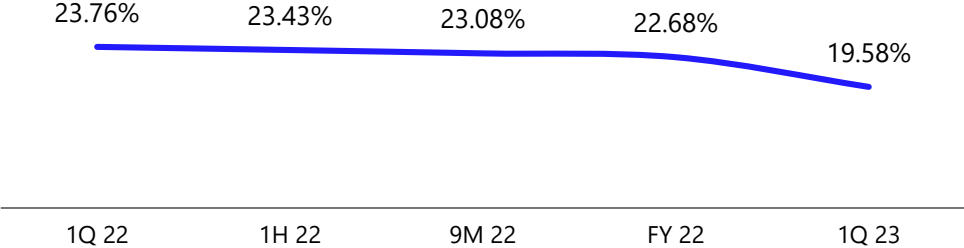
**Return on RWA (%)**



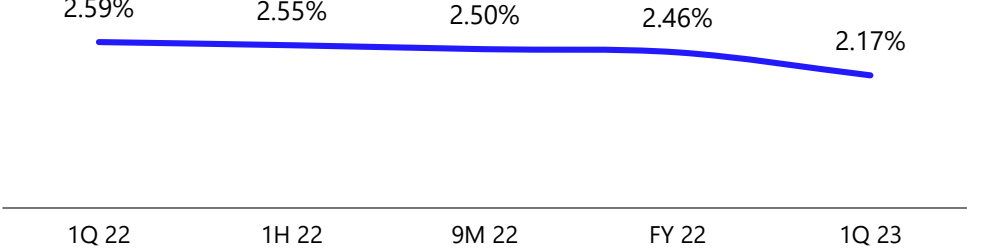
**Earnings per Share (SAR)**



**Return on Equity (%)**



**Return on Assets (%)**





# FY 2023 Guidance

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## FY 2023 Assumptions and Outlook | High interest rates is expected to weigh on credit demand

### Economy



- IMF revised GDP growth forecasts to 3.1% in 2023 and 3.1% in 2024
- Saudi economy grew by 5.5% in 4Q 2022, resulting in 8.7% of GDP growth in full year 2022
- Consumer spending increased by 7.9% in 1Q2023 on the back of improved economic activities
- Mortgage growth impacted due to the recent subsidy program changes while non-retail growth remains healthy

### Interest Rates



- Interest rates are expected to move slightly higher during 1H 2023 and then stay flat for the remaining of the year
- Higher interest rates is expected to weigh on credit demand and deposits mix in 2023
- Gross yields trend is expected to continue improving during the year reducing cost of funding pressure
- SRC has revised down the mortgage subsidies cap rate in March 2023

### Strategy & Execution



- “Bank of the Future” strategy delivery is in-line or ahead of expectations
- 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 2023 Guidance | Progressing in line with “Bank of The Future” strategy

		FY 2023 Guidance	1Q 2023 Actual	Guidance Revision
<b>Balance Sheet</b>	Financing	Mid single digit	+1.5%	— Mid single digit
<b>Profitability</b>	Net profit margin	-15 bps to -25 bps	-55 bps	↓ -25 bps to -35 bps
	Cost to income ratio	Below 26%	26.5%	↓ Below 27%
	ROE	Above 21%	19.58%	↓ Above 20%
<b>Asset Quality</b>	Cost of risk	0.30% - 0.40%	0.25%	— 0.30% - 0.40%
<b>Capital</b>	Tier 1 ratio	Above 20%	19.7%	— Above 20%



Q & A

# ESG Highlights

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# ESG Highlights | 1Q 2023

	USD <b>1.2 bn</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>776bn</b> Total Assets	Around <b>SAR 3bn</b> of financing renewable energy projects	SAR <b>477mln</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>4.1bn</b> Net Profit after Zakat	USD <b>1.0 bn</b> Sustainable Sukuk	SAR <b>872mln</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 the group level
<b>0%</b> Financing exposure in Tobacco, Alcohol & Gambling	<b>93:7</b> Digital to Manual Ratio	SAR <b>26.0bn</b> in financing for SMEs	<b>29,700+</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>

