

# Al Rajhi Bank Results Presentation

2Q 2023 Earnings Conference Call and Webcast



# 2Q 2023 Earnings Call

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# First Half 2023 Results Summary | Results are in line with expectations

3.0% YTD Balance Sheet Growth	1.9% YTD Growth in financing portfolio	3.0% Growth in liabilities	LDR below regulatory minima
	<p>Net Financing</p> <p>568.3bn <math>\xrightarrow{+1.9\%}</math> 579.1bn</p> <p>FY 22 1H 23</p>	<p>Total Liabilities</p> <p>661.4bn <math>\xrightarrow{+3.0\%}</math> 681.3bn</p> <p>FY 22 1H 23</p>	<p>Loan to Deposit Ratio</p> <p>85.9% <math>\xrightarrow{\text{down}}</math> 81.9%</p> <p>FY 22 1H 23</p>
1.2% lower net income YoY	5.4% drop in net yield income, impacted by cost of funds	2.9% Non yield income growth	3.5% lower operating income
	<p>Net Yield income</p> <p>10,907mn <math>\xrightarrow{-5.4\%}</math> 10,319mn</p> <p>1H 22 1H 23</p>	<p>Non Yield Income</p> <p>3,197mn <math>\xrightarrow{+2.9\%}</math> 3,289mn</p> <p>1H 22 1H 23</p>	<p>Operating Income</p> <p>14,104mn <math>\xrightarrow{-3.5\%}</math> 13,608mn</p> <p>1H 22 1H 23</p>
Stable credit quality	14 bps COR reduction	7 bps higher in NPL ratio	NPL coverage remained strong
	<p>Cost of risk</p> <p>0.39% <math>\xrightarrow{\text{down}}</math> 0.25%</p> <p>FY 22 1H 23</p>	<p>NPL</p> <p>0.54% <math>\xrightarrow{\text{up}}</math> 0.61%</p> <p>FY 22 1H 23</p>	<p>NPL Coverage</p> <p>260% <math>\xrightarrow{\text{down}}</math> 225%</p> <p>FY 22 1H 23</p>
Key Ratios	Operating efficiency remains solid	Improved capital position	Lower NPM
	<p>Cost to income ratio</p> <p>25.4% <math>\xrightarrow{\text{up}}</math> 26.7%</p> <p>1H 22 1H 23</p>	<p>Total Capital Adequacy Ratio</p> <p>18.9% <math>\xrightarrow{\text{up}}</math> 21.7%</p> <p>1H 22 1H 23</p>	<p>NPM</p> <p>3.76% <math>\xrightarrow{\text{down}}</math> 2.98%</p> <p>1H 22 1H 23</p>



