

Al Rajhi Bank net income grows 44.1% YoY to SAR 6.9 Billion in first half of 2021

First Half 2021 Financial Results Highlights:

- **44.1% YoY net income growth after Zakat** on strong top-line growth, improving operating efficiency and stable impairment charge
- **Return on equity** grew 4.3 percentage points year-on-year, to 23.1%
- **Operating income growth of 25.7%** on improved net financing and investment income and higher fee income from banking services
- **Operating efficiency** improved by 5.8 percentage points YoY to 27.5%
- **Credit Quality** remains stable with non-performing financing ratio and non-performing financing coverage ratio at 0.67% and 318.1%, respectively
- **Cost of risk** 21 basis points lower YoY to 0.64%
- **Dividend** for first half of 2021 at SAR 3,500 million, with DPS of SAR 1.40
- **Net financing increased SAR 75 billion or 23.6%** from year-end 2020 to SAR 390 billion from strong mortgage momentum
- **Customer deposits increased 17.0%** from year-end to SAR 447.5 billion
- **Strong stable funding with 81%** of customer deposits being non-profit bearing
- **Capitalization** remains strong with CET1 of 16.9% and total CAR of 18.0%
- **Healthy liquidity position** with LCR of 126% and loan to deposit ratio of 83.2%

Riyadh, 1st August 2021 – During the first half of 2021, Al Rajhi Bank generated strong operating income growth of 25.7% year-on-year from 21.6% net financing and investment income growth and a 45.1% improvement in fee and other income. Income growth was boosted by 40.7% year-on-year growth in investments and 42.0% growth in net financing, where total retail financing growth of 49.3% from mortgage growth of 84.1% were particular highlights. This strong balance sheet and top-line momentum, in combination with improved operating efficiency and stable credit quality, translated to 44.1% net income growth after Zakat, reaching SAR 6,940 billion. The Bank further maintained a strong capital position with a core equity tier 1 ratio of 16.9% and healthy liquidity with LCR of 126%.

1H 2021 Earnings Release

Commenting on Al Rajhi Bank's first half 2021 performance, **Mr. Abdullah bin Sulaiman Al Rajhi, Chairman of the Board of Directors**, said: "Our excellent financial performance was underpinned by the strong client relationships that have been further reinforced throughout the COVID pandemic. 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 increase financing by 23.6% to 390bn and grow customer deposits by 17.0% to SAR448bn during the first half. We also realized the early rewards of our "Bank of the Future" strategy with the Retail, Corporate and SME financing portfolios all growing more than 20%. In Retail, the 24% financing growth was driven by 34% growth in residential financing. This strategic progress, together with the economic recovery underway in Saudi Arabia, generated record client activity across the bank, which resulted in operating income rising 25.7%, net income growth of 44.1%, the cost to income ratio improving to 27.5% and ROE rising 4.3 percentage points to 23.1%."

Performance Highlights

Income Statement Summary

SAR (mn)	1H 2021	1H 2020	YoY %	2Q 2021	1Q 2021	QoQ %	2Q 2020	YoY %
Net financing and investment income	9,822	8,078	21.6%	5,052	4,771	5.9%	3,968	27.3%
Fees and other income	2,462	1,697	45.1%	1,285	1,177	9.1%	840	52.9%
Total operating income	12,284	9,775	25.7%	6,336	5,948	6.5%	4,808	31.8%
Operating expenses	(3,382)	(3,255)	3.9%	(1,730)	(1,652)	4.7%	(1,634)	5.9%
Pre-Provision Profit	8,902	6,520	36.5%	4,606	4,296	7.2%	3,174	45.1%
Total impairment charge	(1,161)	(1,151)	0.9%	(584)	(577)	1.2%	(458)	27.5%
Net income for the period	7,741	5,370	44.2%	4,022	3,719	8.2%	2,716	48.1%
Zakat	(801)	(554)	44.7%	(418)	(383)	8.9%	(280)	49.2%
Net income for the period after Zakat	6,940	4,816	44.1%	3,605	3,335	8.1%	2,436	48.0%
Earnings per share (SAR)	2.78	1.93	44.1%	1.44	1.33	8.1%	0.97	48.0%
Dividends per share (SAR)	1.4	0		1.4	0		0	
Return on equity	23.11%	18.78%	4.3%		22.43%			
Return on assets	2.74%	2.46%	0.3%		2.75%			
Net financing and investment margin	4.44%	4.80%	-0.36%		4.56%			
Cost to income ratio	27.5%	33.3%	-5.8%		27.8%			
Cost of risk	0.64%	0.85%	-0.21%		0.67%			

