

# Al Rajhi Bank Results Presentation

3Q 2023 Earnings Conference Call and Webcast



# 3Q 2023 Earnings Call

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# First Nine Months 2023 Results Summary | Results are in line with expectations

5.2% YTD Balance Sheet Growth	4.0% YTD Growth in financing portfolio	5.7% Growth in liabilities	LDR below regulatory minima
	Net Financing <b>568.3bn</b> $\xrightarrow{+4.0\%}$ <b>590.8bn</b> FY 22 9M 23	Total Liabilities <b>661.4bn</b> $\xrightarrow{+5.7\%}$ <b>699.2bn</b> FY 22 9M 23	Loan to Deposit Ratio <b>85.9%</b> $\xrightarrow{\text{down}}$ <b>81.0%</b> FY 22 9M 23
2.3% lower net income YoY	5.3% drop in net yield income, impacted by cost of funds	0.9% Non yield income growth	3.9% lower operating income
	Net Yield income <b>16,594mn</b> $\xrightarrow{-5.3\%}$ <b>15,720mn</b> 9M 22 9M 23	Non Yield Income <b>4,717mn</b> $\xrightarrow{+0.9\%}$ <b>4,761mn</b> 9M 22 9M 23	Operating Income <b>21,311mn</b> $\xrightarrow{-3.9\%}$ <b>20,481mn</b> 9M 22 9M 23
Stable credit quality	14 bps COR reduction	2 bps lower in NPL ratio	NPL coverage remained strong
	Cost of risk <b>0.39%</b> $\xrightarrow{\text{down}}$ <b>0.25%</b> FY 22 9M 23	NPL <b>0.62%</b> $\xrightarrow{\text{down}}$ <b>0.60%</b> FY 22 9M 23	NPL Coverage <b>238%</b> $\xrightarrow{\text{up}}$ <b>240%</b> FY 22 9M 23
Key Ratios	Operating efficiency remains solid	Improved capital position	Lower NPM
	Cost to income ratio <b>25.6%</b> $\xrightarrow{\text{up}}$ <b>26.9%</b> 9M 22 9M 23	Total Capital Adequacy Ratio <b>19.4%</b> $\xrightarrow{\text{up}}$ <b>20.8%</b> 9M 22 9M 23	NPM <b>3.66%</b> $\xrightarrow{\text{down}}$ <b>2.98%</b> 9M 22 9M 23



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

## Bank

**Build** on our core

## OF

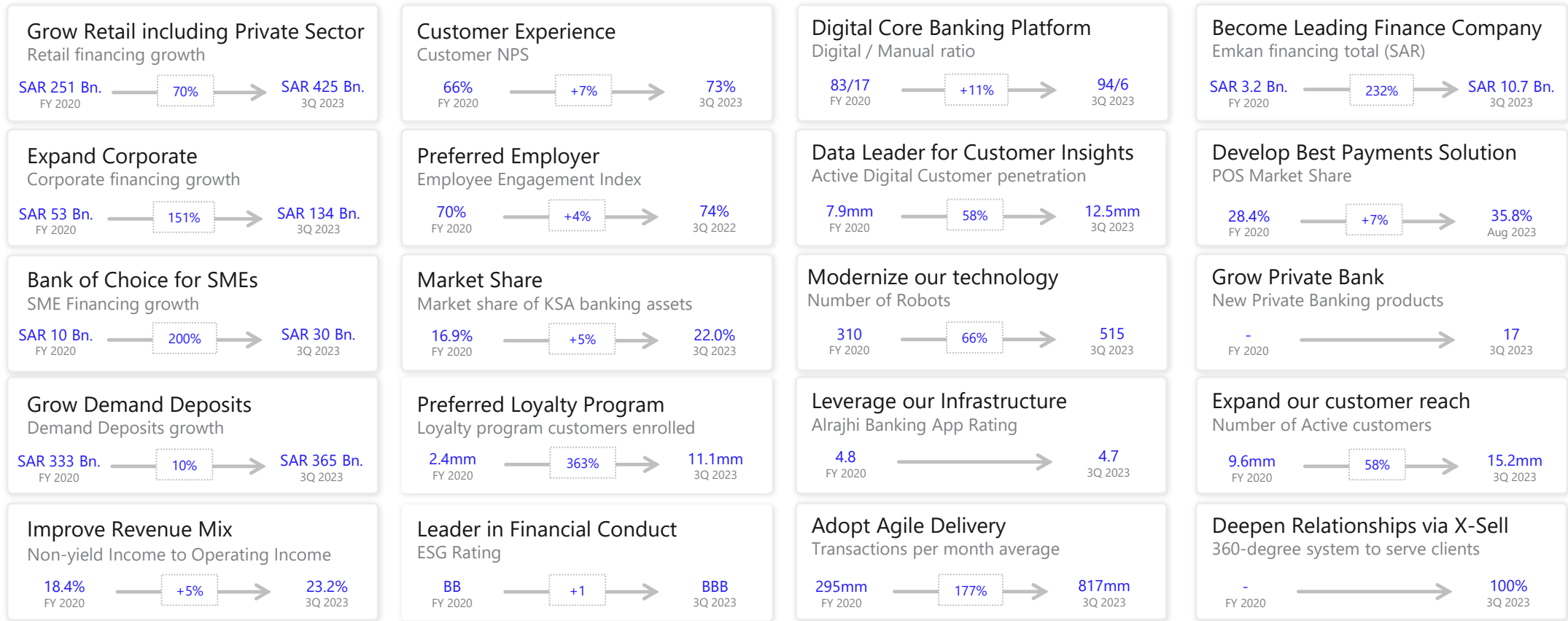
**Outperform** our competition

## The

**Transform** technology

## Future

**Focus** on new client needs

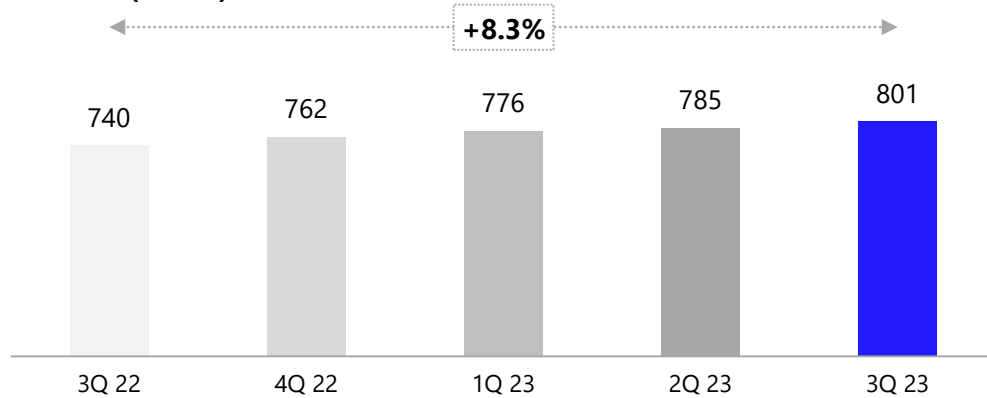


# 3Q 2023 Financial Highlights

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# Balance Sheet Trends (1) | Balance sheet growth of 5% YTD driven by Financing and Investments

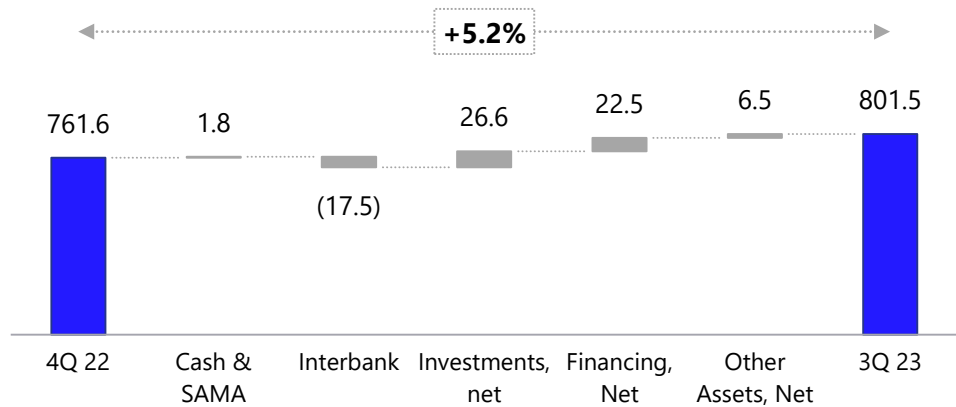
Total Assets (SARbn)



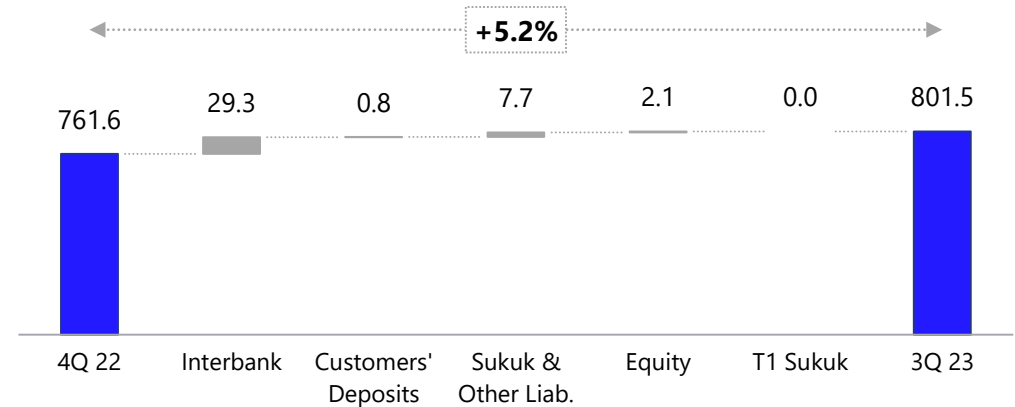
SAR (mn)