# In strong position to deliver the “Bank of the Future” | Good progress made on strategy implementation

## Bank

**Build** on our core

## OF

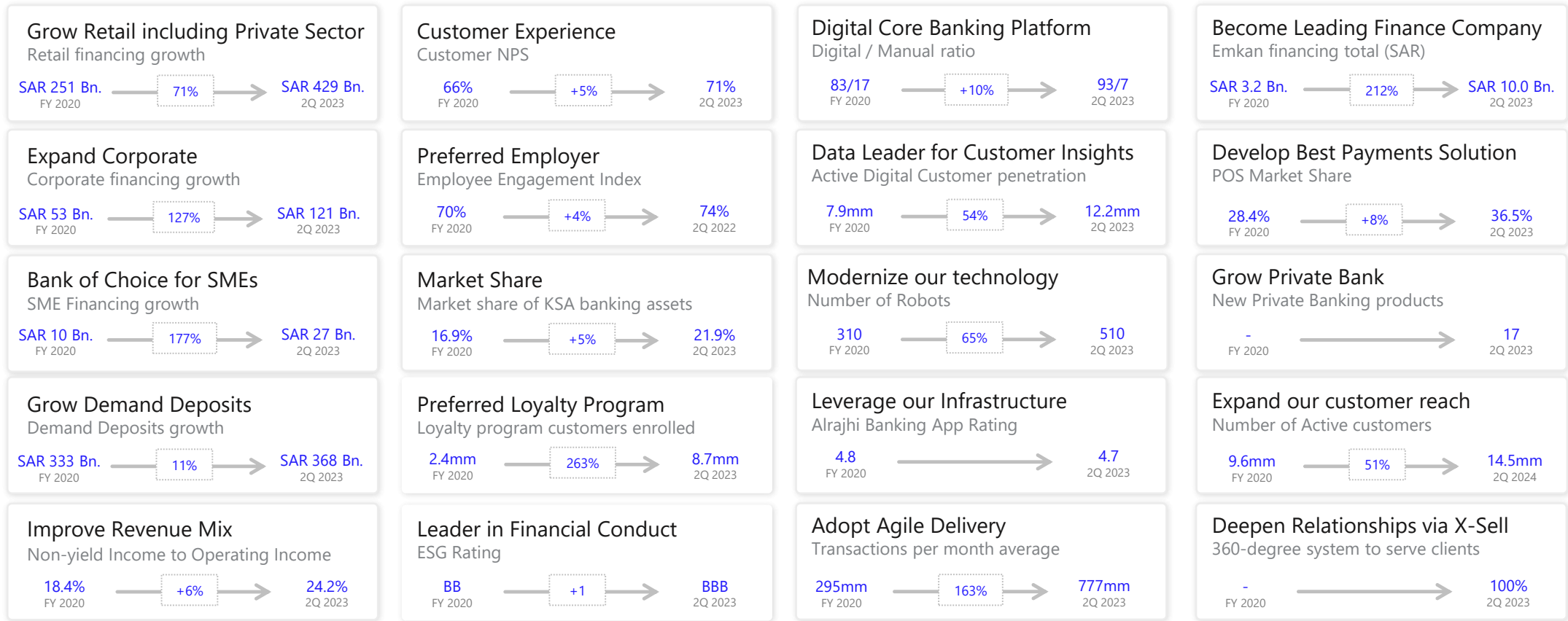
**Outperform** our competition

## The

**Transform** technology

## Future

**Focus** on new client needs

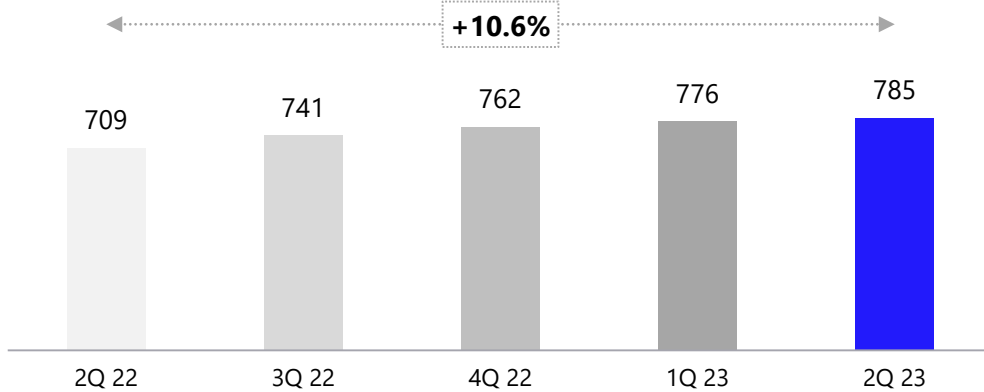


# 2Q 2023 Financial Highlights

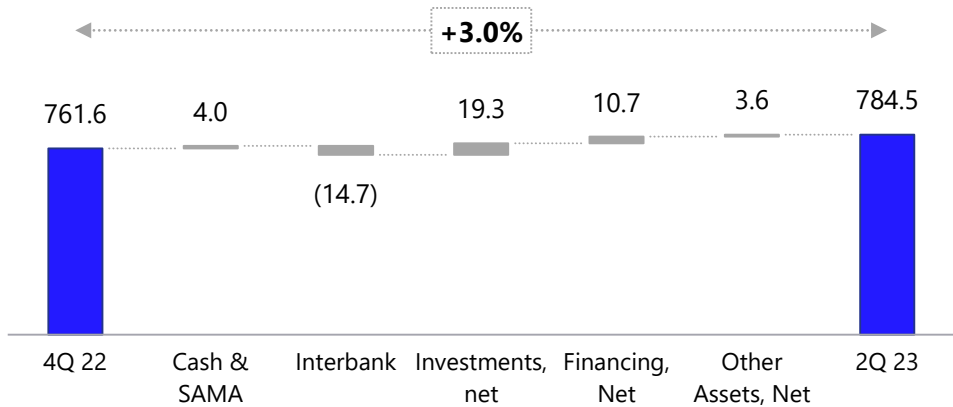
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# Balance Sheet Trends (1) | Balance sheet growth of 3% YTD driven by Financing and Investments

Total Assets (SARbn)



