

Al Rajhi Bank net income grows 20.9% YoY to SAR 8.4 Billion in First Half of 2022

First Half 2022 Financial Results Highlights:

- **20.9% YoY net income growth after Zakat** on strong top-line growth and improving operating efficiency
- **Return on equity** grew 0.3 percentage points year-on-year, to 23.43%
- **Operating income growth of 14.8%** on improved net financing and investment income and higher fee income from banking services
- **Operating efficiency** improved by 2.1 percentage points YoY to 25.4%
- **Credit Quality** remains stable with non-performing financing ratio and non-performing financing coverage ratio at 0.57% and 293.0%, respectively
- **Cost of risk** improved by 18 basis points YoY to 0.47%
- **Net financing increased by SAR 67 billion or 14.8%** YTD to SAR 520 billion
- **Strong stable funding with 72%** of customer deposits being non-profit bearing
- **Capitalization** remains strong with Tier 1 of 17.9% and total CAR of 19.0%
- **Healthy liquidity position** with LCR of 121% and loan to deposit ratio of 83.8%

Riyadh, 31st July 2022 – During the first half of the current year 2022, Al Rajhi Bank generated strong operating income growth of 14.8% year-on-year from 11.0% net financing and investment income growth and a 29.9% improvement in fee and other income. Income growth was boosted by 29.7% year-on-year growth in investments and 33.2% growth in net financing. Total retail financing grew by 31.7% as mortgage grew by 44.6% along with 20.8% growth in personal financing. Additionally, corporate financing, net grew by 34.0% and SME financing, net grew by 78.2% year-on-year. This strong balance sheet and top-line momentum, in combination with improved operating efficiency and stable credit quality, translated to 20.9% net income growth after Zakat, reaching SAR 8,392 million. The Bank further maintained a strong capital position with a tier 1 ratio of 17.9% and healthy liquidity with LCR of 121%.

Commenting on Al Rajhi Bank's first quarter results, **Mr. Abdullah bin Sulaiman Al Rajhi, Chairman of the Board of Directors**, said: "Our excellent performance was underpinned by the strong customer relationships that have been further reinforced throughout the recent years. As our clients turn to Al Rajhi Bank to finance their homes, their businesses and their lifestyle, and place their trust in our financial services and digital solutions, we were able to grow the financing portfolio by 14.8% to SAR 520 billion and grow customers' deposits by 8.0% to SAR 553 billion

during the first half of 2022. The growth in the financing portfolio was across all lines of business driven by the good progress made on “Bank of the Future” strategy implementation. In Retail, financing portfolio registered a growth of 12.2% driven by a 18.2% growth in mortgage financing and 6.3% in personal financing during the first half. Moreover, Corporate and SME financing portfolios have witnessed a strong growth during the first half recording an increase of 22.1% and 37.7%, respectively. The progress in our strategy execution coupled with improved economic activities resulted in growth of 14.8% and 20.9% in operating income and net income compared to the same period last year, respectively. Additionally, ROE and ROA stands at 23.4% and 2.6%, respectively”.