	3Q 23	2Q 23	QoQ	4Q 22	YTD
Cash & balances with SAMA	43,838	46,020	-5%	42,052	+4%
Due from banks & other FI	8,128	10,983	-26%	25,656	-68%
Investments, net	128,700	121,420	+6%	102,146	+26%
Financing, net	590,826	579,080	+2%	568,338	+4%
Other assets, net	29,991	27,017	+11%	23,456	+28%
<b>Total assets</b>	<b>801,483</b>	<b>784,520</b>	<b>+2%</b>	<b>761,649</b>	<b>+5%</b>
Due to banks & other FI	100,126	81,591	+23%	70,839	+41%
Customers' deposits	565,719	570,665	-1%	564,925	+0%
Sukuk issued	3,834	3,790		0	
Other liabilities	29,525	25,287	+17%	25,660	+15%
<b>Total liabilities</b>	<b>699,204</b>	<b>681,333</b>	<b>+3%</b>	<b>661,424</b>	<b>+6%</b>
<b>Total equity</b>	<b>102,280</b>	<b>103,187</b>	<b>-1%</b>	<b>100,225</b>	<b>+2%</b>

Movement in Assets (SARbn)

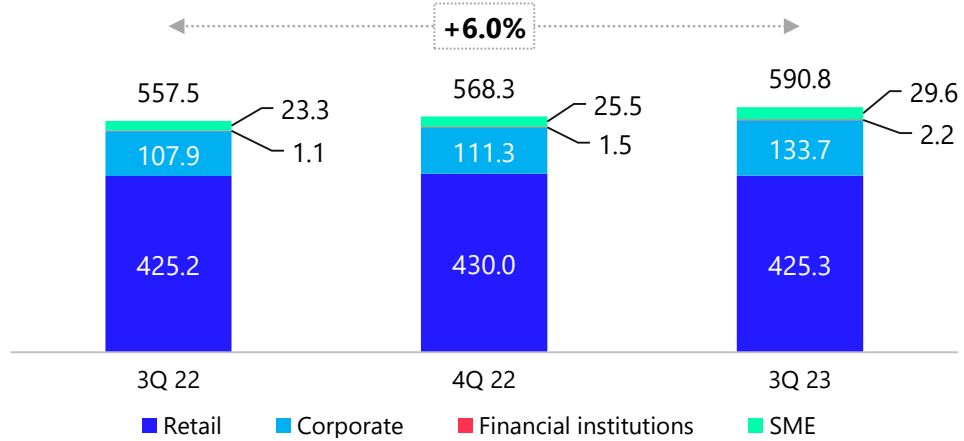


Movement in Funding (SARbn)

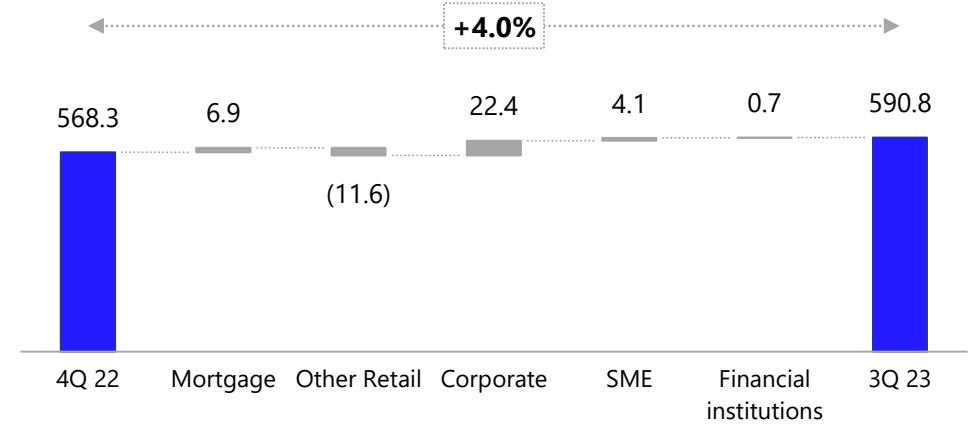


## Balance Sheet Trends (2) | Financing growth driven by mortgage and corporate

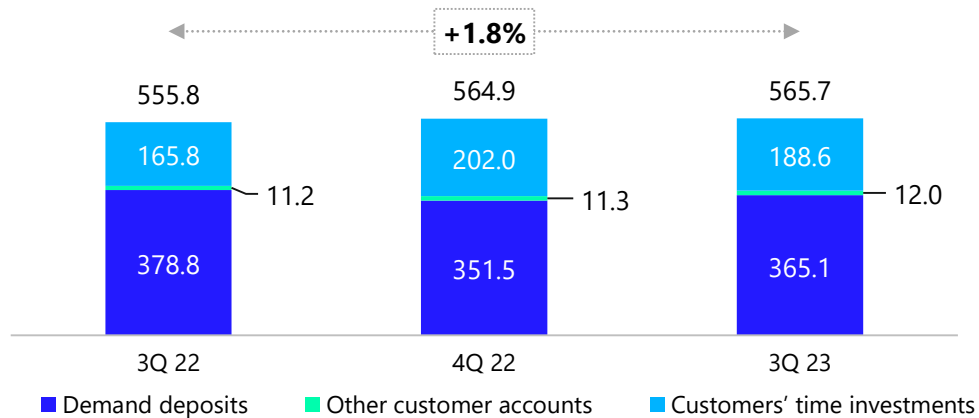
Financing, Net (SARbn)



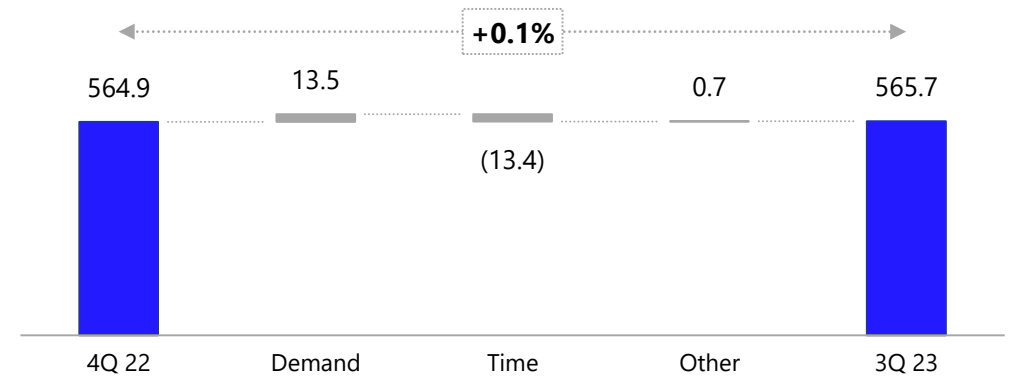
Movement in Financing (SARbn)



Total Customers' Deposits (SARbn)

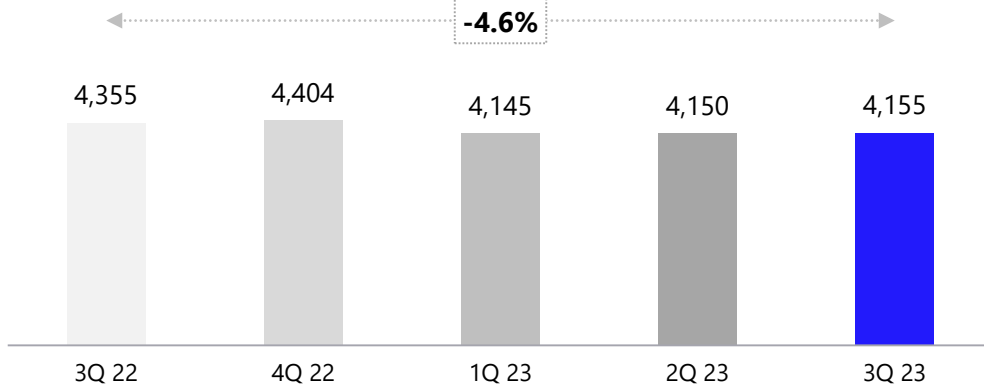


Movement in Total Customers' Deposits (SARbn)



# Net Income Trends | net profit lower by 2.3% for the first nine months of 2023

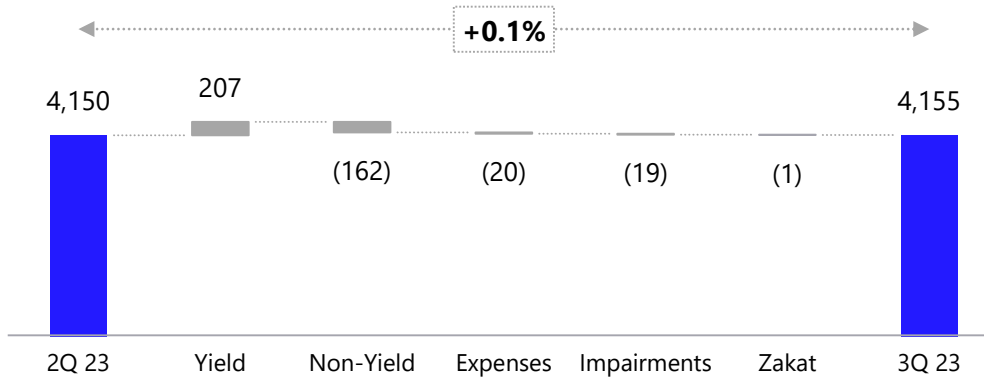
Net Income For The Period After Zakat (SARmn)