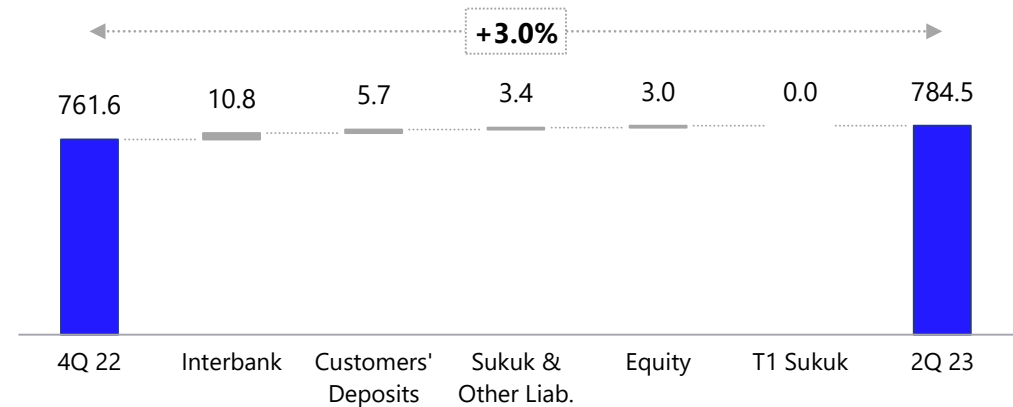
Movement in Assets (SARbn)



SAR (mn)

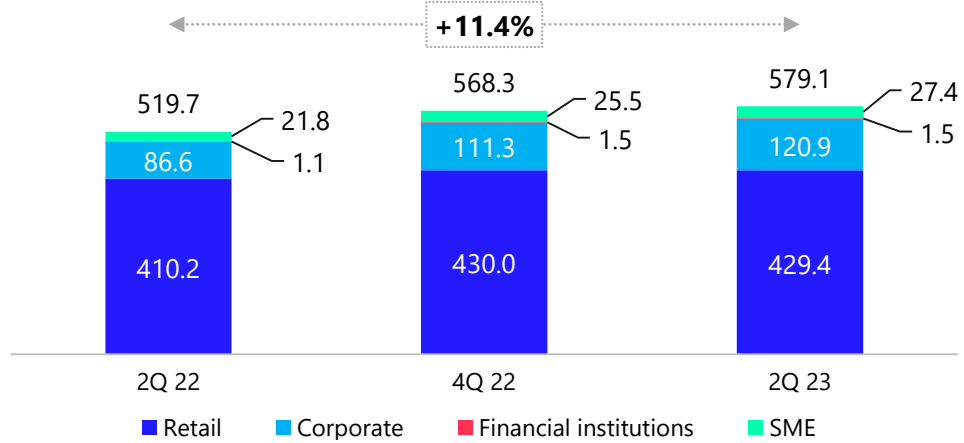
	2Q 23	1Q 23	QoQ	4Q 22	YTD
Cash & balances with SAMA	46,020	45,625	+1%	42,052	+9%
Due from banks & other FI	10,983	13,010	-16%	25,656	-57%
Investments, net	121,420	114,737	+6%	102,146	+19%
Financing, net	579,080	577,011	+0%	568,338	+2%
Other assets, net	27,017	25,814	+5%	23,456	+15%
<b>Total assets</b>	<b>784,520</b>	<b>776,196</b>	<b>+1%</b>	<b>761,649</b>	<b>+3%</b>
Due to banks & other FI	81,591	88,086	-7%	70,839	+15%
Customers' deposits	570,665	556,197	+3%	564,925	+1%
Sukuk issued	3,790	0		0	
Other liabilities	25,287	32,687	-23%	25,660	-1%
<b>Total liabilities</b>	<b>681,333</b>	<b>676,969</b>	<b>+1%</b>	<b>661,424</b>	<b>+3%</b>
<b>Total equity</b>	<b>103,187</b>	<b>99,227</b>	<b>+4%</b>	<b>100,225</b>	<b>+3%</b>

Movement in Funding (SARbn)