■ 1Q 2023 figures



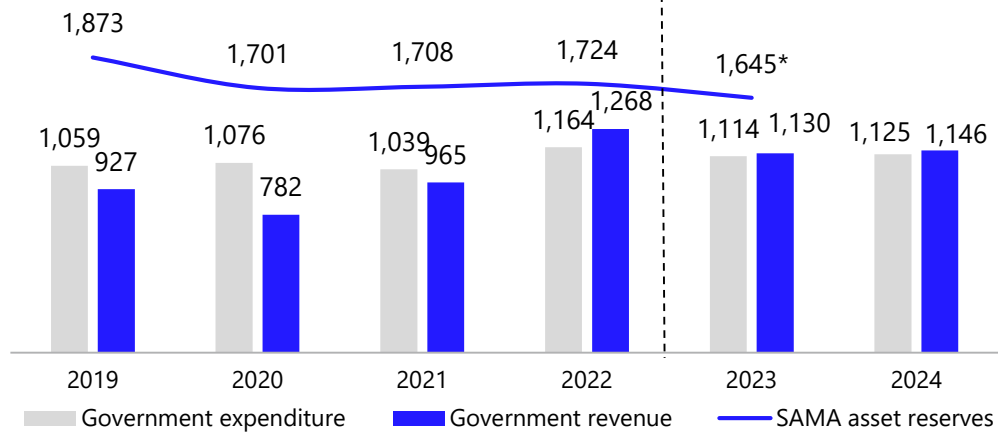
# KSA's Macro-Economic Environment

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## Highlights

- GDP grew by 8.7% in 2022 driven by higher oil prices and recovery in non-oil activities
- IMF revised up Saudi's GDP growth forecasts in 2023 to 3.1% while revising down 2024 to 3.1%
- Inflation averaged 2.5% in 2022 and expected to normalize in 2023 to 2.2%

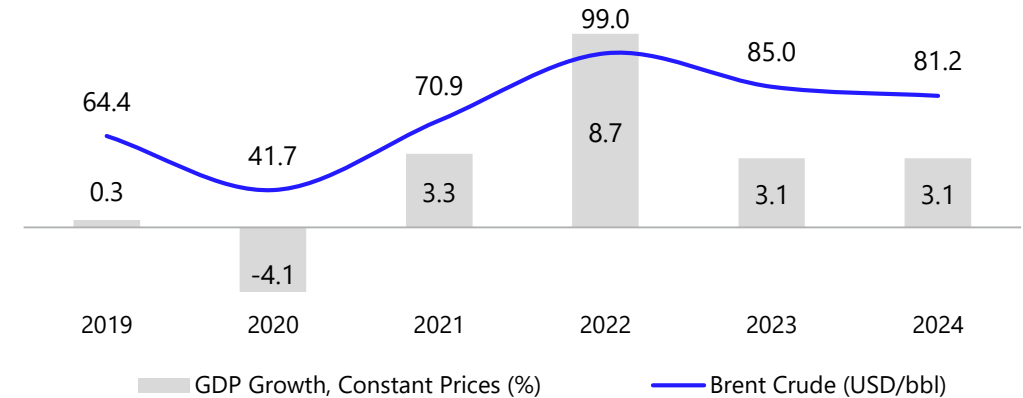
### Expenditure/Revenue and Asset Reserves (SARbn)