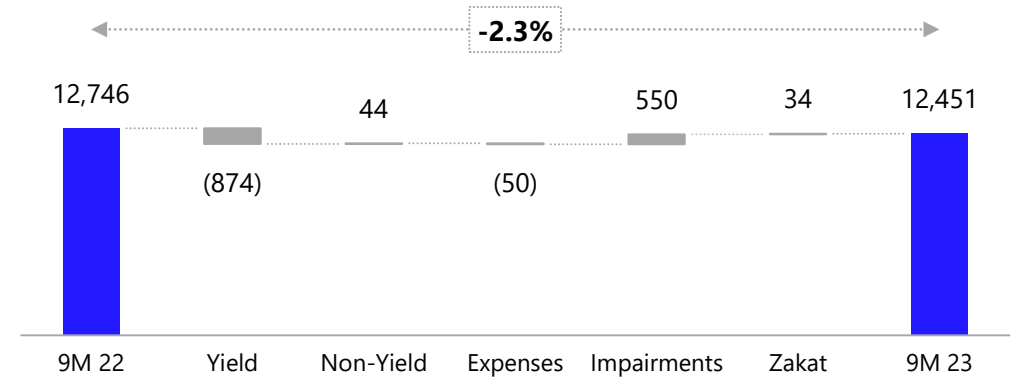
SAR (mn)

	9M 23	9M 22	YoY	3Q 23	3Q 22	YoY
<b>Net financing &amp; investment income</b>	<b>15,720</b>	<b>16,594</b>	<b>-5%</b>	<b>5,401</b>	<b>5,687</b>	<b>-5%</b>
Fee from banking services, net	3,238	3,445	-6%	899	1,135	-21%
Exchange Income, net	925	864	+7%	336	320	+5%
Other operating income, net	599	407	+47%	237	65	+265%
<b>Fees and other income</b>	<b>4,761</b>	<b>4,717</b>	<b>+1%</b>	<b>1,472</b>	<b>1,519</b>	<b>-3%</b>
<b>Total operating income</b>	<b>20,481</b>	<b>21,311</b>	<b>-4%</b>	<b>6,873</b>	<b>7,206</b>	<b>-5%</b>
Operating expenses	-5,500	-5,450	+1%	-1,860	-1,861	-0%
<b>Pre-provision profit</b>	<b>14,980</b>	<b>15,861</b>	<b>-6%</b>	<b>5,012</b>	<b>5,345</b>	<b>-6%</b>
Total impairment charge	-1,099	-1,649	-33%	-379	-490	-23%
<b>Net income for the period before Zakat</b>	<b>13,882</b>	<b>14,212</b>	<b>-2%</b>	<b>4,633</b>	<b>4,855</b>	<b>-5%</b>
Zakat	-1,431	-1,466	-2%	-478	-501	-5%
<b>Net income for the period after Zakat</b>	<b>12,451</b>	<b>12,746</b>	<b>-2%</b>	<b>4,155</b>	<b>4,355</b>	<b>-5%</b>

Net Income After Zakat Growth Drivers By Type (SARmn)

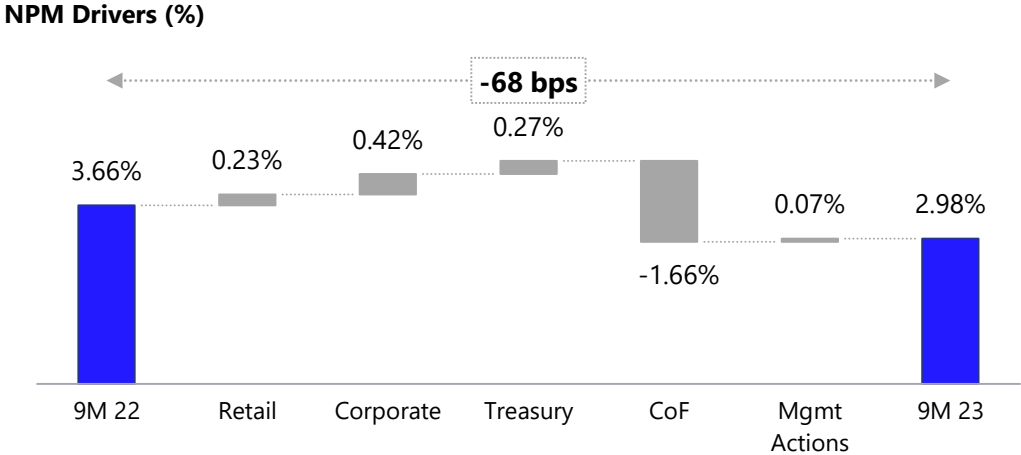
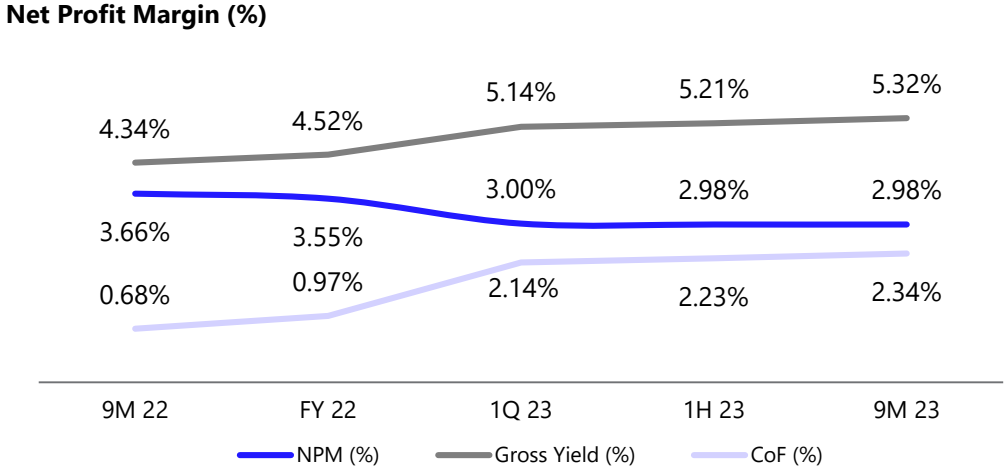
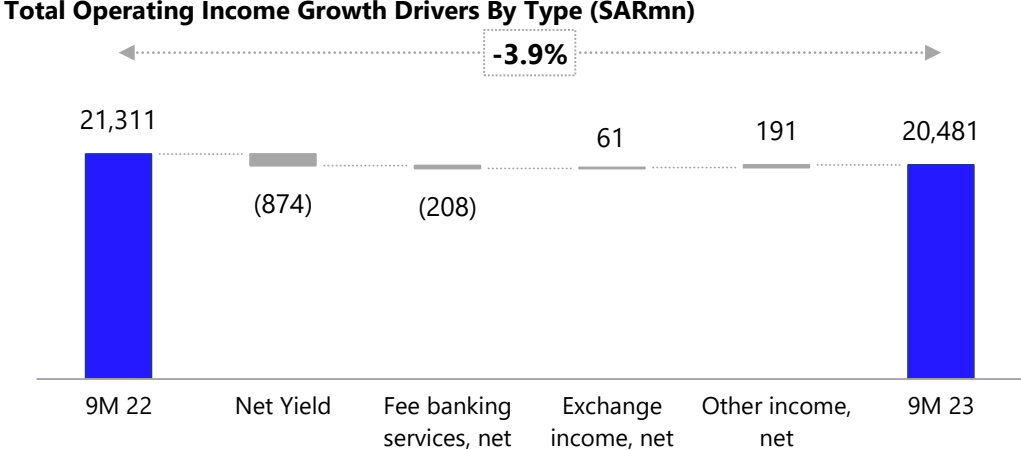
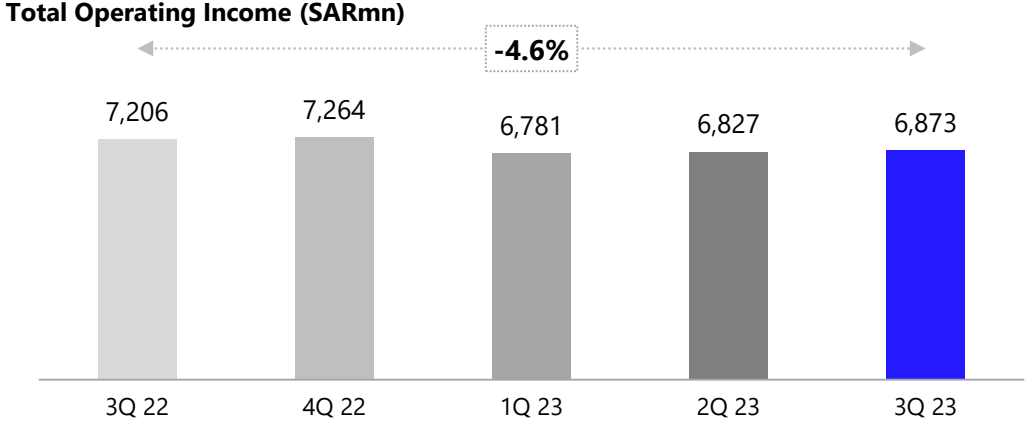


Net Income After Zakat Growth Drivers By Type (SARmn)