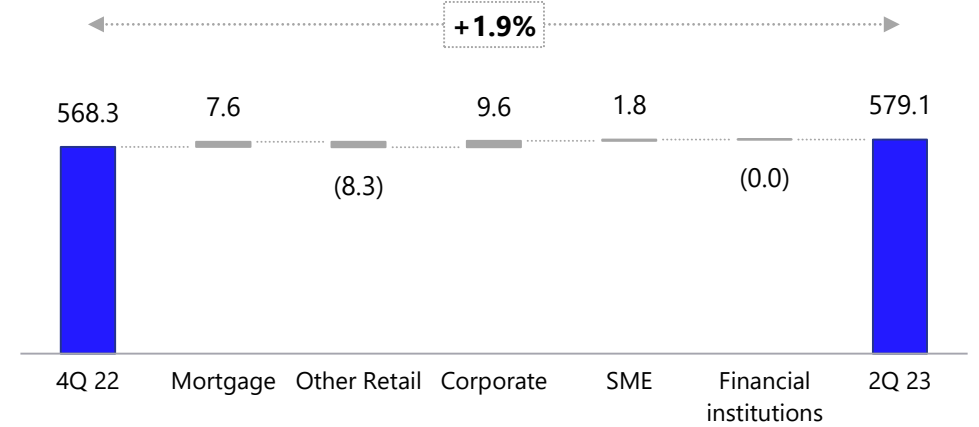


## Balance Sheet Trends (2) | Financing growth driven by mortgage and corporate

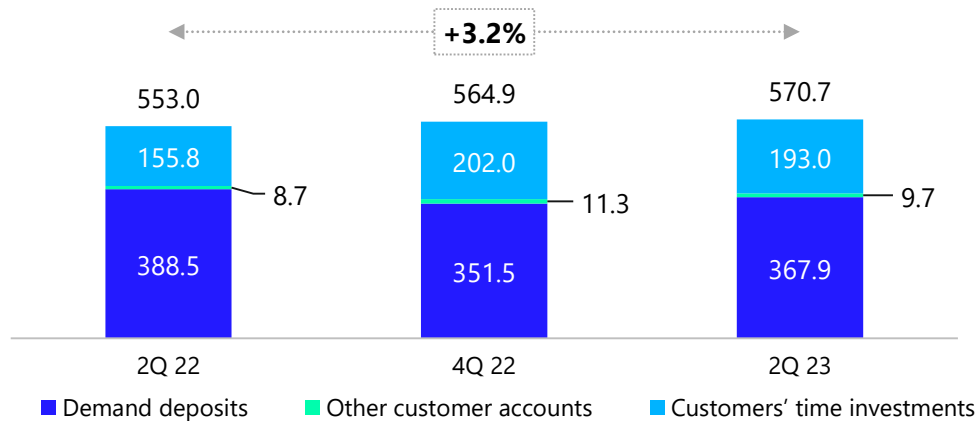
Financing, Net (SARbn)



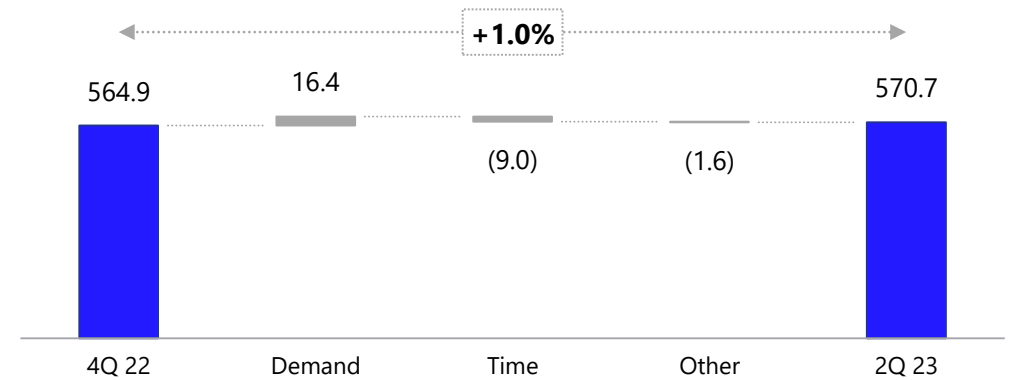
Movement in Financing (SARbn)



Total Customers' Deposits (SARbn)

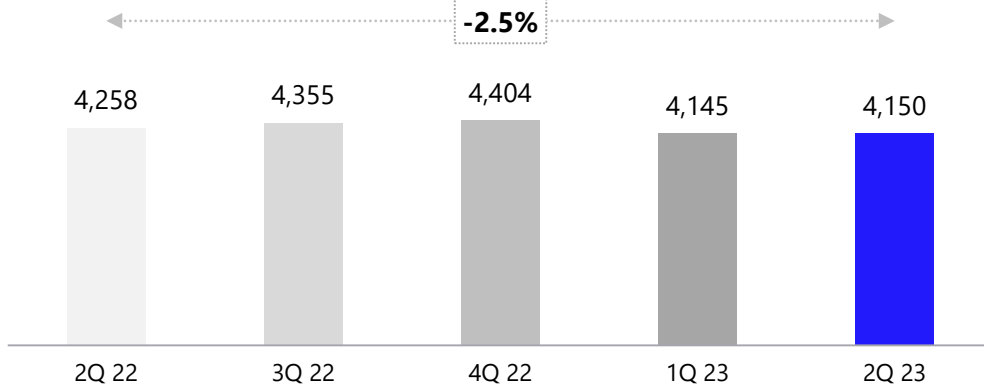


Movement in Total Customers' Deposits (SARbn)



