



# Al Rajhi Bank Results Presentation

2Q 2019 Earnings Conference Call and Webcast

The Blue Chip Islamic Bank



# Management Summary

## 1H 2019 Highlights

### Strategy

#### 'ABCDE' Strategy implementation is on track and continuing to deliver strong financial performance

- Growth in mortgages, customers loans, and net profit margin
- Improved customer service, digitization and new products all contributed to the bottom line
- Delivery on our strategy is on plan and we expect to see continued growth across our businesses

### Operating Result

#### 1H 2019 growth of 16.2% in net income before Zakat to SAR 5.75 billion, mainly driven by

- Operating income growth from yield improvements
- Improving operating efficiency
- Stable cost of risk
- Net profit growth across Retail, Corporate & Treasury
- 2Q 2019 strong operating income and net income

**Leading to a further increase to our market-leading ROE of 20.7%**

### Balance Sheet Strength

#### Balance sheet growth was driven by deposit growth

- Growth in non-profit bearing deposits continued
- Al Rajhi Bank remains well capitalized and maintains high coverage ratio
- Broad based loan growth

# Strategy Overview

## Pillars of the ABCDE 'Back to Basics' Strategy

Key initiatives 2017-2020



### Accelerate Growth



Grow mortgage, private sector, affluent, ladies & Tahweel

Enhance SME & Corporate capabilities

Enhance International presence

Improve yields

*Exceed Industry*



### Become Employer of Choice



Engaged workforce

Expand development & training programs

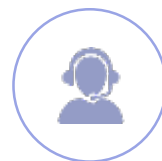
Strengthen diversity

Enhance employee value proposition

*Higher Engagement*



### Customer Focus



Update value propositions

Empower frontline

Align organization to customer advocacy

Install and embed NPS across the bank

*Most Recommended*



### Digital Leadership



Smartly expand channels & formats

Digitize customer journeys

Migrate customers to self service channels

Innovate in payments

*Best-In-Class*



### Execution Excellence



World-class compliance

Enhance IT infrastructure

Centralize and automate operations

Strengthen risk infrastructure

*Deliver*

# Strategy Update

ABCDE 'Back to Basics' strategy delivered strong results in 1H 2019



## Accelerate Growth

12.7% YoY operating income growth

39% YoY growth in mortgages

9.0% YoY growth in current accounts

55bps YoY net profit margin improvement to 5.20%

### Mortgage Financing (SARbn)



2015 1H 2019

*Exceed Industry*



## Become Employer of Choice

Al Rajhi Bank Academy

School of Banking

Graduate Program

16,660 training days delivered

### Number of Female Employees



2015 1H 2019

*Higher Engagement*



## Customer Focus

13 new products launched to cater to customers' needs

Enhanced Distribution Network

#1 Bank brand in KSA (BrandPower Score 2018)