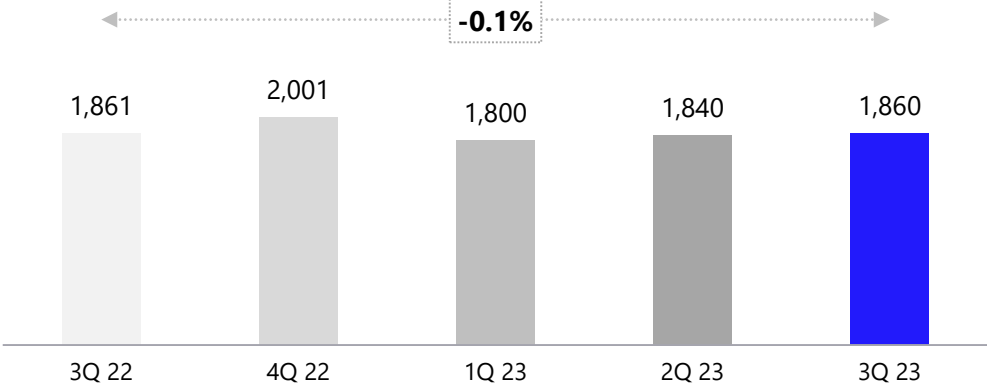


# Operating Income Trends | Lower operating income driven by higher cost of funding

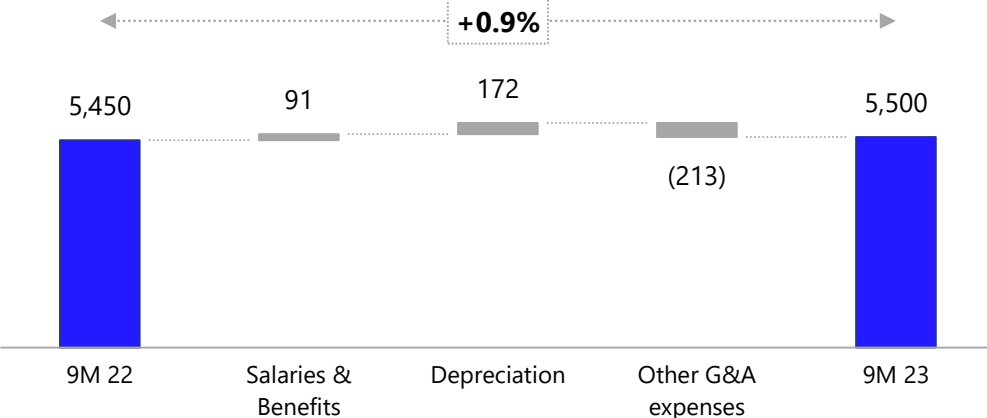


# Expenses Trends | Cost efficiencies remains solid

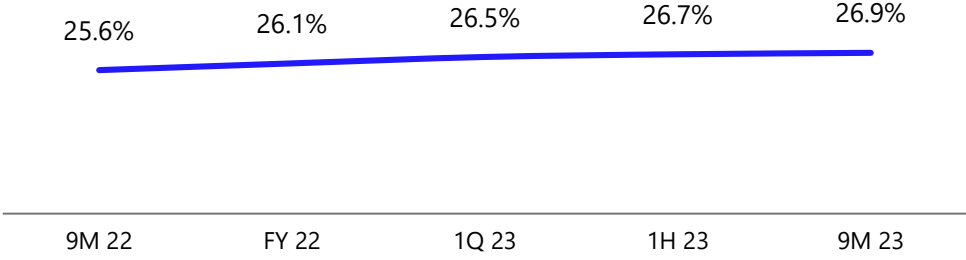
Operating Expenses (SARmn)



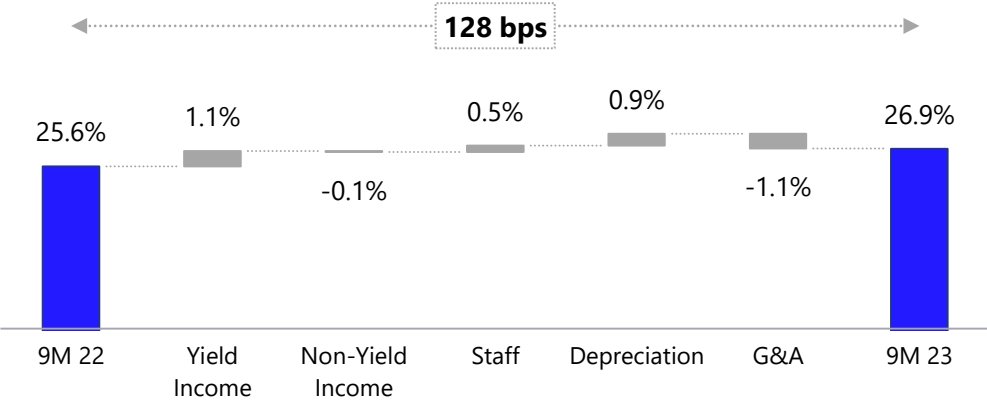
Operating Expenses Growth Drivers By Type (SARmn)



Cost To Income Ratio (%)

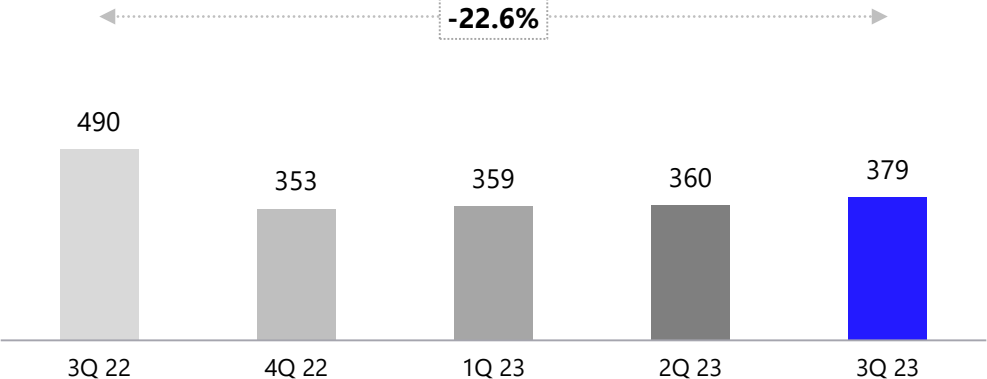


Cost to Income Ratio Drivers (%)

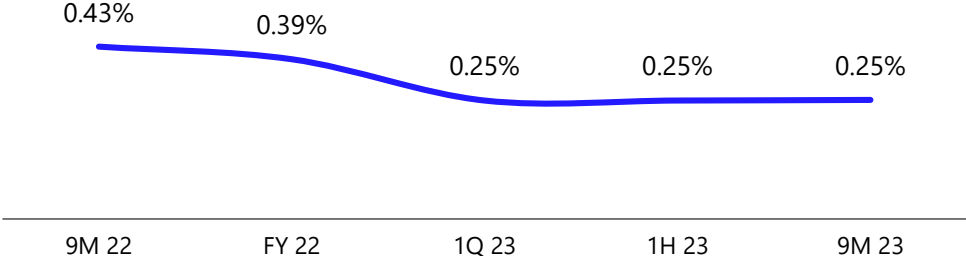


# Net Impairment & Cost of Risk | Lower net impairment resulted in cost of risk improvement

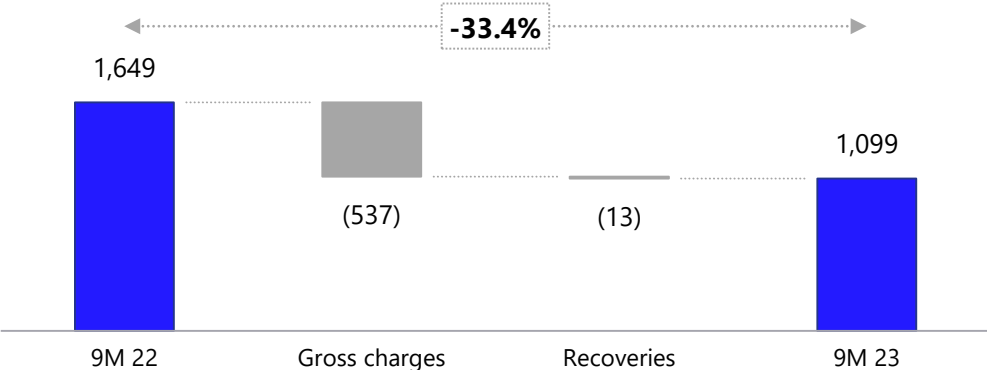
Net Impairment Charges (SARmn)



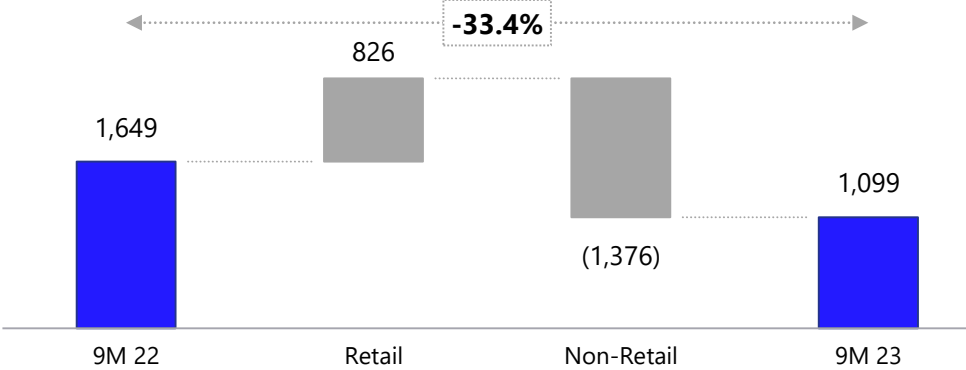
Cost of Risk (%)



