

Al Rajhi Bank recorded net income of SAR 4.1 Billion in first quarter of 2023

1Q 2023 Financial Results Highlights:

- SAR 4.1 billion net income after Zakat, a growth of 0.3% YoY
- Market leading return on equity at 19.6%
- Operating income lower by 2.5% on lower net financing and investment income which partially offset by higher fee income from banking services and exchange income
- Operating efficiency remains healthy at 26.5%
- Credit Quality remains strong with NPL ratio and NPL coverage ratio at 0.60% and 230%, respectively
- Cost of risk improved by 24 basis points YoY to 0.25%
- Net financing increased by SAR 92 billion or 19.1% YoY to SAR 577 billion
- Strong funding with 67% of customer deposits being CASA
- Capitalization remains strong with Tier 1 of 19.7% and total CAR of 20.9%
- Healthy liquidity position with LCR of 135% and loan to deposit ratio of 87.8%

Riyadh, 27th April 2023 – During the the first quarter of the current year 2023, Al Rajhi Bank recorded a modest net income growth of 0.3% to reach SAR 4,145 million. This was driven by a lower operating income of 2.5% year-on-year as a result of lower net financing and investment income by 4.0% which is partially offset by a 2.4% improvement in fees and other income. Assets growth was boosted by 22.4% year-on-year growth in investments and 19.1% growth in net financing. Total retail financing grew year-on-year by 10.5% as mortgage recorded a growth of 20.9% . Additionally, corporate financing, net grew by 57.6% and SME financing, net grew by 40.0% year-on-year. This strong balance sheet growth, in combination with healthy operating efficiency and stable credit quality, continued to support the bank's leading return metrics with ROE and ROA at 19.6% and 2.2%, respectively. The Bank further maintained a strong capital position with a tier 1 ratio of 19.7% and healthy liquidity with LCR of 135%.

Commenting on Al Rajhi Bank's first quarter 2023 performance, [Mr. Abdullah bin Sulaiman Al Rajhi, Chairman of the Board of Directors](#), said "The bank adopted selective growth approach across all businesses to achieve 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 20.9%, financing for SMEs increased by 40.0%, 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 across alrajhi bank app, alrajhi bank business app and portal. Moreover, the percentage of new accounts opened through the bank's mobile application also increased, to reach 95% of the total accounts opened during the period."

It is worth to highlight that the Bank successfully issued an inaugural \$1 billion (SAR 3.75 billion) 5-year Sustainable Sukuk following the successful closing of the two SAR local issuances in 2022.

Al-Rajhi concluded his statement: "The progress in our strategy execution coupled with improved economic activities resulted in growth of 18.1% year-on-year in total assets to reach SAR 776 billion. Additionally, ROE and ROA stands at 19.6% and 2.2%, respectively while earning per share has reached SAR 0.99 for the period."

Performance Highlights

Income Statement Summary

SAR (mn)	1Q 23	1Q 22	YoY %	1Q 23	4Q 22	QoQ %
Net financing & investment income	5,125	5,340	-4.0%	5,125	5,579	-8.1%
Fees & other income	1,655	1,616	+2.4%	1,655	1,685	-1.8%
Total operating income	6,781	6,957	-2.5%	6,781	7,264	-6.7%
Operating expenses	(1,800)	(1,769)	+1.8%	(1,800)	(2,001)	-10.0%
Pre-Provision Profit	4,980	5,188	-4.0%	4,980	5,263	-5.4%
Total impairment charge	(359)	(578)	-38.0%	(359)	(353)	+1.8%
Net income for the period	4,622	4,609	+0.3%	4,622	4,911	-5.9%
Zakat	(477)	(476)	+0.2%	(477)	(506)	-5.9%
Net income for the period after Zakat	4,145	4,134	+0.3%	4,145	4,404	-5.9%
Earnings per share (SAR)	0.99	1.03	-4.6%	0.99	1.08	-8.8%
Dividends per share (SAR)	0.00	0.00	+0.0%	0.00	1.25	-100.0%
Return on equity	19.58%	23.76%	-4.2%	19.58%	21.58%	-2.0%
Return on assets	2.17%	2.59%	-0.4%	2.17%	2.34%	-0.2%
Net financing and investment margin	3.00%	3.80%	-0.80%	3.00%	3.26%	-0.26%
Cost to income ratio	26.5%	25.4%	+1.1%	26.5%	27.5%	-1.0%
Cost of risk	0.25%	0.48%	-0.24%	0.25%	0.25%	+0.00%

Total operating income came lower by 2.5% reaching SAR 6,781 million during the quarter, compared to SAR 6,957 for the same period last year. This decline was driven by 4.0% year-on-year lower net financing and investment income due to 80 basis points contraction in the net financing and investment margin to 3.00% resulting from the higher cost of funds. Income growth was aided by 2.4% year-on-year growth in fees and other income, where fee income on banking services and exchange income grew by 5.4% and 25.7% year-on-year, respectively.

