

Al Rajhi Bank net income grows 43.6% YoY to SAR 10.7 Billion in the 9 months of 2021

First 9 months of 2021 Financial Results Highlights:

- **43.6% YoY net income growth after Zakat** on strong top-line growth and improving operating efficiency
- **Return on equity** grew 4.5 percentage points year-on-year, to 23.6%
- **Operating income growth of 26.4%** on improved net financing and investment income and higher fee income from banking services
- **Operating efficiency** improved by 6.1 percentage points YoY to 27.2%
- **Credit Quality** remains stable with non-performing financing ratio and non-performing financing coverage ratio at 0.67% and 307.5%, respectively
- **Cost of risk** 16 basis points lower YoY to 0.62%
- **Net financing increased by SAR 105 billion or 33.3%** from year-end 2020 to SAR 421 billion
- **Customer deposits increased 25.0%** from year-end 2020 to SAR 478 billion
- **Strong stable funding with 78%** of customer deposits being non-profit bearing
- **Capitalization** remains strong with CET1 of 16.8% and total CAR of 17.9%
- **Healthy liquidity position** with LCR of 125% and loan to deposit ratio of 82.7%

Riyadh, 24th October 2021 – During the first 9 months of 2021, Al Rajhi Bank generated strong operating income growth of 26.4% year-on-year from 22.5% net financing and investment income growth and a 44.2% improvement in fee and other income. Income growth was boosted by 43.7% year-on-year growth in investments and 45.3% growth in net financing, where total retail financing growth of 51.3% from mortgage growth of 73.3% and personal financing growth of 40.5%. This strong balance sheet and top-line momentum, in combination with improved operating efficiency and stable credit quality, translated to 43.6% net income growth after Zakat, reaching SAR 10,734 billion. The Bank further maintained a strong capital position with a core equity tier 1 ratio of 16.8% and healthy liquidity with LCR of 125%.

Commenting on Al Rajhi Bank's first 9 months of 2021 performance, **Mr. Abdullah bin Sulaiman Al Rajhi, Chairman of the Board of Directors**, said: "The bank continues to deliver an excellent set of results driven

by the strong client relationship and best in class digital solutions. Proudly serving more than 11 million customers, we continue to focus on empowering our clients with financial solutions to cater the thriving human future through a financial ecosystem that improves our customer experience with unlimited possibilities.

During the first nine months of 2021, we were able to grow the financing portfolio by 33.3% to SAR 421 billion and increase customers' deposits by 25.0% to SAR 478 billion. The growth in the financing portfolio was across all business segments driven by the good progress made on "Bank of the Future" strategy implementation. In Retail, financing portfolio registered a growth of 35.9% driven by a 46.6% growth in mortgage financing. This strategic progress coupled with improved economic activities and outlook in Saudi Arabia resulted in growth of 26.4%, and 43.6% in operating income and net income, respectively. Additionally, ROE and ROA stands at 23.6% and 2.72%, respectively".

Performance Highlights

Income Statement Summary

SAR (mn)	9M 21	9M 20	YoY %	3Q 21	2Q 21	QoQ %	3Q 20	YoY %
Net financing & investment income	15,037	12,275	+22.5%	5,215	5,052	+3.2%	4,196	+24.3%
Fees & other income	3,824	2,653	+44.2%	1,363	1,285	+6.1%	956	+42.6%
Total operating income	18,862	14,927	+26.4%	6,578	6,336	+3.8%	5,152	+27.7%
Operating expenses	(5,136)	(4,978)	+3.2%	(1,754)	(1,730)	+1.4%	(1,724)	+1.8%
Pre-Provision Profit	13,726	9,949	+38.0%	4,824	4,606	+4.7%	3,428	+40.7%
Total impairment charge	(1,755)	(1,616)	+8.6%	(594)	(584)	+1.7%	(465)	+27.7%
Net income for the period	11,971	8,333	+43.7%	4,230	4,022	+5.2%	2,963	+42.7%
Zakat	(1,237)	(859)	+44.0%	(436)	(418)	+4.4%	(306)	+42.7%
Net income for the period after Zakat	10,734	7,474	+43.6%	3,794	3,605	+5.2%	2,658	+42.7%
Earnings per share (SAR)	4.29	2.99	+43.6%	1.52	1.44	+5.2%	1.06	+42.7%
Dividends per share (SAR)	1.4	0		0	1.4		0	
Return on equity	23.62%	19.16%	+4.5%					
Return on assets	2.72%	2.48%	+0.2%					
Net financing and investment margin	4.32%	4.72%	-0.40%					
Cost to income ratio	27.2%	33.4%	-6.1%					
Cost of risk	0.62%	0.78%	-0.16%					

