

Al Rajhi Bank net income grows 39.2% YoY to SAR 14.7 Billion in 2021

FY 2021 Financial Results Highlights:

- **39.2% YoY net income growth after Zakat** on strong top-line growth and improving operating efficiency
- **Return on equity** grew 3.9 percentage points year-on-year, to 23.9%
- **Operating income growth of 24.1%** on improved net financing and investment income and higher fee income from banking services
- **Operating efficiency** improved by 5.6 percentage points YoY to 26.9%
- **Credit Quality** remains stable with non-performing financing ratio and non-performing financing coverage ratio at 0.65% and 305.6%, respectively
- **Cost of risk** 15 basis points lower YoY to 0.60%
- **Net financing increased by SAR 137 billion or 43.4%** from year-end 2020 to SAR 453 billion
- **Customer deposits increased 33.8%** from year-end 2020 to SAR 512 billion
- **Strong stable funding with 75%** of customer deposits being non-profit bearing
- **Capitalization** remains strong with CET1 of 16.5% and total CAR of 17.6%
- **Healthy liquidity position** with LCR of 121% and loan to deposit ratio of 82.3%

Riyadh, 13th February 2022 – During the year 2021, Al Rajhi Bank generated strong operating income growth of 24.1% year-on-year from 20.6% net financing and investment income growth and a 39.8% improvement in fee and other income. Income growth was boosted by 40.1% year-on-year growth in investments and 43.4% growth in net financing, where total retail financing growth of 45.9% from mortgage growth of 63.4% and personal financing growth of 35.6%. This strong balance sheet and top-line momentum, in combination with improved operating efficiency and stable credit quality, translated to 39.2% net income growth after Zakat, reaching SAR 14,746 million. The Bank further maintained a strong capital position with a core equity tier 1 ratio of 16.5% and healthy liquidity with LCR of 121%.

Commenting on Al Rajhi Bank's 2021 performance, **Mr. Abdullah bin Sulaiman Al Rajhi, Chairman of the Board of Directors**, said: "As it continues to build on the "Bank of the Future" strategy, Al Rajhi Bank delivered historical results in 2021 supported by the best in class product offerings and customer experience. The year 2021 witnessed the launch of Al Rajhi Bank's new identity under the name "Unbank the Bank" to affirm the bank's leadership in creating a financial ecosystem to its retail and corporate clients that is led by its competent employees as financial advisors who design innovative and smart financial solutions.

In 2021, we were able to grow the financing portfolio by 43.4% to SAR 453 billion and increase customers' deposits by 33.8% to SAR 512 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 45.9% driven by a 63.4% growth in mortgage financing and 35.6% in personal financing. The progress in our strategy execution coupled with improved economic activities and outlook in Saudi Arabia resulted in growth of 24.1%, and 39.2% in operating income and net income, respectively. Additionally, ROE and ROA stands at 23.9% and 2.70%, respectively".

Performance Highlights

Income Statement Summary

SAR (mn)	FY 21	FY 20	YoY %	4Q 21	3Q 21	QoQ %	4Q 20	YoY %
Net financing & investment income	20,392	16,913	+20.6%	5,355	5,215	+2.7%	4,638	+15.4%
Fees & other income	5,324	3,808	+39.8%	1,500	1,363	+10.1%	1,155	+29.8%
Total operating income	25,716	20,721	+24.1%	6,855	6,578	+4.2%	5,794	+18.3%
Operating expenses	(6,927)	(6,742)	+2.7%	(1,791)	(1,754)	+2.1%	(1,763)	+1.6%
Pre-Provision Profit	18,790	13,979	+34.4%	5,064	4,824	+5.0%	4,030	+25.6%
Total impairment charge	(2,345)	(2,166)	+8.3%	(590)	(594)	-0.6%	(550)	+7.3%
Net income for the period	16,445	11,814	+39.2%	4,474	4,230	+5.8%	3,480	+28.5%
Zakat	(1,699)	(1,218)	+39.4%	(461)	(436)	+5.8%	(359)	+28.5%
Net income for the period after Zakat	14,746	10,596	+39.2%	4,012	3,794	+5.8%	3,121	+28.5%
Earnings per share (SAR)	5.90	4.24	+39.2%	1.60	1.52	+5.8%	1.25	+28.5%
Dividends per share (SAR)	1.4	1.0	+40.0%	0	0		1.0	
Return on equity	23.87%	19.94%	+3.9%		23.62%			
Return on assets	2.70%	2.56%	+0.1%		2.72%			
Net financing and investment margin	4.21%	4.71%	-0.50%		4.11%			
Cost to income ratio	26.9%	32.5%	-5.6%		26.7%			
Cost of risk	0.60%	0.75%	-0.15%		0.57%			