Total operating income reached SAR 12,284 million in the first half of 2021, an increase of 25.7% compared with the same period last year. This improvement was partly driven by 21.6% year-on-year

growth of net financing and investment income due to strong growth in the financing and investment portfolios, and despite a 36 basis points contraction in the net financing and investment margin to 4.44% resulting from the lower interest rate environment and modification losses incurred on customer deferrals. Income growth was further aided by 45.1% year-on-year growth in fee and other income, where fee income on banking services grew 60.7% year-on-year.

Total operating income for the second quarter of 2021 amounted to SAR 6,336 million, an increase of 31.8% compared with the second quarter of 2020 and of 6.5% 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 3,382 million for first six months of 2021, a rise of only 3.9% supporting 25.7% operating income growth. These positive “jaws” were enabled through efficiencies gained in the Bank’s digital platforms and resulted in an improvement in the cost to income ratio of 5.8 percentage points year-on-year to 27.5%. Similarly, operating expenses for the second quarter of 2021 increased by a modest 5.9% compared with the corresponding quarter in 2020 and 4.7% relative to the previous quarter to SAR 1,730 million.

The impairment charge for for the first half of 2021 amounted to SAR 1,161 million, stable compared to same period last year. The cost of risk for first six months of 2021 was 21 basis points lower at 0.64%. 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 12 months. The non-performing financing coverage ratio increased by 12% from the previous year-end to 318% as at 30 June 2021.

The recommended dividend for the first half of 2021 was SAR 3,500 million, with the resulting dividend per share of SAR 1.40 and a payout ratio of 50%.

1H 2021 Earnings Release

Balance Sheet Summary

SAR (mn)	2Q 2021	1Q 2021	QoQ %	4Q 2020	YTD %	2Q 2020	YoY %
Cash and balances with SAMA and other central banks	36,914	38,562	-4.3%	47,363	-22.1%	45,022	-18.0%
Due from banks and other financial Institutions	26,213	31,730	-17.4%	28,655	-8.5%	28,215	-7.1%
Investments, net	74,474	67,968	9.6%	60,285	23.5%	52,937	40.7%
Financing, net	390,296	356,144	9.6%	315,712	23.6%	274,928	42.0%
Other assets, net	18,243	17,829	2.3%	16,810	8.5%	16,582	10.0%
Total assets	546,139	512,234	6.6%	468,825	16.5%	417,684	30.8%
Due to banks and other financial institutions	14,085	9,731	44.7%	10,764	30.9%	10,325	36.4%
Customers' deposits	447,506	421,269	6.2%	382,631	17.0%	334,665	33.7%
Other liabilities	24,878	22,012	13.0%	17,311	43.7%	20,764	19.8%
Total liabilities	486,469	453,011	7.4%	410,706	18.4%	365,754	33.0%
Total shareholders' equity	59,670	59,222	0.8%	58,119	2.7%	51,930	14.9%
Risk weighted assets	370,826	353,498	4.9%	323,009	14.8%	289,237	28.2%
Core equity tier 1 ratio	16.9%	16.8%	0.1%	18.0%	-1.1%	18.0%	-1.1%
Total capital adequacy ratio	18.0%	17.9%	0.1%	19.1%	-1.1%	19.0%	-1.0%
Liquidity coverage ratio (LCR)	126%	142%	-15.3%	155%	-29.1%	164%	-23.3%
Basel III leverage ratio	11.3%	11.2%	0.1%	12.0%	-0.7%	12.1%	-0.8%
Loan to Deposit Ratio	83.2%	80.7%	2.5%	78.8%	4.4%	78.8%	4.4%
Non-performing financing ratio	0.67%	0.70%	-0.03%	0.76%	-0.1%	1.02%	-0.4%
Non-performing financing coverage ratio	318.1%	317.7%	0.4%	305.6%	12.6%	252.8%	65.3%

Total assets reached SAR 546,139 million as at 30 June 2021, an increase of 16.5% compared to the 31 December 2020 and 30.8% from 30 June 2020, from strong growth in the financing and investments portfolios.