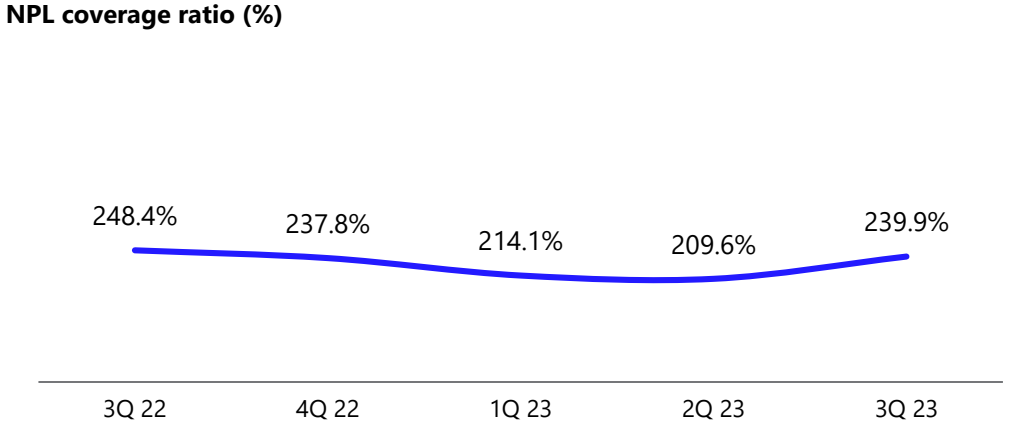
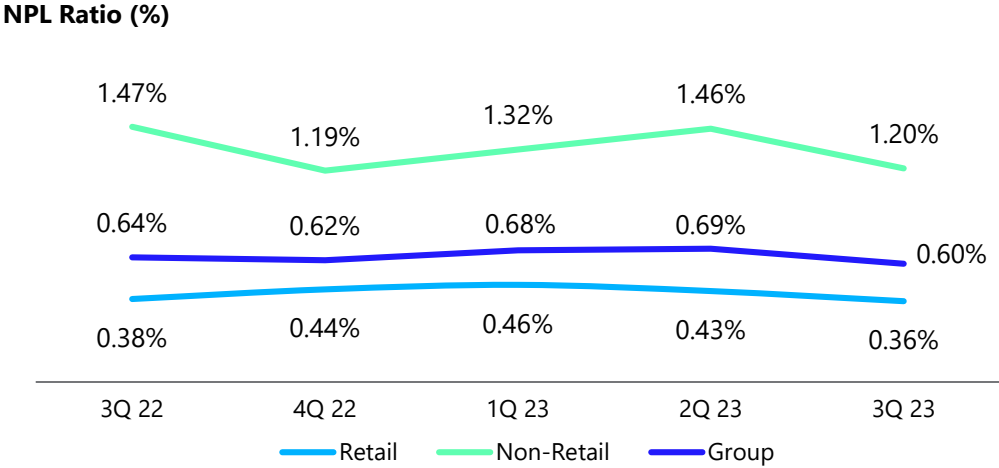
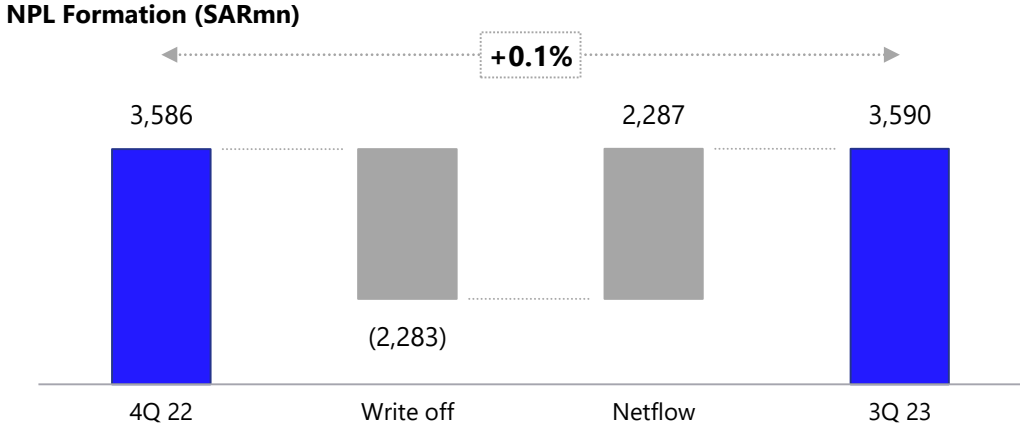
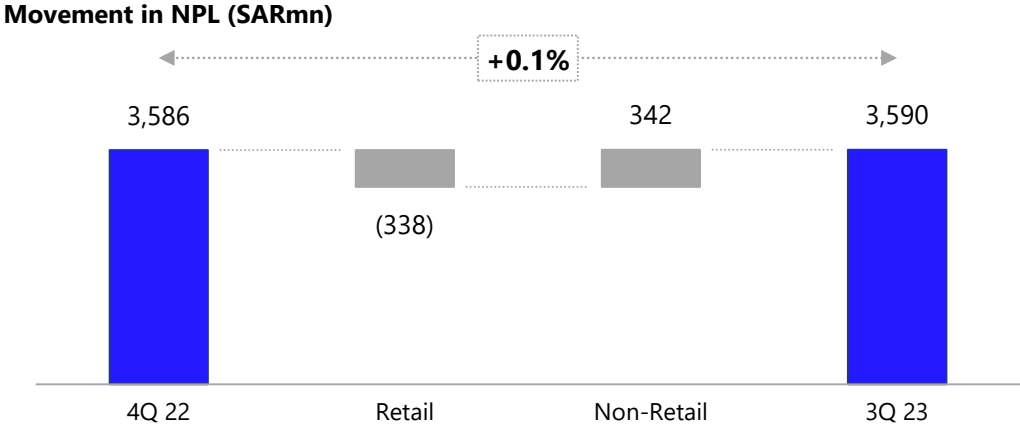
Movement in Net Impairment (SARmn)



Movement in Net Impairment by Group (SARmn)