#1 Net Promoter Score in KSA

### Net Promoter Score



2015 1H 2019

*Most Recommended*



## Digital Leadership

97K POS

5K ATMs

27 ITMs

280 Self Service Kiosks

4.7mn active digital users

### Digital : Manual Ratio



2015 1H 2019

*Best-In-Class*



## Execution Excellence

253 Bots

24K transactions per day

New head office and data center

Further enhanced turnaround time

### Transactions per month (Avg.)



2015 1H 2019

*Deliver*

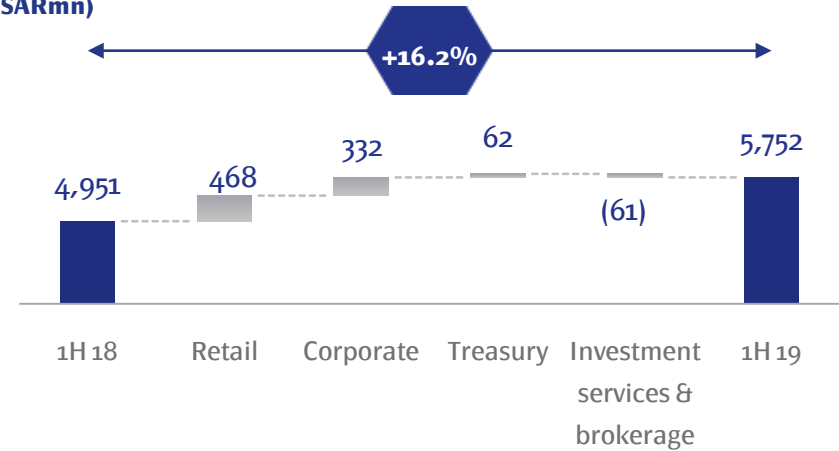
# Zakat & Tax Accounting Policy Change

1H 2019 profit growth of 8.3% after Zakat; 16.2% before Zakat

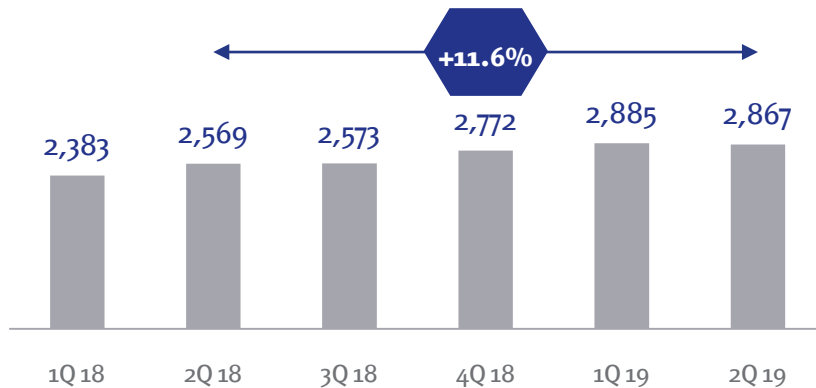
## Commentary

- Previously Zakat was recognized in the statement of changes in equity under retained earnings, during 2Q 2019 the accounting policy was amended to recognize Zakat in the statement of income.
- Dividend for 1H 2019 increased by 15% to SAR 3,750 million, with DPS of SAR 1.50

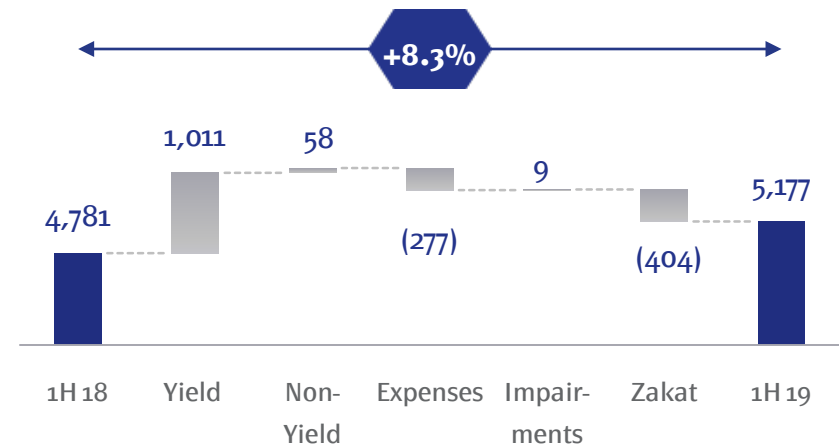
## Net Income Before Zakat Growth Drivers By Segment (SARmn)