Net financing grew 23.6% from the previous year end to reach SAR 390,296 million, where above 20% growth was registered across the retail, corporate and SME financing portfolios. In retail, 24% year-to-date financing growth was driven by 34% growth in residential financing. Customer deposits increased 17.0% in the first half of 2021 to SAR 447,506 million from 92.7% growth in profit-bearing deposits and 7.4% growth in non-profit bearing deposits. Non-profit bearing deposits continued to represent a significant proportion of total deposits of 81% as at 30 June 2021.

Al Rajhi Bank continued to maintain its strong capitalization profile with core equity tier 1 and total capital adequacy ratios of 16.9% and 18.0% respectively as at 30 June 2021. The Bank's liquidity position remained healthy with a liquidity coverage ratio of 126% and loan to deposit ratio of 83.2% as at 30 June 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)	1H 2021	1H 2020	YoY %	2Q 2021	1Q 2021	QoQ %	2Q 2020	YoY %
Net financing and investment income	6,090	5,884	3.5%	3,015	3,075	-2.0%	2,909	3.6%
Fees and other income	1,114	987	12.9%	494	620	-20.3%	491	0.5%
Total operating income	7,204	6,871	4.8%	3,509	3,695	-5.0%	3,400	3.2%
Operating expenses	(2,953)	(2,794)	5.7%	(1,494)	(1,459)	2.4%	(1,394)	7.1%
Total impairment charge	(1,108)	(534)	107.7%	(564)	(544)	3.7%	(260)	116.7%
Net income for the period	3,143	3,543	-11.3%	1,451	1,692	-14.3%	1,746	-16.9%
Total assets	332,209	231,642	43.4%	332,209	302,292	9.9%	231,642	43.4%
Total liabilities	313,043	313,945	-0.3%	313,043	307,060	1.9%	313,945	-0.3%

The Retail segment delivered 4.8% year-on-year total operating income growth in the first half of 2021 to reach SAR 7,204 million. Net financing and investment income grew 3.5% year-on-year to SAR 6,090 million, driven by 43.4% increase in assets, partly offset by contraction in the net financing and investment income margin. Fees and other income increased 12.9% year-on-year to SAR 1,114 million. For the second quarter, operating income grew 3.2% year-on-year and decreased 5.0% quarter-on-quarter.

Operating expenses totalled SAR 2,953 million in the first half of 2021, a 5.7% increase year-on-year. Second quarter 2021 operating expenses increased 7.1% year-on-year and 2.4% quarter-on-quarter. The impairment charge for Retail amounted to SAR1,108 million for the first six months of 2021, an increase of 107.7% 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 half of 2021 decreased 11.3% to SAR 3,143 million, while second quarter net income decreased 16.9% year-on-year to SAR 1,451 million.

1H 2021 Earnings Release

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)	1H 2021	1H 2020	YoY %	2Q 2021	1Q 2021	QoQ %	2Q 2020	YoY %
Net financing and investment income	999	914	9.2%	518	480	7.8%	379	36.6%
Fees and other income	536	206	160.5%	430	107	302.8%	109	294.6%
Total operating income	1,535	1,120	37.0%	948	587	61.4%	488	94.1%
Operating expenses	(246)	(150)	63.9%	(142)	(104)	37.1%	(75)	89.8%
Total impairment charge	(49)	(602)	-91.8%	(26)	(24)	7.9%	(184)	-86.1%
Net income for the period	1,240	369	236.4%	780	460	69.7%	230	239.6%
Total assets	77,761	63,611	22.2%	77,761	73,935	5.2%	63,611	22.2%
Total liabilities	152,073	34,085	346.2%	152,073	129,956	17.0%	34,085	346.2%

The Corporate segment's total operating income amounted to SAR 1,535 million in the first half of 2021, a 37.0% rise over the same period of last year. Net financing and investment income grew 9.2% year-on-year to SAR 999 million and fees and other income rose 160.5% to SAR 536 million. Second quarter 2021 total operating income increased by 94.1% year-on-year and 61.4% quarter-on-quarter from strong fee and other income generation during the second quarter of 2021.