Total operating income reached SAR 25,716 million in 2021, an increase of 24.1% compared with the same period last year. This improvement was driven by 20.6% year-on-year growth of net financing and investment income due to strong growth in the financing and investment portfolios, and despite a 50 basis points contraction in the net financing and investment margin to 4.21% resulting from the lower interest rate environment and escalated competition in the retail and corporate financing. Income growth was further aided by 39.8% year-on-year growth in fee and other income, where fee income on banking services grew 47.9% year-on-year.

Total operating income for the fourth quarter of 2021 amounted to SAR 6,855 million, an increase of 18.3% compared with the fourth quarter of 2020 and of 4.2% 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 6,927 million in 2021, a rise of only 2.7% year-on-year supporting 24.1% 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 5.6 percentage points year-on-year to 26.9%. Additionally, operating expenses for the fourth quarter of 2021 increased by a modest 1.6% compared with the corresponding quarter in 2020 and 2.1% relative to the previous quarter to SAR 1,791 million.

The net impairment charge for for the year 2021 amounted to SAR 2,345 million, 8.3% higher compared to last year driven by the financing portfolio growth and improved recoveries. The cost of risk for the year 2021 was 15 basis points lower at 0.60%. The non-performing financing ratio decreased marginally by 11 basis points from the start of the year to 0.65%, as credit quality remained stable during the year 2021. The non-performing financing coverage ratio stand at 305.6% as at 31 December 2021.

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Balance Sheet Summary

SAR (mn)	4Q 21	3Q 21	QoQ %	4Q 20	YoY %
Cash & balances with SAMA & other central banks	40,363	34,420	+17.3%	47,363	-14.8%
Due from banks & other FIs	26,065	27,518	-5.3%	28,655	-9.0%
Investments, net	84,433	82,048	+2.9%	60,285	+40.1%
Financing, net	452,831	420,954	+7.6%	315,712	+43.4%
Other assets, net	19,979	17,745	+12.6%	16,810	+18.9%
Total assets	623,672	582,684	+7.0%	468,825	+33.0%
Due to banks and other financial institutions	17,952	14,733	+21.8%	10,764	+66.8%
Customers' deposits	512,072	478,331	+7.1%	382,631	+33.8%
Other liabilities	26,339	25,984	+1.4%	17,311	+52.1%
Total liabilities	556,363	519,048	+7.2%	410,706	+35.5%
Total shareholders' equity	67,309	63,637	+5.8%	58,119	+15.8%
Risk weighted assets	425,629	395,766	+7.5%	323,009	+31.8%
CET 1 ratio	16.5%	16.8%	-0.3%	18.0%	-1.5%
Total capital adequacy ratio	17.6%	17.9%	-0.3%	19.1%	-1.5%
Liquidity coverage ratio (LCR)	121%	125%	-4.1%	155%	-23.3%
Basel III leverage ratio	11.0%	11.2%	-0.2%	12.0%	-1.0%
Loan to Deposit Ratio	82.3%	82.7%	-0.4%	78.8%	+3.5%
Non-performing loan ratio	0.65%	0.67%	-0.02%	0.76%	-0.11%
Non-performing loan coverage ratio	305.6%	307.5%	-1.9%	305.6%	+0.0%

Total assets reached SAR 624 billion as at 31 December 2021, an increase of 33.0% compared to the 31 December 2020 and 7.0% from 30 September 2021, from strong growth in the financing and investments portfolios.

Net financing grew 43.4% during the year 2021 to reach SAR 453 billion, where strong growth was registered across the retail, corporate and SME financing portfolios. In retail, 45.9% year-to-date financing growth was driven by 63.4% growth in residential financing. Supporting the growth in the asset side, customer deposits increased 33.8% in 2021 to SAR 512 billion. Non-profit bearing deposits continued to represent a significant proportion of total deposits of 75% as at 31 December 2021.