Total operating income reached SAR 18,862 million in the first 9 months of 2021, an increase of 26.4% compared with the same period last year. This improvement was driven by 22.5% year-on-year growth of net financing and investment income due to strong growth in the financing and investment portfolios,

and despite a 40 basis points contraction in the net financing and investment margin to 4.32% resulting from the lower interest rate environment. Income growth was further aided by 44.2% year-on-year growth in fee and other income, where fee income on banking services grew 57.0% year-on-year.

Total operating income for the third quarter of 2021 amounted to SAR 6,578 million, an increase of 27.7% compared with the third quarter of 2020 and of 3.8% 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 5,136 million for first nine months of 2021, a rise of only 3.2% year-on-year supporting 26.4% 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 6.1 percentage points year-on-year to 27.2%. Similarly, operating expenses for the third quarter of 2021 increased by a modest 1.8% compared with the corresponding quarter in 2020 and 1.4% relative to the previous quarter to SAR 1,754 million.

The net impairment charge for the first 9 months of 2021 amounted to SAR 1,755 million, 8.6% higher compared to same period last year driven by the financing portfolio growth and improved recovery. The cost of risk for first nine months of 2021 was 16 basis points lower at 0.62%. The non-performing financing ratio decreased marginally by 9 basis points from the start of the year to 0.67%, as credit quality remained stable over the last 9 months. The non-performing financing coverage ratio stand at 307.5% as at 30 September 2021.

Balance Sheet Summary

SAR (mn)	3Q 21	2Q 21	QoQ %	4Q 20	YTD %	3Q 20	YoY %
Cash & balances with SAMA & other central banks	34,420	36,914	-6.8%	47,363	-27.3%	37,451	-8.1%
Due from banks & other FIs	27,518	26,213	+5.0%	28,655	-4.0%	27,517	+0.0%
Investments, net	82,048	74,474	+10.2%	60,285	+36.1%	57,111	+43.7%
Financing, net	420,954	390,296	+7.9%	315,712	+33.3%	289,729	+45.3%
Other assets, net	17,745	18,243	-2.7%	16,810	+5.6%	18,492	-4.0%
Total assets	582,684	546,139	+6.7%	468,825	+24.3%	430,300	+35.4%
Due to banks and other financial institutions	14,733	14,085	+4.6%	10,764	+36.9%	11,294	+30.4%
Customers' deposits	478,331	447,506	+6.9%	382,631	+25.0%	345,322	+38.5%
Other liabilities	25,984	24,878	+4.4%	17,311	+50.1%	18,765	+38.5%
Total liabilities	519,048	486,469	+6.7%	410,706	+26.4%	375,381	+38.3%
Total shareholders' equity	63,637	59,670	+6.6%	58,119	+9.5%	54,919	+15.9%
Risk weighted assets	395,766	370,826	+6.7%	323,009	+22.5%	301,664	+31.2%
CET1 ratio	16.8%	16.9%	-0.1%	18.0%	-1.2%	18.2%	-1.4%
Total capital adequacy ratio	17.9%	18.0%	-0.1%	19.1%	-1.1%	19.3%	-1.4%
Liquidity coverage ratio (LCR)	125%	126%	-1.1%	155%	-30.3%	150%	-23.3%
Basel III leverage ratio	11.2%	11.3%	-0.1%	12.0%	-0.8%	12.4%	-1.2%
Loan to Deposit Ratio	82.7%	83.2%	-0.5%	78.8%	+3.9%	79.9%	+2.7%
Non-performing loan ratio	0.67%	0.67%	+0.00%	0.76%	-0.08%	0.83%	-0.16%
Non-performing loan coverage ratio	307.5%	318.1%	-10.6%	305.6%	+1.9%	293.0%	+14.5%

Total assets reached SAR 583 billion as at 30 September 2021, an increase of 24.3% compared to the 31 December 2020 and 35.4% from 30 September 2020, from strong growth in the financing and investments portfolios.