## Net Income Before Zakat For The Period (SARmn)



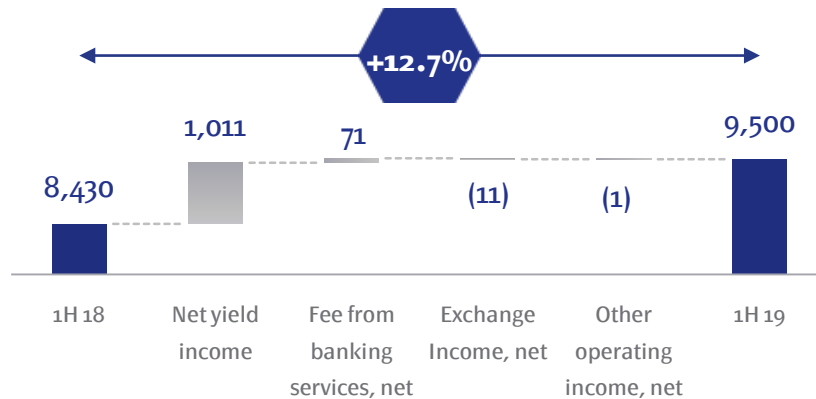
## Net Income After Zakat Growth Drivers By Type (SARmn)



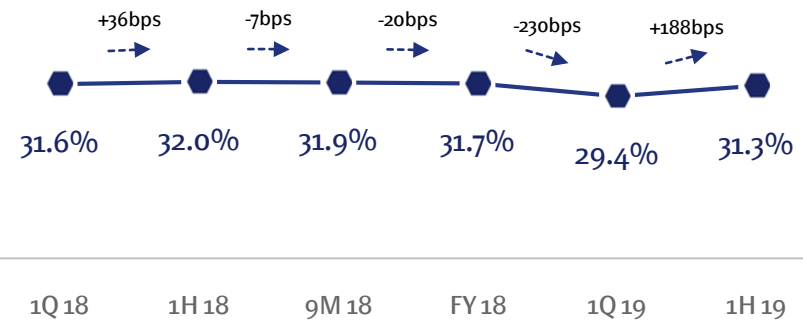
# Strong financial performance in 1H 2019

Key drivers of 1H 2019 net income growth of 8.3% YoY to SAR 5.2bn

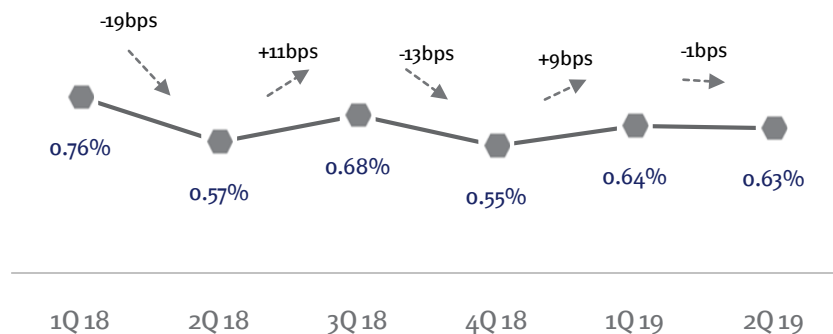
**12.7% total operating income growth driven by strong growth on yield income (14.5%)(SARmn)**



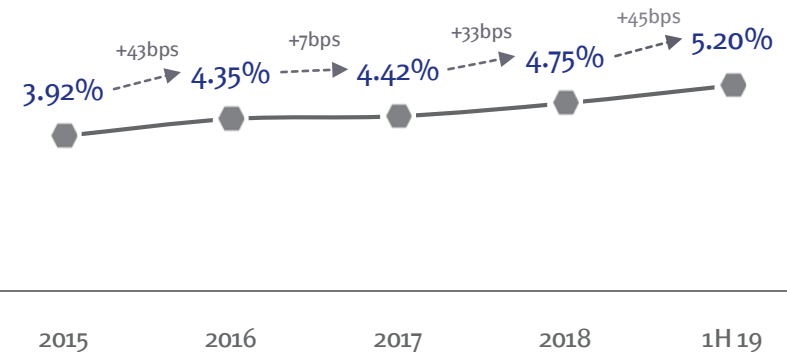
**Improved operating efficiency by 70bps year-on-year to 31.3% (C/I ratio)**