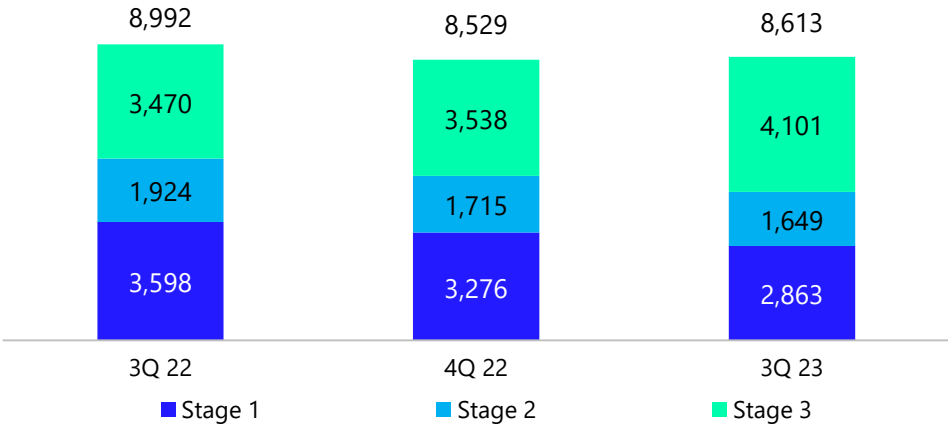


# Asset Quality Trends (1) | Asset quality remains healthy with high NPL coverage

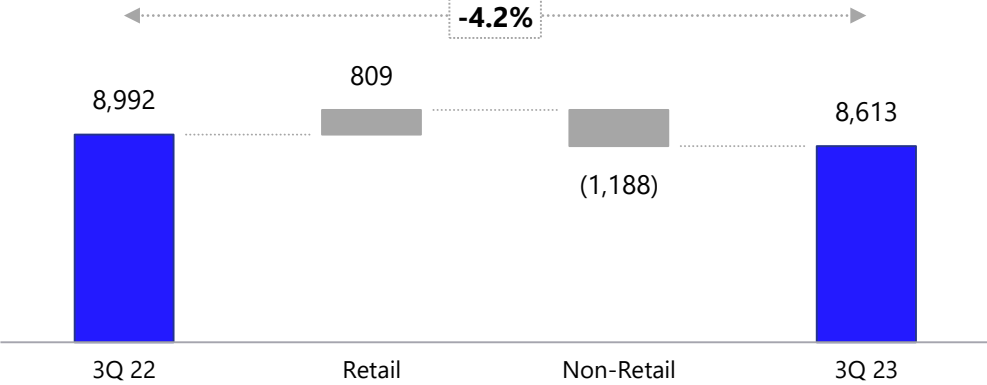


# Asset Quality Trends (2) | Healthy stage coverage reflecting prudent risk management

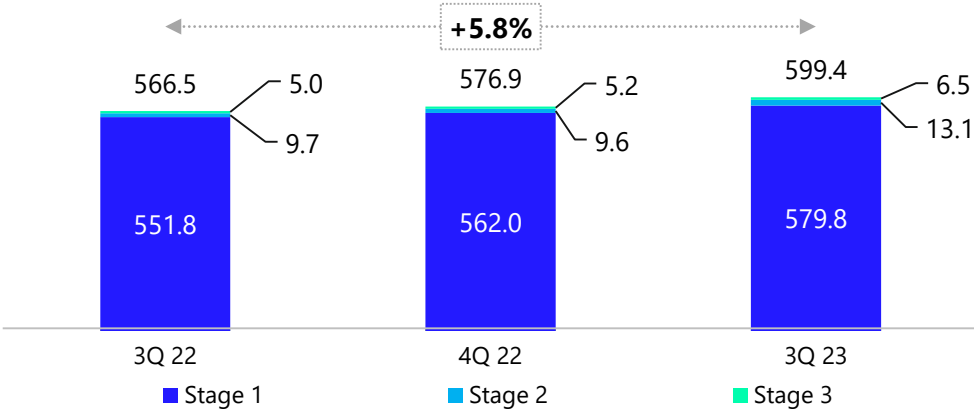
**ECL by Stage (SARmn)**



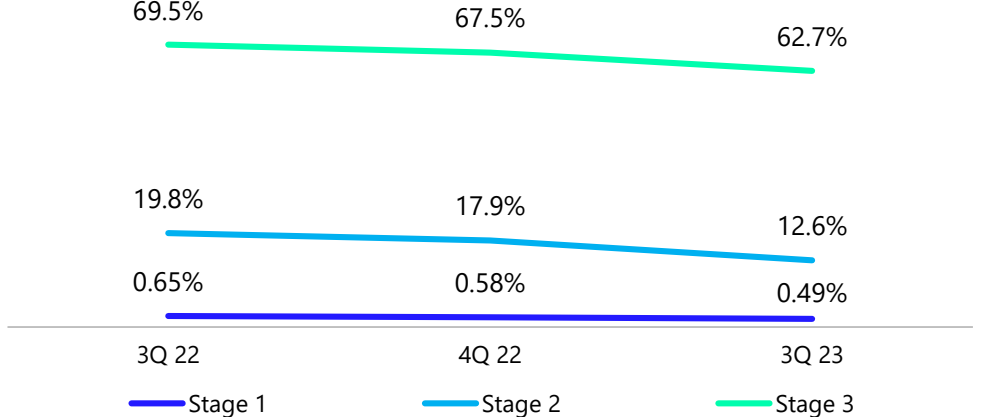
**Movement in ECL by Group (SARmn)**



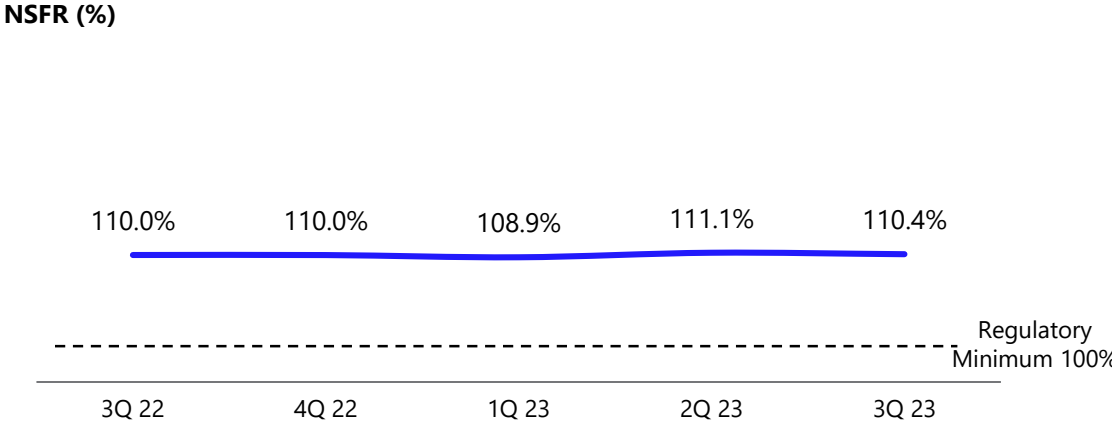
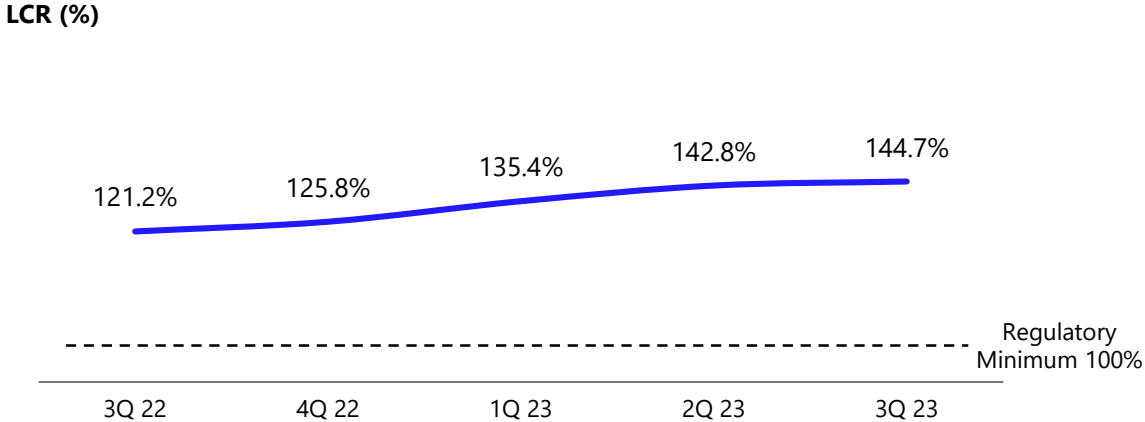
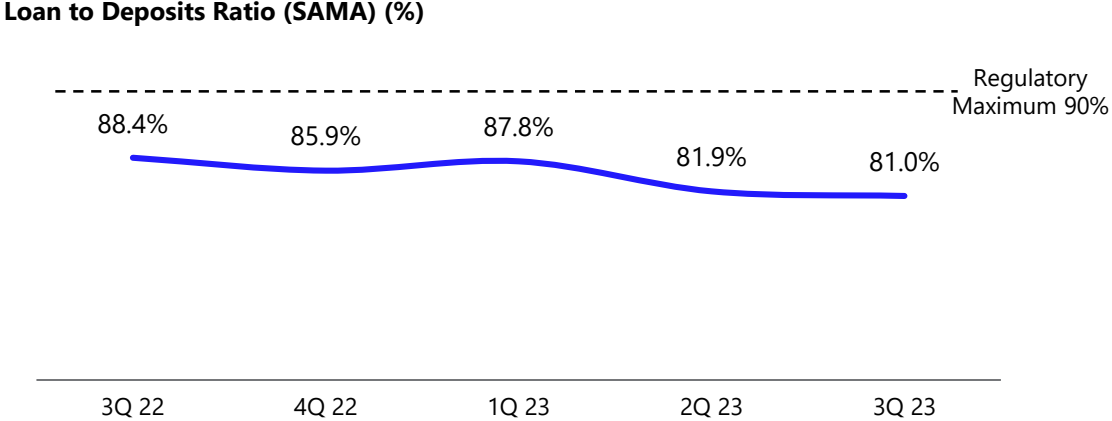
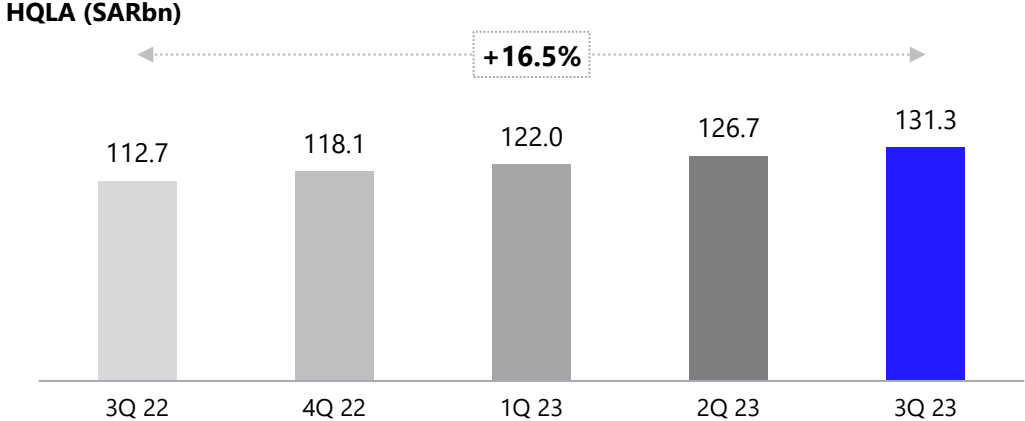
**Gross Loans by Stage (SARbn)**