Al Rajhi Bank continued to maintain its strong capitalization profile with core equity tier 1 and total capital adequacy ratios of 16.5% and 17.6%, respectively as at 31 December 2021. The Bank's liquidity position remained healthy with a liquidity coverage ratio of 121% and loan to deposit ratio of 82.3% as at 31 December 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)	FY 21	FY 20	YoY %
Net financing and investment income*	11,353	11,335	+0.2%
Fees and other income	2,654	2,122	+25.1%
Total operating income	14,007	13,457	+4.1%
Operating expenses	(6,032)	(6,053)	-0.4%
Total impairment charge	(1,785)	(1,152)	+55.0%
Net income for the period	6,189	6,251	-1.0%
Total assets	418,027	268,109	+55.9%
Total liabilities	319,611	289,584	+10.4%

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

The Retail segment delivered 4.1% year-on-year total operating income growth in 2021 to reach SAR 14,007 million. Net financing and investment income grew 0.2% year-on-year to SAR 11,353 million, driven by 55.9% increase in assets, partly offset by contraction in the net financing and investment income margin. Fees and other income increased 25.1% year-on-year to SAR 2,654 million.

Operating expenses totalled SAR 6,032 million in 2021, a 0.4% decrease year-on-year. The net impairment charge for Retail amounted to SAR1,785 million 2021, an increase of 55.0% year-on-year due to the strong growth in financing recorded in 2021, while underlying credit quality remained relatively stable.

Net income for the year 2021 decrease by 1.0% compared to the same period last year to reach SAR 6,189 million.

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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)	FY 21	FY 20	YoY %
Net financing and investment income*	2,440	2,332	+4.6%
Fees and other income	1,080	399	+170.8%
Total operating income	3,520	2,731	+28.9%
Operating expenses	(537)	(326)	+64.8%
Total impairment charge	(566)	(1,015)	-44.2%
Net income for the period	2,417	1,390	+73.8%
Total assets	88,031	66,837	+31.7%
Total liabilities	207,506	108,515	+91.2%

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

The Corporate segment's total operating income amounted to SAR 3,520 million in 2021, a 28.9% rise compared to last year. Net financing and investment income grew 4.6% year-on-year to SAR 2,440 million and fees and other income rose 170.8% to SAR 1,080 million.

Operating expenses totalled SAR 537 million in 2021, a 64.8% increase year-on-year to support asset growth. The impairment charge for Corporate Banking decreased by 44.2% to SAR 566 million in 2021 as credit quality stabilized following elevated impairments in the same period last year relating to the Covid Pandemic.

Net income of SAR 2,417 for the year 2021 was 73.8% higher than same period last year.

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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)	FY 21	FY 20	YoY %
Net financing and investment income*	6,524	3,199	+104.0%
Fees and other income	691	530	+30.5%
Total operating income	7,215	3,728	+93.5%
Operating expenses	(185)	(205)	-9.8%
Total impairment charge	7	1	+699.0%
Net income for the period	7,037	3,524	+99.7%
Total assets	112,692	129,951	-13.3%
Total liabilities	29,157	12,443	+134.3%

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

Treasury and Investments reported a strong performance in 2021, with operating income rising by 93.5% year-on-year to SAR 7,215 million. This was driven by higher investment balances causing a 104.0% rise in net financing and investment income to SAR 6,524 million. Fees and other income for 2021 amounted to SAR 691 million, an increase of 30.5% compared to the same period of last year.

The strong growth in operating income combined with a 9.8% reduction in operating expenses translated to 99.7% year-on-year net income growth to SAR 7,037 million for 2021.

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Al Rajhi Capital

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

SAR (mn)	FY 21	FY 20	YoY %
Net financing and investment income	75	48	+57.0%
Fees and other income	899	758	+18.7%
Total operating income	974	805	+21.0%
Operating expenses	(172)	(158)	+9.2%
Net income for the period	802	648	+23.8%
Total assets	4,922	3,928	+25.3%
Total liabilities	89	165	-45.7%

Operating income for the Investment Services and Brokerage business increased by 21.0% in 2021 over the same period last year to SAR 974 million, from higher local equity market activity and improved transaction flow.

Net income for 2021 totalled SAR 802 million, a 23.8% 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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