**Stable cost of risk at 0.63%**



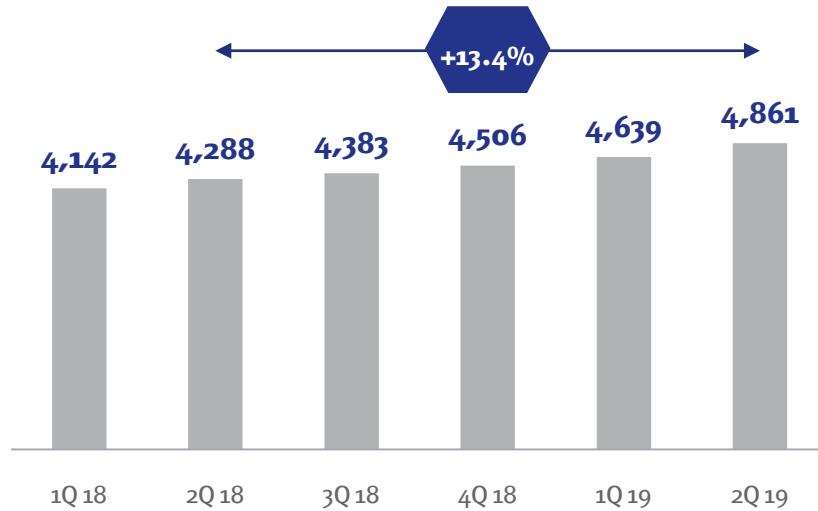
**Net profit margin (%)**



# Strong 2Q 2019

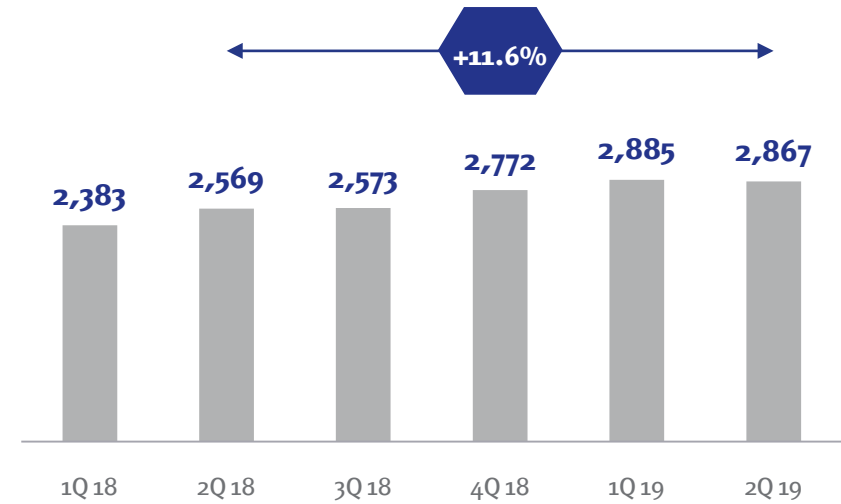
2Q 2019 operating income of SAR 4.86bn and net income before Zakat of SAR 2.87bn

