

Al Rajhi Bank net income grows 16.3% YoY to SAR 17.2 Billion in 2022

FY 2022 Financial Results Highlights:

- **16.3% YoY net income growth after Zakat** on strong top-line growth and improving operating efficiency
- **Return on equity** lower by 1.2 percentage points year-on-year, to 22.68%
- **Operating income growth of 11.1%** on higher net financing and investment income and fee income from banking services
- **Operating efficiency** improved by 86 basis points YoY to 26.1%
- **Credit Quality** remains stable with NPL ratio and NPL coverage ratio at 0.54% and 260.2%, respectively
- **Cost of risk** improved by 21 basis points YoY to 0.39%
- **Net financing increased by SAR 116 billion or 25.5%** YoY to SAR 568 billion
- **Strong funding with 64%** of customer deposits being CASA
- **Capitalization** remains strong with Tier 1 of 20.3% and total CAR of 21.4%
- **Healthy liquidity position** with LCR of 126% and loan to deposit ratio of 85.9%

Riyadh, 30th January 2023 – During the year 2022, Al Rajhi Bank generated strong operating income growth of 11.1% year-on-year from 8.7% net financing and investment income growth and a 20.2% improvement in fee and other income. Income growth was boosted by 21.0% year-on-year growth in investments and 25.5% growth in net financing. Total retail financing grew year-on-year by 17.6% as mortgage grew by 29.8% along with 5.4% growth in personal financing. Additionally, corporate financing, net grew by 56.9% and SME financing, net grew by 60.8% year-on-year. This strong balance sheet and top-line momentum, in combination with improved operating efficiency and stable credit quality, translated to 16.3% net income growth after Zakat, reaching SAR 17,151 million. The Bank further maintained a strong capital position with a tier 1 ratio of 20.3% and healthy liquidity with LCR of 126%.

Commenting on Al Rajhi Bank's 2022 performance, **Mr. Abdullah bin Sulaiman Al Rajhi, Chairman of the Board of Directors**, said "The bank continued to grow across all businesses and achieved its strategic goals relying on customer loyalty, investor confidence, and the professionalism of the employees who continued their excellence and innovation to provide the best banking experience for our valued customers."

Al-Rajhi also added: "We are proud that the achieved growth contribute to achieving the goals of the Kingdom's Vision 2030, as mortgage financing increased by 29.8%, financing for SMEs increased by 60.8%, coupled with an increased activities in digital banking transactions in both corporate and retail. As a continuation of our focus toward enhancing our digital framework to further integrate our digital financial ecosystem, the bank maintained its pioneering innovation of new digital products and services, such as digital letters of guarantee, in addition to providing other services to retail customers such as the smart savings account through the bank's mobile application. Moreover, the percentage of new accounts opened through the bank's mobile application also increased, to reach 94% of the total accounts opened during 2022."

It is worth to highlight that the Bank continue to increase the employment of female workforce in the bank and its subsidiaries which was increased by 109% compared to 2021. Currently, females are representing around 28% of the total employees. The bank also continued its responsibility toward its community by the delivery of projects that provide sustainable and social impact on the quality of life.

Al-Rajhi concluded his statement: "The progress in our strategy execution coupled with improved economic activities resulted in growth of 22.2% in total assets to reach SAR 762 billion. Additionally, ROE and ROA stands at 22.7% and 2.5%, respectively while earning per share has reached SAR 4.2 for the period."

Performance Highlights

Income Statement Summary

SAR (mn)	FY 22	FY 21	YoY %	4Q 22	3Q 22	QoQ %	4Q 21	YoY %
Net financing & investment income	22,173	20,392	+8.7%	5,579	5,687	-1.9%	5,355	+4.2%
Fees & other income	6,402	5,324	+20.2%	1,685	1,519	+10.9%	1,500	+12.4%
Total operating income	28,575	25,716	+11.1%	7,264	7,206	+0.8%	6,855	+6.0%
Operating expenses	(7,451)	(6,927)	+7.6%	(2,001)	(1,861)	+7.5%	(1,791)	+11.7%
Pre-Provision Profit	21,124	18,790	+12.4%	5,263	5,345	-1.5%	5,064	+3.9%
Total impairment charge	(2,001)	(2,345)	-14.7%	(353)	(490)	-28.0%	(590)	-40.3%
Net income for the period	19,123	16,445	+16.3%	4,911	4,855	+1.1%	4,474	+9.8%
Zakat	(1,972)	(1,699)	+16.1%	(506)	(501)	+1.1%	(461)	+9.8%
Net income for the period after Zakat	17,151	14,746	+16.3%	4,404	4,355	+1.1%	4,012	+9.8%
Earnings per share (SAR)	4.24	3.69	+15.0%	1.08	1.07	+0.6%	1.00	+7.8%
Dividends per share (SAR)	1.25	1.40	-10.7%	1.25	0.0	-	0.0	-
Return on equity	22.68%	23.87%	-1.2%	21.58%	22.44%	-0.9%	24.54%	-3.0%
Return on assets	2.46%	2.70%	-0.2%	2.34%	2.43%	-0.1%	2.66%	-0.3%
Net financing and investment margin	3.55%	4.21%	-0.66%	3.26%	3.49%	-0.23%	3.93%	-0.67%
Cost to income ratio	26.1%	26.9%	-0.9%	27.5%	25.8%	+1.7%	26.1%	+1.4%
Cost of risk	0.39%	0.60%	-0.21%	0.25%	0.36%	-0.11%	0.53%	-0.28%

Total operating income reached SAR 28,575 million in 2022, an increase of 11.1% compared with the same period last year. This improvement was driven by 8.7% year-on-year growth of net financing and investment income due to strong growth in the financing and investment portfolios, and despite a 66 basis points contraction in the net financing and investment margin to 3.55% resulting from the higher cost of funds and escalated competition in the retail and corporate financing. Income growth was further aided by 20.2% year-on-year growth in fee and other income, where fee income on banking services and exchange income grew 17.6% and 47.5% year-on-year, respectively.