**ECL Coverage (%)**

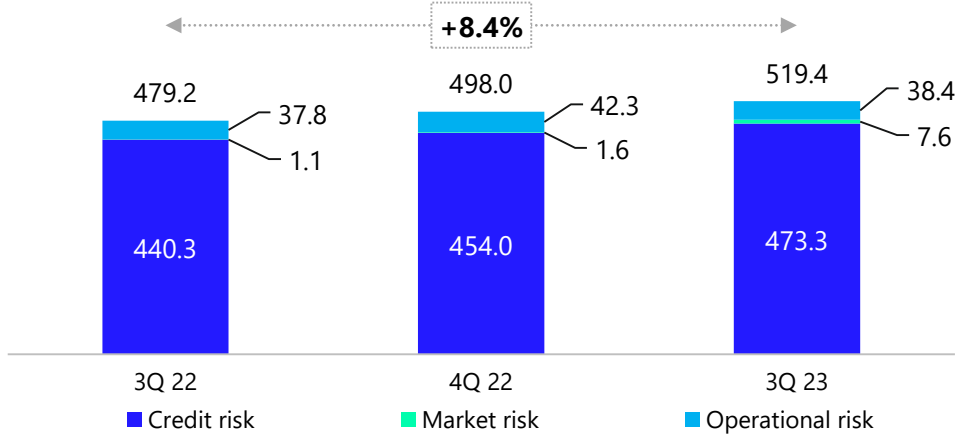


# Liquidity Trends | Liquidity remains comfortably within regulatory requirements

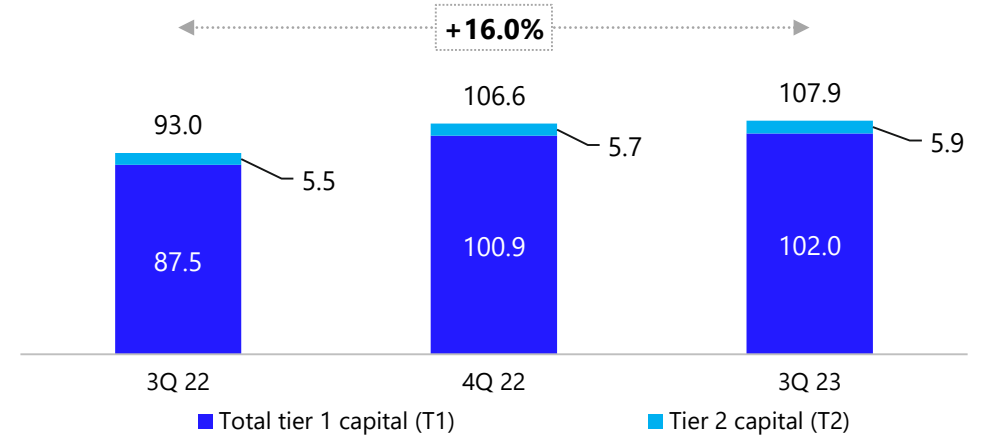


# Capitalization Trends | Capital position well above regulatory minima

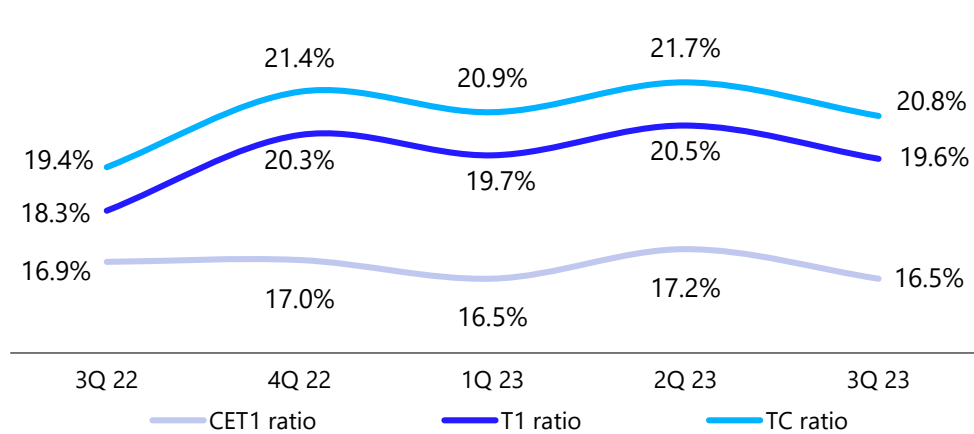
RWA (SARbn)



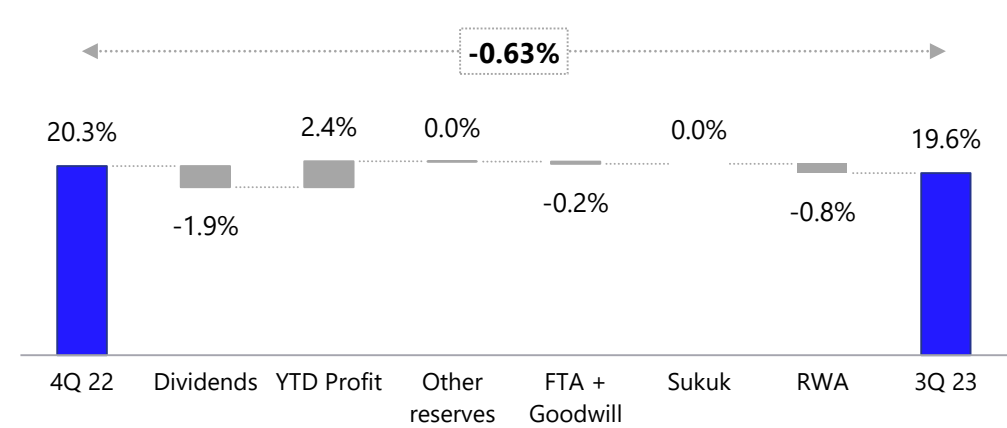
Total Capital (SARbn)



Capital Ratios (%)

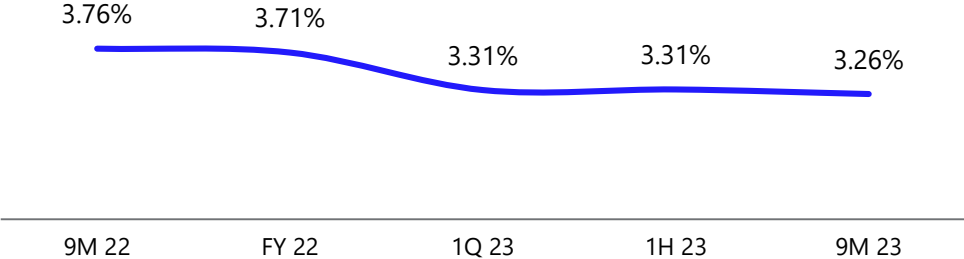


Tier 1 Drivers (%)

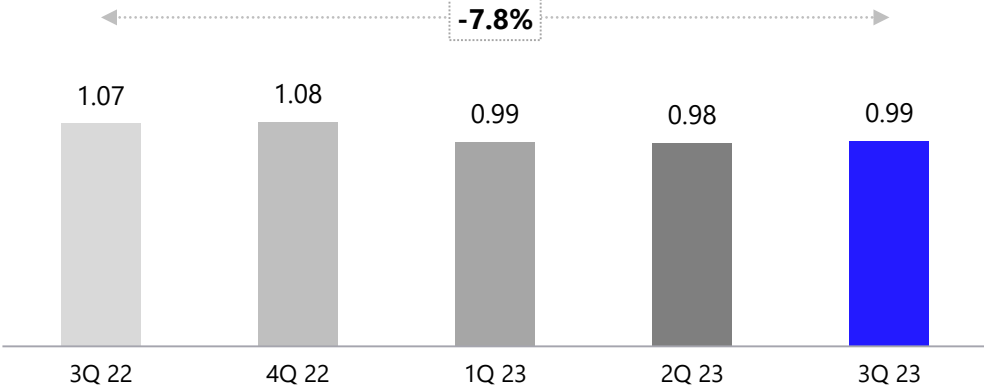


# Return Metrics | Al Rajhi Bank's returns remain industry-leading

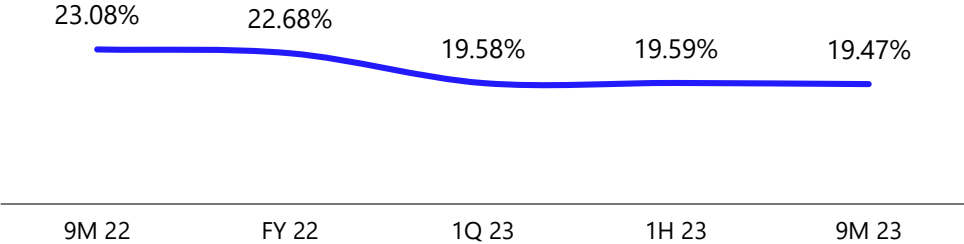
**Return on RWA (%)**



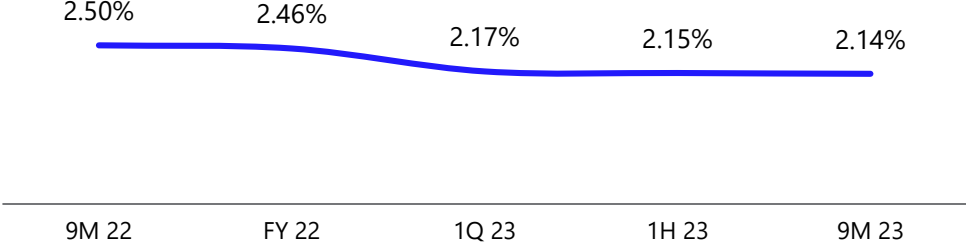
**Earnings per Share (SAR)**



**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 down Saudi GDP growth forecasts to 0.8% in 2023 and revised up 2024 to 4.0%
- Saudi economy grew by 1.2% in 2Q23, driven by 6.1% growth in non-oil activities and 4.3% contraction in oil activities
- Consumer spending increased by 7.8% in 8M 2023 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 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 benchmark rate increased slightly in August 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	9M 2023 Actual	Guidance Revision
<b>Balance Sheet</b>	Financing	Mid single digit	+4.0%	— Mid single digit
<b>Profitability</b>	Net profit margin	-40 bps to -50 bps	-57 bps	↓ -45 bps to -55 bps
	Cost to income ratio	Below 27.5%	26.9%	— Below 27.5%
	ROE	Above 19%	19.47%	— Above 19%
<b>Asset Quality</b>	Cost of risk	0.20% - 0.30%	0.25%	— 0.20% - 0.30%
<b>Capital</b>	Tier 1 ratio	Above 20%	19.6%	— Above 20%



Q & A

# ESG Highlights

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## ESG Highlights | 3Q 2023

	USD <b>2.6 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>801bn</b> Total Assets	Around <b>SAR 3bn</b> of financing renewable energy projects	SAR <b>1.43bn</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>12.45bn</b> Net Profit after Zakat	USD <b>1.0 bn</b> Sustainable Sukuk	SAR <b>2.64bn</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>94:6</b> Digital to Manual Ratio	SAR <b>29.6bn</b> in financing for SMEs	<b>81,000+</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>