**Total Operating Income (SARmn)**



Continuous rise in operating income

**Net income Before Zakat for the period (SARmn)**

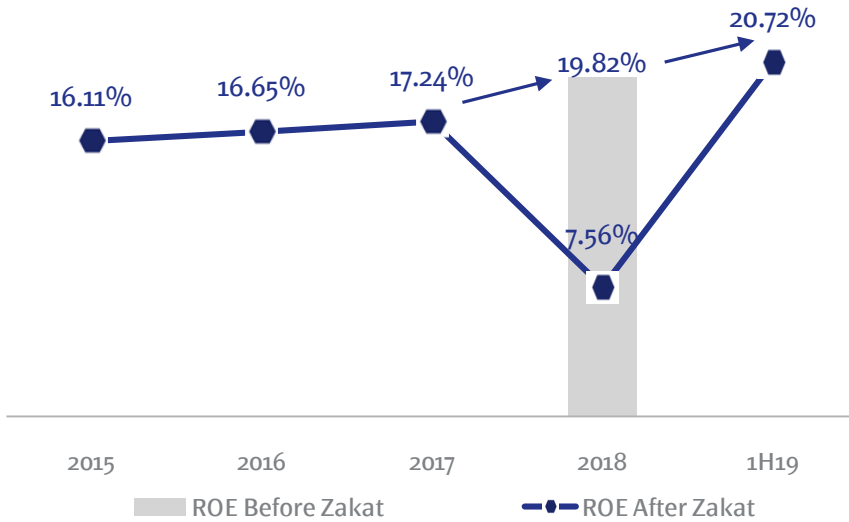


Strong net income

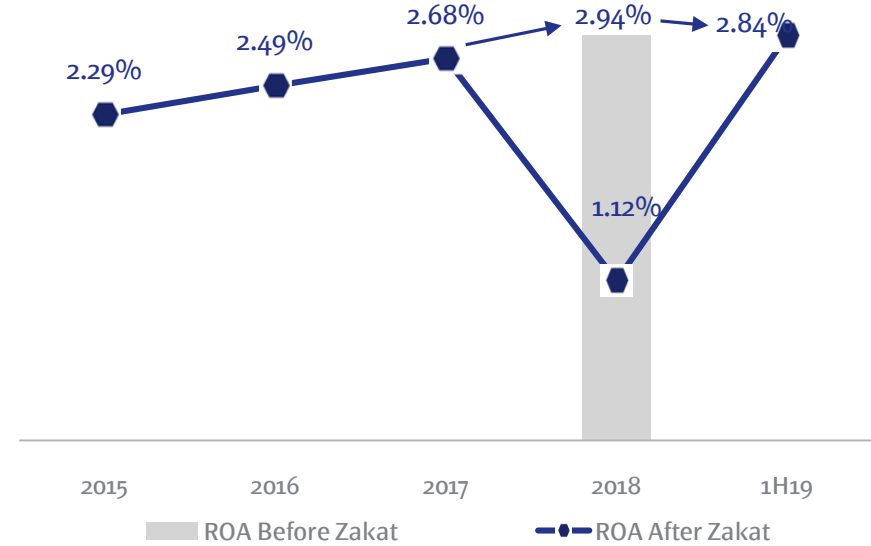
# Return Metrics

1H 2019 excellent first half of the year, leading to further improvement of our return profile