Total operating income for the fourth quarter of 2022 amounted to SAR 7,264 million, an increase of 6.0% year-on-year and 0.8% relative to the previous quarter. This growth was driven by improvements in fee and other income.

Operating expenses totalled SAR 7,451 million in 2022, a rise of 7.6% year-on-year, supporting 11.1% 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 86 basis points year-on-year to 26.1%. Additionally, operating expenses for the fourth quarter of 2022 increased by 11.7% compared with the fourth quarter of 2021.

The net impairment charge for 2022 amounted to SAR 2,001 million, a decline of 14.7% compared to last year driven by stable asset quality, improved economic outlook and good recoveries. The cost of risk for 2022 was 21 basis points lower year-on-year at 0.39%.

4Q 2022 Earnings Release

Balance Sheet Summary

SAR (mn)	4Q 22	3Q 22	QoQ %	4Q 21	YoY %
Cash & balances with SAMA & other central banks	42,052	43,995	-4.4%	40,363	+4.2%
Due from banks & other FIs, net	25,656	14,744	+74.0%	26,065	-1.6%
Investments, net	102,146	101,808	+0.3%	84,433	+21.0%
Financing, net	568,338	557,498	+1.9%	452,831	+25.5%
Other assets, net	24,173	22,583	+7.0%	19,952	+21.2%
Total Assets	762,366	740,627	+2.9%	623,645	+22.2%
Due to banks & other FIs	70,839	71,828	-1.4%	17,952	+294.6%
Customers' deposits	564,925	555,767	+1.6%	512,072	+10.3%
Other liabilities	26,377	26,930	-2.1%	26,339	+0.1%
Total liabilities	662,141	654,525	+1.2%	556,363	+19.0%
Total equity	100,225	86,101	+16.4%	67,282	+49.0%
Risk weighted assets	497,973	479,225	+3.9%	425,629	+17.0%
Tier 1 Ratio	20.3%	18.2%	+2.0%	16.4%	+3.9%
Total capital adequacy ratio	21.4%	19.4%	+2.0%	17.5%	+3.9%
Liquidity coverage ratio (LCR)	126%	121%	+4.6%	121%	+4.8%
Basel III leverage ratio	12.7%	11.5%	+1.3%	10.9%	+1.8%
Loan to Deposit Ratio	85.9%	88.4%	-2.5%	82.3%	+3.7%
Non-performing loan ratio	0.54%	0.55%	-0.02%	0.65%	-0.12%
Non-performing loan coverage ratio	260.2%	272.3%	-12.0%	305.6%	-45.3%

Total assets reached SAR 762 billion as at 31 December 2022, an increase of 22.2% compared to last year and 2.9% relative to previous quarter, from strong growth in the financing and investments portfolios.

Net financing grew 1.9% during the quarter and 25.5% year-on-year to reach SAR 568 billion, where strong growth was registered across all lines of business. In retail, 17.6% year-on-year financing growth was driven by 29.8% year-on-year growth in residential financing. In non-retail, 58.8% year-on-year financing growth was driven by 56.9% year-on-year growth in corporate and 60.8% year-on-year growth in SME.

The non-performing financing ratio decreased by 12 basis points relative to the same period last year to 0.54%, as credit quality remained stable during the quarter. The non-performing financing coverage ratio stands at 260.2%. CASA continued to represent a significant proportion of total deposits of 64% as at 31 December 2022.

Al Rajhi Bank continued to maintain its strong capitalization profile with tier 1 and total capital adequacy ratios of 20.3% and 21.4%, respectively. The Bank's liquidity position remained healthy with a liquidity coverage ratio of 126% and loan to deposit ratio of 85.9% as at 31 December 2022.

Additional Information

Auditors' Opinion

Unmodified opinion

Consolidated Financial Statements

The consolidated financial statements for the year ended 31st December 2022 will be available through the following link on Al Rajhi Bank website (<https://www.alrajhibank.com.sa/en/About-alrajhi-bank/Investor-Relations>) and investor relations App.

4Q2022 Earnings Call

Conference call for analysts and investors will be held on 2nd of February 2023 at 4:00pm KSA time. The earnings call presentation will be available on Al Rajhi Bank website (<https://www.alrajhibank.com.sa/en/About-alrajhi-bank/Investor-Relations>) 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/About-alrajhi-bank/Investor-Relations>

4Q 2022 Earnings Release

Contact Investor Relations

Investors Relations

Email: IR@alrajhibank.com.sa

Mr. Rayan Alshuaibi

Director of Investor Relations

Telephone: +966 (11) 828 1972

E-mail: alshuaibirs@alrajhibank.com.sa

Mr. Abdulrahman Alyami

Assistant Manager Investor Relations

Telephone: +966 (11) 828 3586

E-mail: AlyamiAH@alrajhibank.com.sa



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