■ 3Q 2023 figures



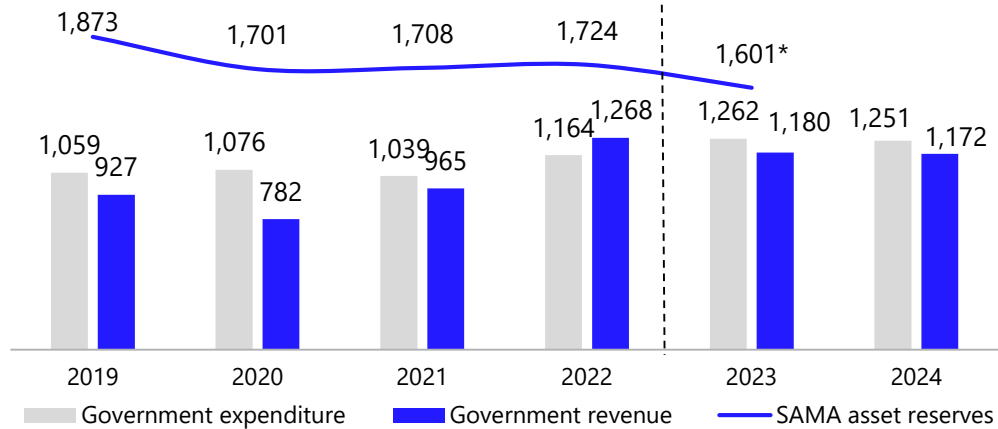
# KSA's Macro-Economic Environment

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## Highlights

- GDP grew by 1.2% in 2Q 2023 driven by higher non-oil activities
- IMF revised down Saudi's GDP growth forecasts to 0.8% for 2023 and revised up 2024 to 4.0%
- Inflation eased to 1.7% in September 2023 and expected to normalize in 2024 to 2.2%

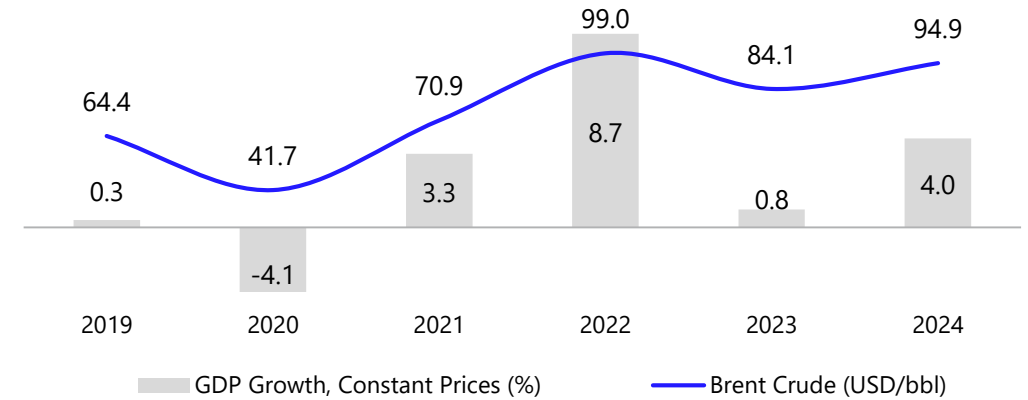
### Expenditure/Revenue and Asset Reserves (SARbn)



Source: MoF, SAMA

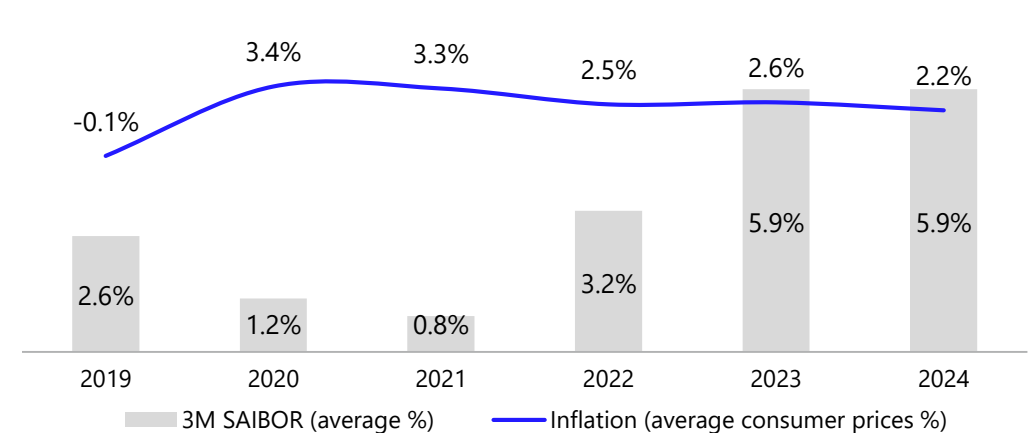
\* August 2023 figure

### GDP Growth/Brent Oil Price



Source: IMF, U.S. Energy Information

### 3M SAIBOR / Inflation



Source: SAMA, IMF, MoF



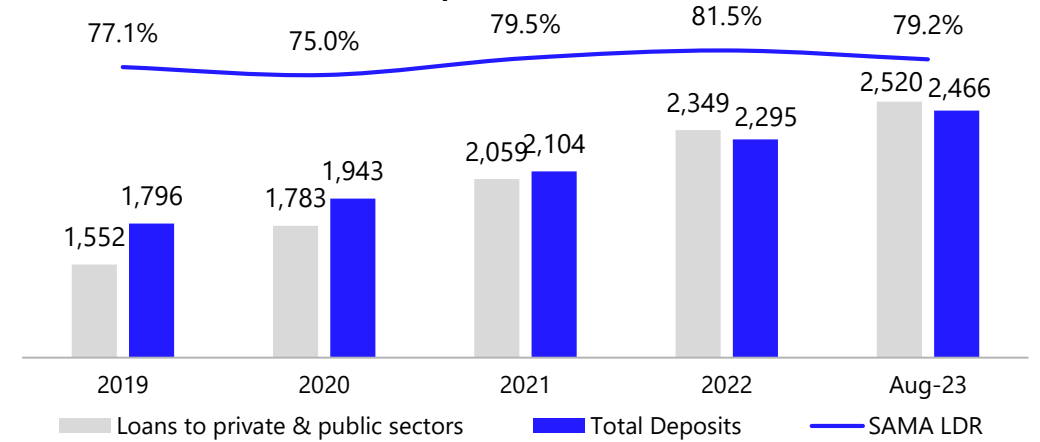


# Banking Sector Highlights | Banking system deposits growth is in line with loans growth in 8M 2023

## Recent Developments

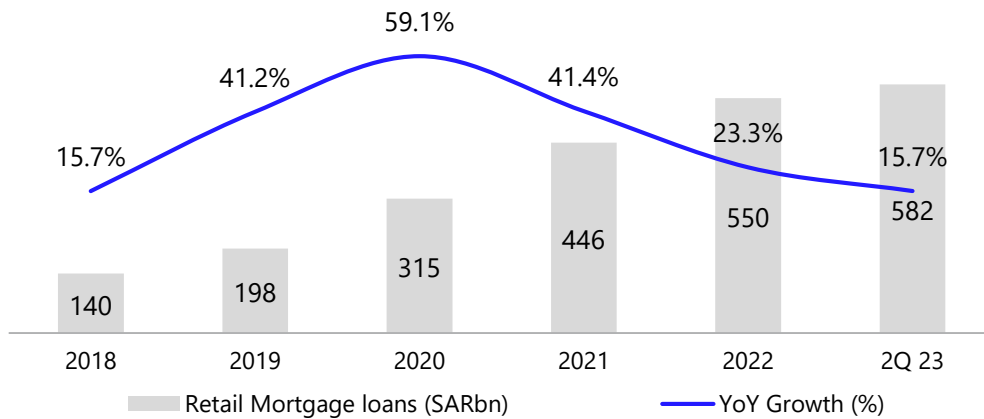
- Deposits growth in the banking system during first eight months is in line with loans growth
- SRC benchmark rate slightly increased in August 2023
- Consumer spending increased by 7.8% in 8M 2023 with continuous migration to cashless payment methods

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



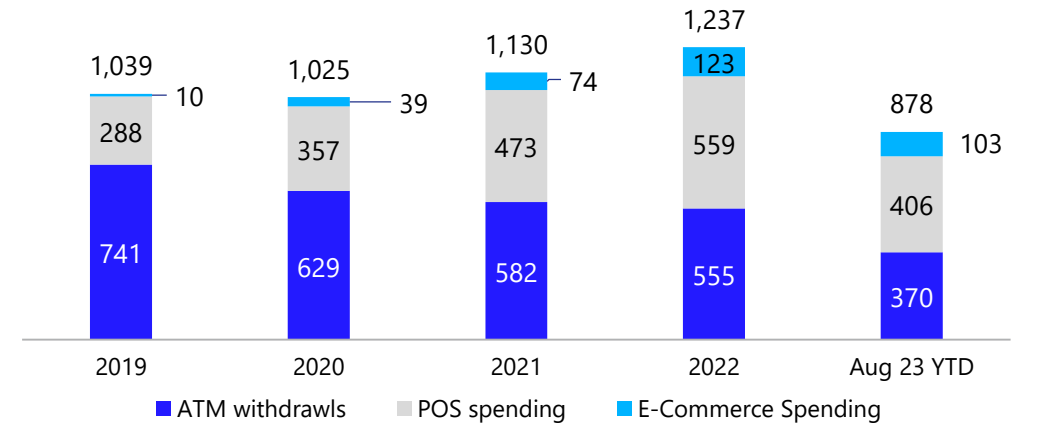
Source: SAMA

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

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