### Return on Equity (%)



### Return on Assets (%)



Further increase of market-leading ROE

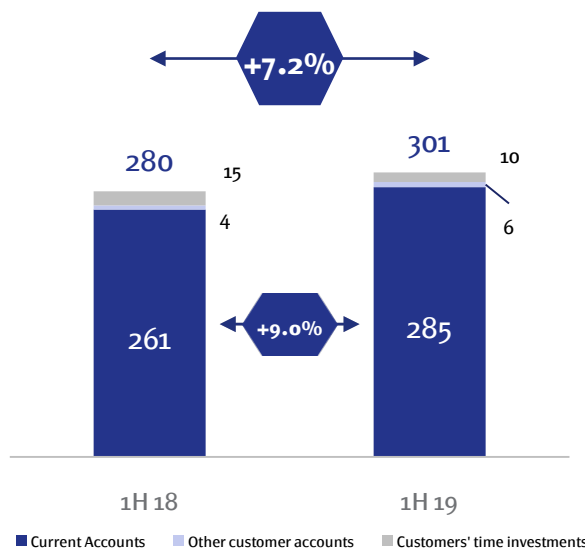
Further increase of ROA



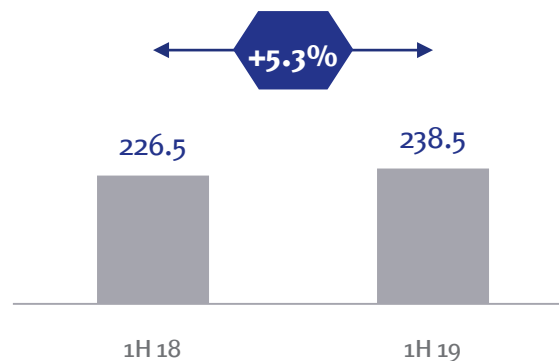
# Balance Sheet Strength

Balance Sheet growth was driven by 7.2% deposit growth YoY

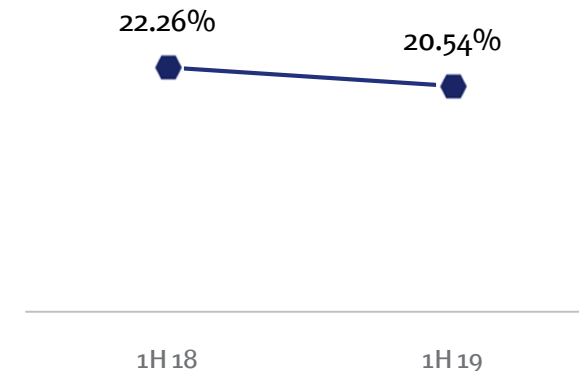
## Total Customers' Deposits (SARbn)



## Financing, Net (SARbn)



## Capital Adequacy Ratio (%)



97% non-profit bearing deposits 1H 2019  
vs 95% 1H 2018

Net financing grew by 5.3%, contributed  
by both Retail & Corporate

CAR declined by 127 bps due to dividends  
payout

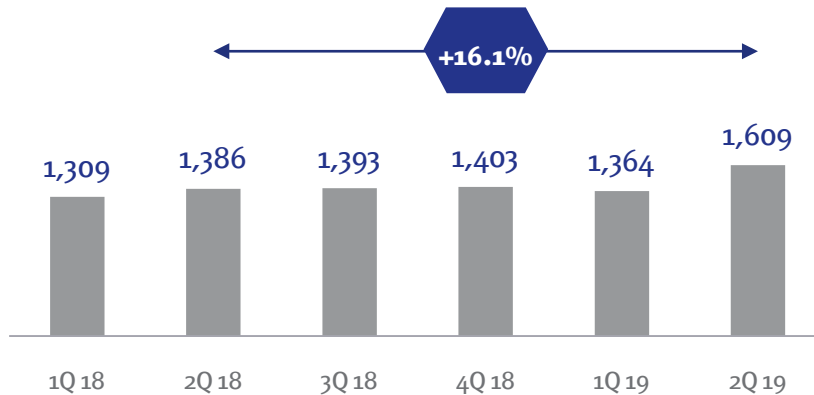
# Expenses Trends

YoY expense growth of 10.3%, but efficiency improved 240 bps on positive "jaws"

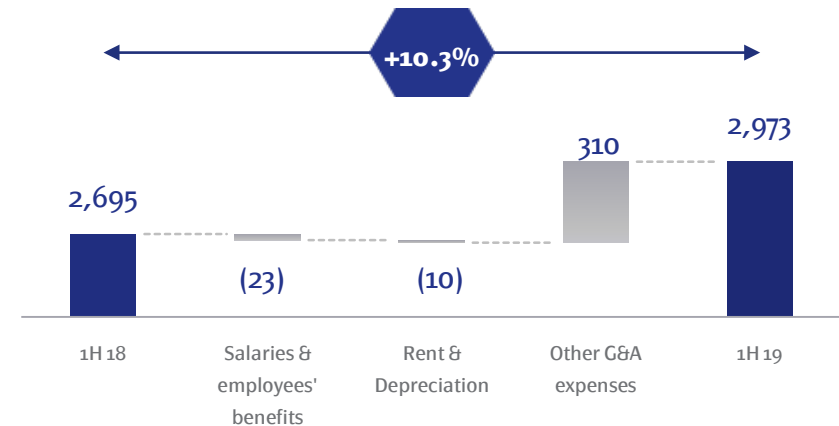
## Commentary

- During the quarter, bank paid one off expenses pertaining to VAT penalty on housing loans, SAMA penalty and other one offs
- Excluding these one offs, operating expenses growth would have been 3.7%