Net financing grew 33.3% year-to-date to reach SAR 421 billion, where strong growth was registered across the retail, corporate and SME financing portfolios. In retail, 35.9% year-to-date financing growth was driven by 46.6% growth in residential financing. Supporting the growth in the asset side, customer deposits increased 25.0% in the first 9 months of 2021 to SAR 478 billion. Non-profit bearing deposits continued to represent a significant proportion of total deposits of 78% as at 30 September 2021.

Al Rajhi Bank continued to maintain its strong capitalization profile with core equity tier 1 and total capital adequacy ratios of 16.8% and 17.9%, respectively as at 30 September 2021. The Bank's liquidity position remained healthy with a liquidity coverage ratio of 125% and loan to deposit ratio of 82.7% as at 30 September 2021.

Segmental Performance Highlights

Retail Banking

Al Rajhi Bank's retail business is the largest retail banking franchise in the Kingdom and offers a full range of financial products and banking services to individuals, such as current accounts, personal finance, and housing and auto financing.

SAR (mn)	9M 21	9M 20	YoY %	3Q 21	2Q 21	QoQ %	3Q 20	YoY %
Net financing and investment income *	8,708	8,476	+2.7%	2,618	3,015	-13.2%	2,592	+1.0%
Fees and other income	1,838	1,444	+27.3%	724	494	+46.7%	457	+58.5%
Total operating income	10,546	9,920	+6.3%	3,342	3,509	-4.8%	3,049	+9.6%
Operating expenses	(4,488)	(4,375)	+2.6%	(1,535)	(1,494)	+2.8%	(1,581)	-2.9%
Total impairment charge	(1,557)	(896)	+73.7%	(449)	(564)	-20.4%	(363)	+23.8%
Net income for the period	4,500	4,648	-3.2%	1,358	1,451	-6.4%	1,105	+22.9%
Total assets	358,327	246,752	+45.2%	358,327	332,209	+7.9%	246,752	+45.2%
Total liabilities	309,656	284,148	+9.0%	309,656	313,043	-1.1%	284,148	+9.0%

* Includes the Inter-segment operating income / (expense)

The Retail segment delivered 6.3% year-on-year total operating income growth in the first 9 months of 2021 to reach SAR 10,546 million. Net financing and investment income grew 2.7% year-on-year to SAR 8,708 million, driven by 45.2% increase in assets, partly offset by contraction in the net financing and investment income margin. Fees and other income increased 27.3% year-on-year to SAR 1,838 million. For the third quarter, operating income grew 9.6% year-on-year and decreased 4.8% quarter-on-quarter.

Operating expenses totalled SAR 4,488 million in the first nine months of 2021, a 2.6% increase year-on-year. Third quarter 2021 operating expenses decreased by 2.9% year-on-year and increased by 2.8% quarter-on-quarter. The net impairment charge for Retail amounted to SAR 1,557 million for the first 9 months of 2021, an increase of 73.7% year-on-year due to the strong growth in financing recorded in recent years, while underlying credit quality remained relatively stable.

Net income for the first nine months of 2021 decreased 3.2% to SAR 4,500 million, while third quarter net income increased 22.9% year-on-year to SAR 1,358 million.

Corporate Banking

Al Rajhi Bank's corporate banking segment offers a comprehensive range of corporate financing facilities as well as trade finance, cash management and financial hedging and protection solutions to corporate customers.

SAR (mn)	9M 21	9M 20	YoY %	3Q 21	2Q 21	QoQ %	3Q 20	YoY %
Net financing and investment income *	1,811	1,521	+19.1%	813	518	+56.9%	607	+34.0%
Fees and other income	802	304	+163.5%	266	430	-38.1%	99	+169.7%
Total operating income	2,614	1,825	+43.2%	1,079	948	+13.8%	705	+53.0%
Operating expenses	(371)	(335)	+10.7%	(125)	(142)	-12.2%	(185)	-32.5%
Total impairment charge	(199)	(690)	-71.2%	(150)	(26)	+486.3%	(88)	+69.3%
Net income for the period	2,044	801	+155.3%	804	780	+3.1%	432	+86.2%
Total assets	80,890	63,954	+26.5%	80,890	77,761	+4.0%	63,954	+26.5%
Total liabilities	182,791	75,543	+142.0%	182,791	152,073	+20.2%	75,543	+142.0%

* Includes the Inter-segment operating income / (expense)

The Corporate segment's total operating income amounted to SAR 2,614 million in the first nine months of 2021, a 43.2% rise over the same period of last year. Net financing and investment income grew 19.1% year-on-year to SAR 1,811 million and fees and other income rose 163.5% to SAR 802 million. Third quarter 2021 total operating income increased by 53.0% year-on-year and 13.8% quarter-on-quarter.