Performance Highlights

Income Statement Summary

| SAR (mn) | 1H 22 | 1H 21 | YoY % | 2Q 22 | 1Q 22 | QoQ % | 2Q 21 | YoY % |
|--|---------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|
| Net financing & investment income | 10,907 | 9,822 | +11.0% | 5,567 | 5,340 | +4.2% | 5,052 | +10.2% |
| Fees & other income | 3,197 | 2,462 | +29.9% | 1,581 | 1,616 | -2.2% | 1,285 | +23.1% |
| Total operating income | 14,104 | 12,284 | +14.8% | 7,148 | 6,957 | +2.7% | 6,336 | +12.8% |
| Operating expenses | (3,589) | (3,382) | +6.1% | (1,820) | (1,769) | +2.9% | (1,730) | +5.2% |
| Pre-Provision Profit | 10,515 | 8,902 | +18.1% | 5,328 | 5,188 | +2.7% | 4,606 | +15.7% |
| Total impairment charge | (1,159) | (1,161) | -0.2% | (580) | (578) | +0.4% | (584) | -0.6% |
| Net income for the period | 9,357 | 7,741 | +20.9% | 4,747 | 4,609 | +3.0% | 4,022 | +18.0% |
| Zakat | (965) | (801) | +20.4% | (489) | (476) | +2.8% | (418) | +17.0% |
| Net income for the period after Zakat | 8,392 | 6,940 | +20.9% | 4,258 | 4,134 | +3.0% | 3,605 | +18.1% |
| Earnings per share (SAR) | 2.08 | 1.74 | +20.1% | 1.05 | 1.03 | +1.6% | 0.90 | +16.5% |
| Dividends per share (SAR) | 0.0 | 1.4 | -100.0% | 0.0 | 0.0 | 0.0% | 1.4 | -100.0% |
| Return on equity | 23.43% | 23.11% | +0.3% | 23.12% | 23.76% | -0.6% | 23.78% | -0.7% |
| Return on assets | 2.55% | 2.74% | -0.2% | 2.51% | 2.59% | -0.1% | 2.73% | -0.2% |
| Net financing and investment margin | 3.76% | 4.44% | -0.68% | 3.72% | 3.80% | -0.08% | 4.34% | -0.62% |
| Cost to income ratio | 25.4% | 27.5% | -2.1% | 25.5% | 25.4% | +0.0% | 27.3% | -1.8% |
| Cost of risk | 0.47% | 0.64% | -0.18% | 0.45% | 0.48% | -0.03% | 0.61% | -0.16% |

Total operating income reached SAR 14,104 million in the first half of 2022, an increase of 14.8% compared with the same period last year. This improvement was driven by 11.0% year-on-year growth of net financing and investment income due to strong growth in the financing and investment portfolios, and despite a 68 basis points contraction in the net financing and investment margin to 3.76% resulting from the higher cost of funds and escalated competition in the retail and corporate financing. Income growth was further aided by 29.9% year-on-year growth in fee and other income, where fee income on banking services grew 25.4% year-on-year.

2Q 2022 Earnings Release



Total operating income for the second quarter of 2022 amounted to SAR 7,148 million, an increase of 12.8% year-on-year and 2.7% relative to the previous quarter. This growth was similarly driven by improvements across both net financing and investment income and fee income from banking services.

Operating expenses totalled SAR 3,589 million for the first six months, a rise of 6.1% year-on-year, supporting 14.8% operating income growth. These positive "jaws" were enabled through efficiencies gained in the Bank's digital platforms and cost optimization initiatives which resulted in an improvement in the cost to income ratio of 2.1 percentage points year-on-year to 25.4%. Additionally, operating expenses for the second quarter of 2022 increased by 5.2% compared with the second quarter of 2021.

The net impairment charge for the first half of 2022 amounted to SAR 1,159 million, a modest decline of 0.2% compared to last year driven by the financing portfolio growth, improved economic outlook and recoveries. The cost of risk for the first six months was 18 basis points lower year-on-year at 0.47%.