Operating expenses totalled SAR 1,800 million during the quarter, a rise of 1.8% year-on-year, which resulted in the cost to income ratio to reach 26.5%.

The net impairment charge for the quarter amounted to SAR 359 million, a decline of 38.0% compared to the same period last year driven by stable asset quality, improved economic outlook and good recoveries. The cost of risk for the period was 24 basis points lower year-on-year at 0.25%.

1Q 2023 Earnings Release

Balance Sheet Summary

SAR (mn)	1Q 23	4Q 22	QoQ %	1Q 22	YoY %
Cash & balances with SAMA & other central banks	45,625	42,052	+8.5%	36,143	+26.2%
Due from banks & other FIs, net	13,010	25,656	-49.3%	20,222	-35.7%
Investments, net	114,737	102,146	+12.3%	93,758	+22.4%
Financing, net	577,011	568,338	+1.5%	484,526	+19.1%
Other assets, net	25,814	23,456	+10.1%	22,689	+13.8%
Total Assets	776,196	761,649	+1.9%	657,339	+18.1%
Due to banks & other FIs	88,086	70,839	+24.3%	38,827	+126.9%
Customers' deposits	556,197	564,925	-1.5%	507,892	+9.5%
Other liabilities	32,687	25,660	+27.4%	32,251	+1.4%
Total liabilities	676,969	661,424	+2.4%	578,970	+16.9%
Total equity	99,227	100,225	-1.0%	78,368	+26.6%
Risk weighted assets	504,984	497,973	+1.4%	446,700	+13.0%
Tier 1 Ratio	19.7%	20.3%	-0.5%	18.1%	+1.7%
Total capital adequacy ratio	20.9%	21.4%	-0.5%	19.2%	+1.7%
Liquidity coverage ratio (LCR)	135%	126%	+9.7%	124%	+11.3%
Basel III leverage ratio	12.3%	12.7%	-0.5%	12.0%	+0.3%
Loan to Deposit Ratio	87.8%	85.9%	+1.8%	87.9%	-0.1%
Non-performing loan ratio	0.60%	0.54%	+0.06%	0.62%	-0.02%
Non-performing loan coverage ratio	230.4%	260.2%	-29.8%	307.8%	-77.4%

Total assets reached SAR 776 billion as at 31 March 2023, an increase of 18.1% compared to last year and 1.9% relative to previous quarter, from strong growth in the financing and investments portfolios.

Net financing grew 1.5% during the quarter and 19.1% year-on-year to reach SAR 577 billion. In retail, 10.5% year-on-year financing growth was driven by 20.9% year-on-year growth in residential financing. In non-retail, 54.2% year-on-year financing growth was driven by 57.6% year-on-year growth in corporate and 40.0% year-on-year growth in SME.

The non-performing financing ratio decreased by 2 basis points relative to the same period last year to 0.60%, as credit quality remained stable. The non-performing financing coverage ratio stands healthy at 230.4%. CASA continued to represent a significant proportion at 67% of total deposits as at 31 March 2023.

Al Rajhi Bank continued to maintain its strong capitalization profile with tier 1 and total capital adequacy ratios of 19.7% and 20.9%, respectively. The Bank's liquidity position remained healthy with a liquidity coverage ratio of 135% and loan to deposit ratio of 87.8% as at 31 March 2023.

Additional Information

Auditors' Opinion

Unmodified opinion

Consolidated Financial Statements

The interim condensed consolidated financial statements for the three months ended 31st March 2023 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.

1Q2023 Earnings Call

Conference call for analysts and investors will be held on 2nd of May 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 investor relations website:

<https://www.alrajhibank.com.sa/en/About-alrajhi-bank/Investor-Relations>

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