Operating Expenses (SARmn)



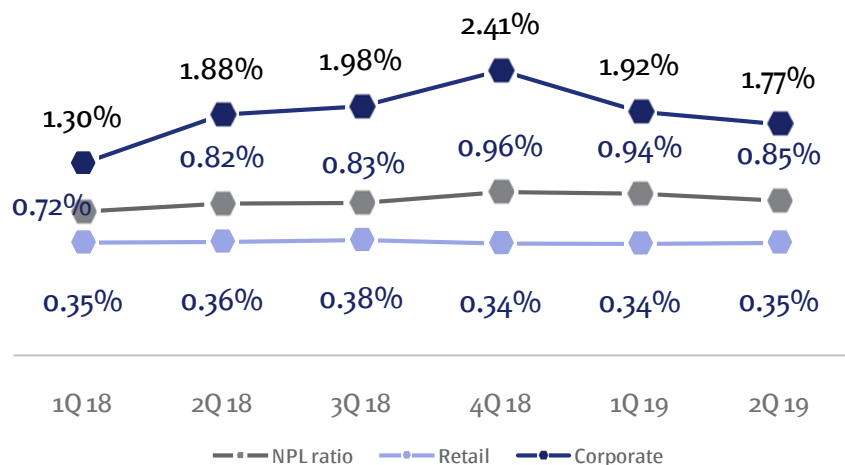
Operating Expenses Growth Drivers By Type (SARmn)