2Q 2022 Earnings Release

Balance Sheet Summary

| SAR (mn) | 2Q 22 | 1Q 22 | QoQ % | 4Q 21 | YTD % | 2Q 21 | YoY % |
|---|----------------|----------------|--------------|----------------|---------------|----------------|---------------|
| Cash & balances with SAMA & other central banks | 37,714 | 36,143 | +4.3% | 40,363 | -6.6% | 36,914 | +2.2% |
| Due from banks & other FIs, net | 29,412 | 20,222 | +45.4% | 26,065 | +12.8% | 26,213 | +12.2% |
| Investments, net | 96,618 | 93,758 | +3.1% | 84,433 | +14.4% | 74,474 | +29.7% |
| Financing, net | 519,701 | 484,526 | +7.3% | 452,831 | +14.8% | 390,296 | +33.2% |
| Other assets, net | 26,334 | 22,979 | +14.6% | 19,979 | +31.8% | 18,243 | +44.4% |
| Total Assets | 709,779 | 657,628 | +7.9% | 623,672 | +13.8% | 546,139 | +30.0% |
| Due to banks & other FIs | 42,532 | 38,827 | +9.5% | 17,952 | +136.9% | 14,085 | +202.0% |
| Customers' deposits | 552,957 | 507,892 | +8.9% | 512,072 | +8.0% | 447,506 | +23.6% |
| Other liabilities | 32,377 | 32,568 | -0.6% | 26,339 | +22.9% | 24,878 | +30.1% |
| Total liabilities | 627,866 | 579,287 | +8.4% | 556,363 | +12.9% | 486,469 | +29.1% |
| Total equity | 81,913 | 78,341 | +4.6% | 67,309 | +21.7% | 59,670 | +37.3% |
| Risk weighted assets | 471,137 | 446,700 | +5.5% | 425,629 | +10.7% | 370,826 | +27.1% |
| Tier 1 ratio | 17.9% | 18.1% | -0.2% | 16.5% | +1.4% | 16.9% | +1.0% |
| Total capital adequacy ratio | 19.0% | 19.3% | -0.2% | 17.6% | +1.4% | 18.0% | +1.0% |
| Liquidity coverage ratio (LCR) | 121% | 124% | -3.1% | 121% | +0.0% | 126% | -5.2% |
| Basel III leverage ratio | 11.6% | 12.0% | -0.4% | 11.0% | +0.6% | 11.3% | +0.3% |
| Loan to Deposit Ratio | 83.8% | 87.9% | -4.1% | 82.3% | +1.6% | 83.2% | +0.6% |
| Non-performing loan ratio | 0.57% | 0.62% | -0.05% | 0.65% | -0.08% | 0.67% | -0.10% |
| Non-performing loan coverage ratio | 293.0% | 307.8% | -14.9% | 305.6% | -12.6% | 318.1% | -25.2% |

Total assets reached SAR 710 billion as at 30 June 2022, an increase of 30.0% compared to same period last year and 7.9% relative to previous quarter, from strong growth in the financing and investments portfolios.

Net financing grew 7.3% during the quarter and 33.2% year-on-year to reach SAR 520 billion, where strong growth was registered across the retail, corporate and SME financing portfolios. In retail, 31.7% year-on-year financing growth was driven by 44.6% year-on-year growth in residential financing. In non-retail, 39.1% year-on-year financing growth was driven by 34.0% year-on-year growth in corporate and 78.2% year-on-year growth in SME.

The non-performing financing ratio decreased marginally by 10 basis points relative to the same period last year to 0.57%, as credit quality remained stable during the quarter. The non-performing financing coverage ratio stand at 293%. Non-profit bearing deposits continued to represented a significant proportion of total deposits of 72% as at 30 June 2022.

Al Rajhi Bank continued to maintain its strong capitalization profile with tier 1 and total capital adequacy ratios of 17.9% and 19.0%, respectively. The Bank's liquidity position remained healthy with a liquidity coverage ratio of 121% and loan to deposit ratio of 83.8% as at 30 June 2022.

Additional Information

Auditors' Opinion

Unmodified opinion

Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements for the six months ended 30th June 2022 will be available through the following link on Al Rajhi Bank website (<https://www.alrajhibank.com.sa/en/alrajhi-group/investor-relations/financial-overview/financial-results>) and investor relations App.

2Q2022 Earnings Call

Conference call for analysts and investors will be held on 4th August 2022 at 4:00pm KSA time. The earnings call presentation will be available on Al Rajhi Bank website (<https://www.alrajhibank.com.sa/en/alrajhi-group/investor-relations/financial-overview/financial-materials>) and investor relations App.

Financial Materials

Al Rajhi Bank's financial statements, earnings release, earnings presentation, earnings call transcript, investor presentation, factsheet and analyst data supplement are available to the public on the IR website:

<https://www.alrajhibank.com.sa/en/alrajhi-group/investor-relations/financial-overview/financial-materials>

2Q 2022 Earnings Release

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