Source: MoF, SAMA

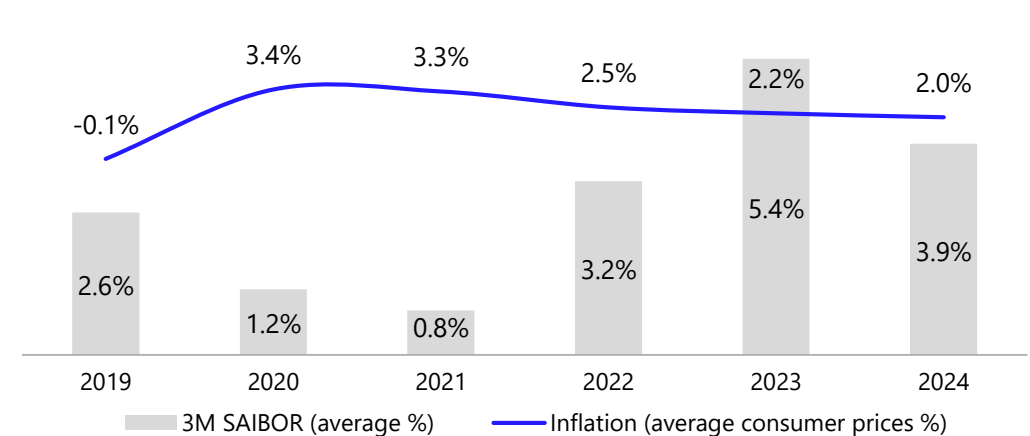
\* March 2023 figure

### GDP Growth/Brent Oil Price



Source: IMF, U.S. Energy Information

### 3M SAIBOR / Inflation



Source: SAMA, IMF, MoF



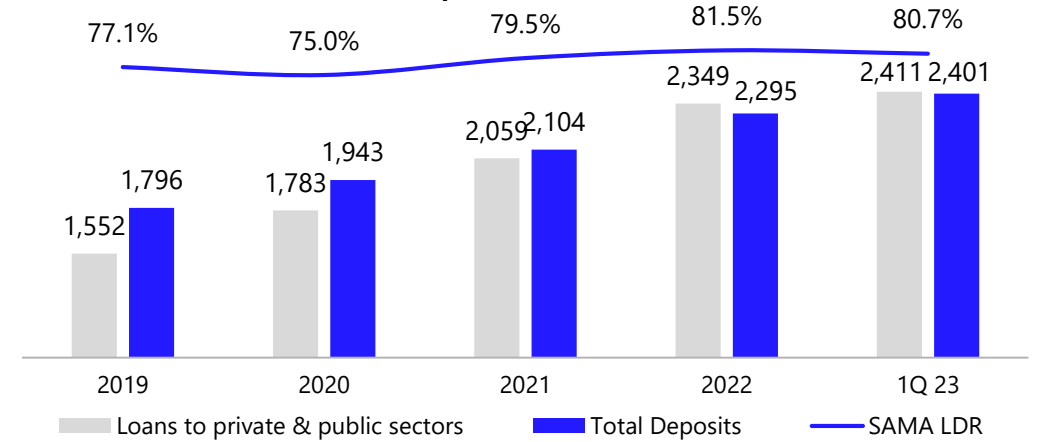


# Banking Sector Highlights | Banking system deposits growth outpaced loans growth in 1Q2023

## Recent Developments

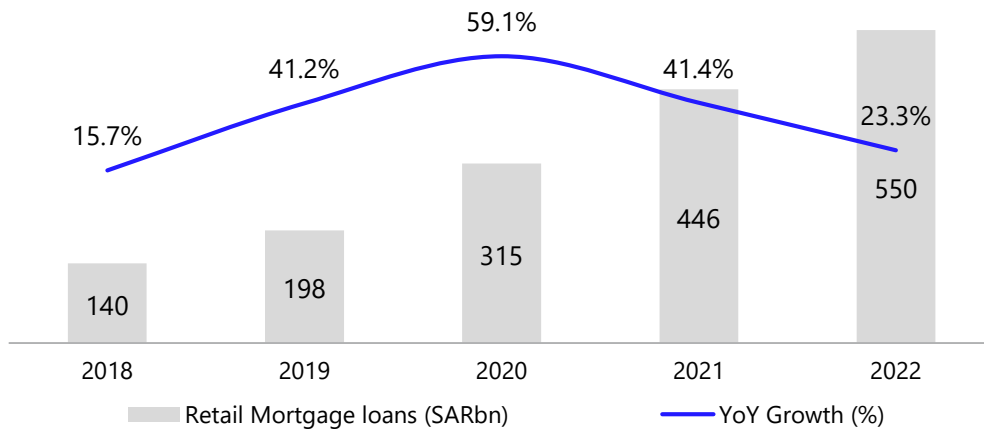
- Deposits growth in the banking system during 1Q2023 outperformed loans growth
- SRC has revised down the mortgage subsidies cap rate in early March 2023
- Consumer spending increased by 7.9% in 1Q2023 with continuous migration to cashless payment methods

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



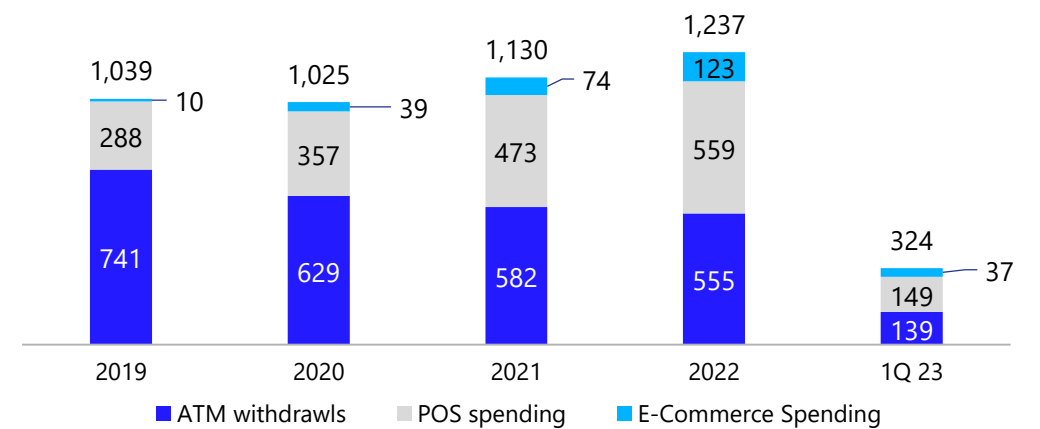
Source: SAMA

Retail Mortgage (SARbn)



Source: SAMA

POS/ATM & E-Commerce (SARbn)



Source: SAMA



# IR Contact Information

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## Additional Information | Contact investor relations for more information

### Rayan Alshuaibi

Director of Investor Relations  
+966 (11) 828 1972  
alshuaibirs@alrajhibank.com.sa

### Abdulrahman Alyami

Assistant Manager Investor Relations  
+966 (11) 828 3586  
AlyamiAH@alrajhibank.com.sa



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Alrajhi IR App



Alrajhi Tadawul Mobile App



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- Earnings Release



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