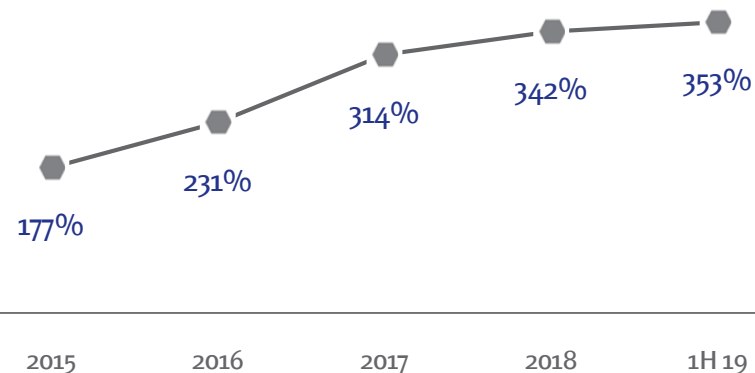
# Asset Quality Stable

Asset quality remains solid

**NPL Ratio Trends (%)**



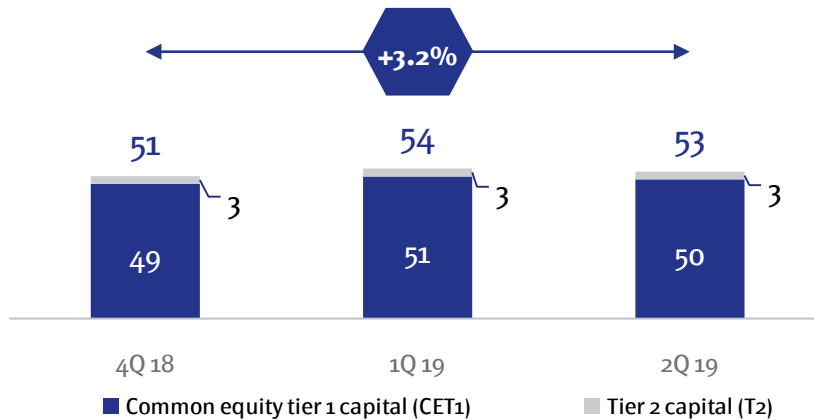
**NPL Coverage Ratio (%)**



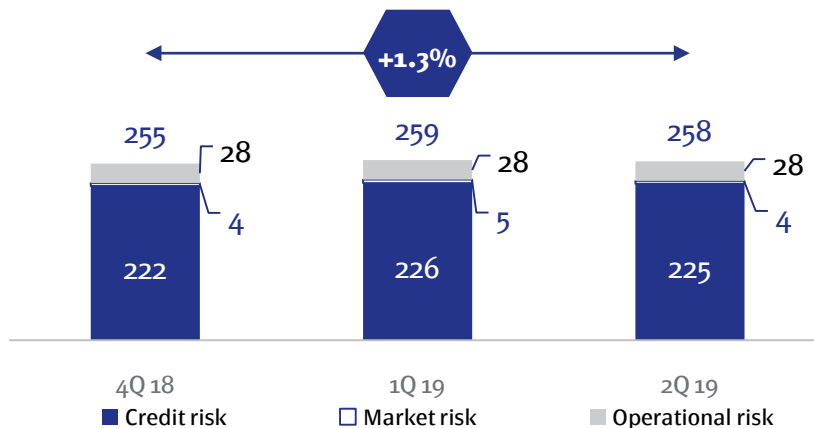
# Capitalisation Trends

Rising profitability drives total capital higher

## Total Capital (SARbn)



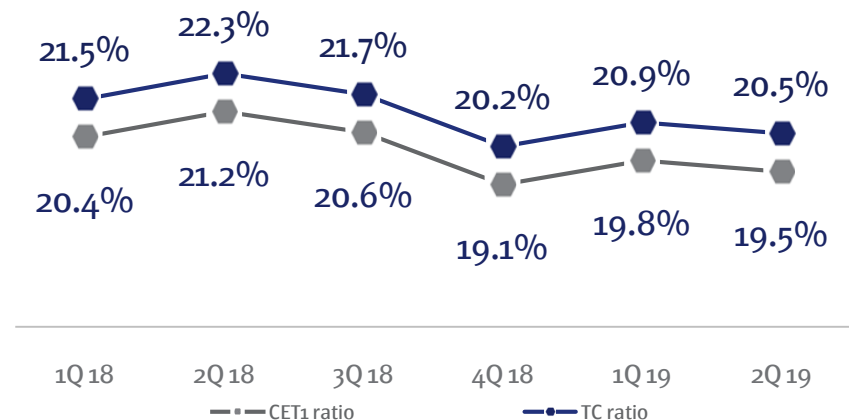
## Risk Weighted Assets (SARbn)



## Commentary

- Total Capital increased by 3.2% on rising profitability
- Capitalization remains strong with CAR of 20.5% and CET1 of 19.5% as at 30 June 2019

## Capital Ratios (%)



# Progress against guidance and outlook

Financing & income growth, efficiency and cost of risk in line with FY 2019 guidance

		FY 2018	1H 2019 Actual	FY 2019 Guidance
Balance Sheet	Financing, Net (SAR bn)	231	239 (+2.9%)	Mid single digit growth
	Net Profit Margin	4.75%	5.20% (+45 bps)	+30 to +40 bps
Profitability	Cost to Income Ratio	31.7%	31.3%	Below 31%
	Cost of Risk	0.64%	0.64%	0.60% - 0.70%
Asset Quality	CET1 Ratio	19.1%	19.5%	19% to 20%
	ROE after Zakat	7.56%	20.72%	Above 21%
Capital & Liquidity				



# Questions & Answers

The Blue Chip Islamic Bank





# Appendix

## Additional Information

The Blue Chip Islamic Bank



# Additional Information

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