Operating expenses totalled SAR 371 million in first 9 months of 2021, a 10.7% increase year-on-year. For the third quarter of 2021, operating expenses amounted to SAR 125 million, a decrease of 32.5% year-on-year and 12.2% quarter-on-quarter.

The impairment charge for Corporate Banking decreased by 71.2% to SAR 199 million in first nine months of 2021 as credit quality stabilized following elevated impairments in the same period last year relating to the Covid Pandemic.

Net income of SAR 2,044 for the first 9 months of 2021 was 155.3% higher than same period last year, while third quarter net income increased 86.2% year-on-year and 3.1% quarter-on-quarter.

Treasury

The Treasury segment is responsible for managing the bank's financial position to accomplish successful structuring of maturities and liquidity, investment efficiency and exchange rates and offers financial hedging and protection solutions to corporate customers.

SAR (mn)	9M 21	9M 20	YoY %	3Q 21	2Q 21	QoQ %	3Q 20	YoY %
Net financing and investment income *	4,467	2,243	+99.1%	1,763	1,502	+17.4%	987	+78.7%
Fees and other income	469	413	+13.4%	179	119	+49.8%	152	+17.5%
Total operating income	4,935	2,656	+85.8%	1,942	1,622	+19.8%	1,139	+70.5%
Operating expenses	(149)	(156)	-4.6%	(49)	(52)	-5.1%	82	-160.5%
Total impairment charge	1	(29)	-104.3%	5	6	-12.5%	(14)	-136.8%
Net income for the period	4,788	2,471	+93.7%	1,898	1,575	+20.5%	1,207	+57.2%
Total assets	138,716	116,204	+19.4%	138,716	131,723	+5.3%	116,204	+19.4%
Total liabilities	26,314	15,527	+69.5%	26,314	21,162	+24.3%	15,527	+69.5%

* Includes the Inter-segment operating income / (expense)

Treasury and Investments reported a strong performance in first 9 months of 2021, with operating income rising by 85.8% year-on-year to SAR 4,935 million. This was driven by higher investment balances causing a 99.1% rise in net financing and investment income to SAR 4,467 million. Fees and other income for the first nine months of 2021 amounted to SAR 469 million, an increase of 13.4% compared to the same period of last year.

The strong growth in operating income combined with a 4.6% reduction in operating expenses translated to 93.7% year-on-year net income growth to SAR 4,788 million for first 9 months of 2021.

Al Rajhi Capital

The Bank's investment services and brokerage business offers asset management and local and international share trading services.

SAR (mn)	9M 21	9M 20	YoY %	3Q 21	2Q 21	QoQ %	3Q 20	YoY %
Net financing and investment income	51	35	+48.5%	21	17	+25.1%	11	+91.4%
Fees and other income	715	491	+45.6%	194	242	-19.8%	248	-21.8%
Total operating income	767	526	+45.8%	215	258	-16.9%	259	-17.0%
Operating expenses	(128)	(112)	+14.0%	(44)	(42)	+6.8%	(39)	+13.0%
Net income for the period	639	414	+54.4%	170	217	-21.4%	219	-22.4%
Total assets	4,752	3,391	+40.1%	4,752	4,446	+6.9%	3,391	+40.1%
Total liabilities	287	163	+76.0%	287	191	+50.6%	163	+76.0%

Operating income for the Investment Services and Brokerage business increased by 45.8% over the same period last year to SAR 767 million, from higher local equity market activity and improved transaction flow.

Net income for for first 9 months of 2021 totalled SAR 639 million, a 54.4% year-on-year increase driven by the strong growth in operating income.

Additional Information

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

www.alrajhibank.com.sa/en/investor-relations/financials/pages

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Earnings Release



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