Operating expenses totalled SAR 246 million in first six months of 2021, a 63.9% increase year-on-year. For the second quarter of 2021, operating expenses amounted to SAR 142 million, an increase of 89.8% year-on-year and 37.1% quarter-on-quarter.

The impairment charge for Corporate Banking decreased by 91.8% to SAR 49 million in first six months of 2021 as credit quality stabilized following elevated impairments in the same period of the previous period relating to the Covid Pandemic.

Net income of SAR 1,240 for the first half of 2021 was 236.4% higher than same period last year, while second quarter net income increased 239.6% year-on-year and 69.7% quarter-on-quarter.

1H 2021 Earnings Release

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)	1H 2021	1H 2020	YoY %	2Q 2021	1Q 2021	QoQ %	2Q 2020	YoY %
Net financing and investment income	2,703	1,256	115.2%	1,502	1,201	25.0%	668	124.9%
Fees and other income	290	261	11.0%	119	170	-29.8%	99	20.6%
Total operating income	2,993	1,517	97.3%	1,622	1,372	18.2%	767	111.4%
Operating expenses	(99)	(238)	-58.3%	(52)	(47)	10.7%	(129)	-59.5%
Total impairment charge	(4)	(16)	-76.1%	6	(9)	-160.4%	(14)	-141.1%
Net income for the period	2,890	1,264	128.6%	1,575	1,315	19.8%	624	152.3%
Total assets	131,723	119,357	10.4%	131,723	131,833	-0.1%	119,357	10.4%
Total liabilities	21,162	17,575	20.4%	21,162	15,828	33.7%	17,575	20.4%

Treasury and Investments reported a strong performance in first half of 2021, with operating income rising by 97.3% year-on-year to SAR 2,993 million. This was driven by higher investment balances causing a 115.2% rise in net financing and investment income to SAR 2,703 million. Fees and other income for the first half of 2021 amounted to SAR 290 million, an increase of 11.0% compared to the same period of last year.

The strong growth in operating income combined with a 58.3% reduction in operating expenses translated to 128.6% year-on-year net income growth to SAR 2,890 million for first half of 2021.

1H 2021 Earnings Release

Al-Rajhi Capital

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

SAR (mn)	1H 2021	1H 2020	YoY %	2Q 2021	1Q 2021	QoQ %	2Q 2020	YoY %
Net financing and investment income	30	24	28.7%	17	14	21.7%	11	46.1%
Fees and other income	522	244	114.2%	242	280	-13.8%	141	71.5%
Total operating income	552	267	106.6%	258	294	-12.1%	152	69.6%
Operating expenses	(83)	(73)	14.6%	(42)	(42)	0.0%	(36)	16.4%
Net income for the period	469	194	141.1%	217	252	-14.1%	116	85.9%
Total assets	4,446	3,074	44.6%	4,446	4,173	6.5%	3,074	44.6%
Total liabilities	191	149	28.2%	191	167	14.6%	149	28.2%

Operating income for the Investment Services and Brokerage business increased by 106.6% over the same period last year to SAR 552 million, from higher local equity market activity and improved transaction flow.

Net income for first half of 2021 totalled SAR 469 million, a 141.1% year-on-year increase driven by the strong growth in operating income.

1H 2021 Earnings Release

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

Al Rajhi Bank Contacts

Investors Relations

Mr. Rayan Alshuaibi

Director of Investor Relations

Telephone: +966 (11) 828 1972

E-mail: alshuaibirs@alrajhibank.com.sa

Mr. Faisal Altimyat

Senior Investor Relations Specialist

Telephone: +966 (11) 828 1457

E-mail: altimyatff@alrajhibank.com.sa



Al-Rajhi Banking App



eBusiness Banking App



Investor Relations App