# Net Income Trends | net profit lower by 1.2% for the first half 2023

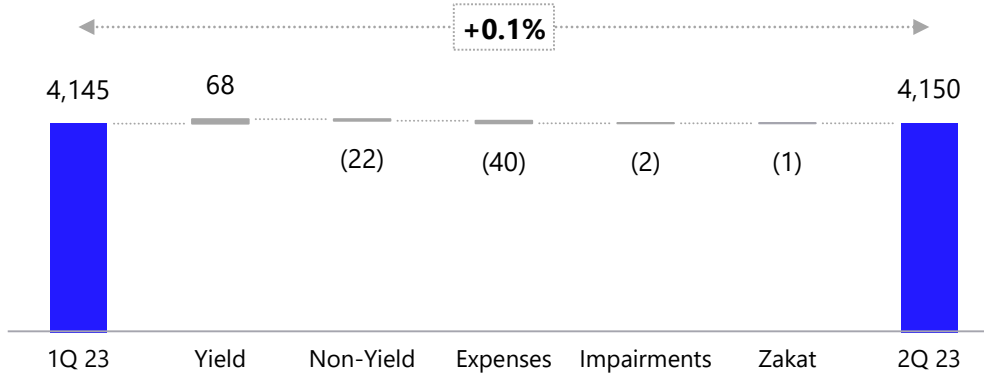
Net Income For The Period After Zakat (SARmn)



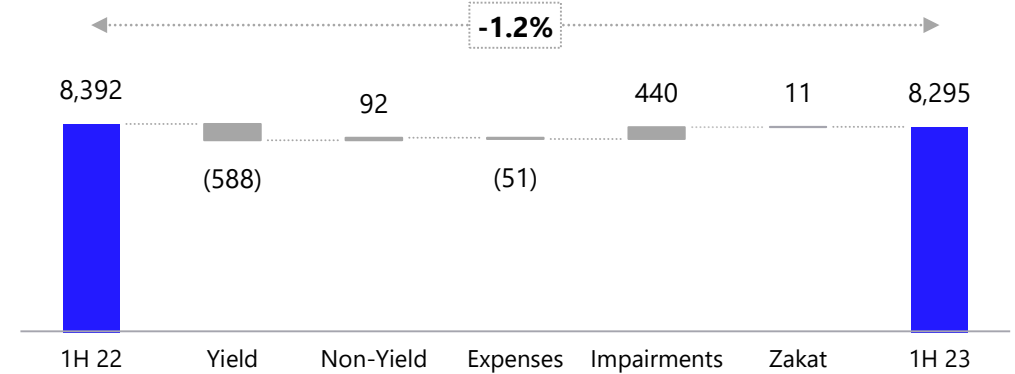
SAR (mn)

	1H 23	1H 22	YoY	2Q 23	2Q 22	YoY
<b>Net financing &amp; investment income</b>	<b>10,319</b>	<b>10,907</b>	<b>-5%</b>	<b>5,194</b>	<b>5,567</b>	<b>-7%</b>
Fee from banking services, net	2,339	2,310	+1%	1,129	1,163	-3%
Exchange Income, net	589	545	+8%	291	308	-5%
Other operating income, net	362	342	+6%	214	111	+93%
<b>Fees and other income</b>	<b>3,289</b>	<b>3,197</b>	<b>+3%</b>	<b>1,634</b>	<b>1,581</b>	<b>+3%</b>
<b>Total operating income</b>	<b>13,608</b>	<b>14,104</b>	<b>-4%</b>	<b>6,827</b>	<b>7,148</b>	<b>-4%</b>
Operating expenses	-3,640	-3,589	+1%	-1,840	-1,820	+1%
<b>Pre-provision profit</b>	<b>9,968</b>	<b>10,515</b>	<b>-5%</b>	<b>4,988</b>	<b>5,328</b>	<b>-6%</b>
Total impairment charge	-719	-1,159	-38%	-360	-580	-38%
<b>Net income for the period before Zakat</b>	<b>9,249</b>	<b>9,357</b>	<b>-1%</b>	<b>4,627</b>	<b>4,747</b>	<b>-3%</b>
Zakat	-954	-965	-1%	-477	-489	-2%
<b>Net income for the period after Zakat</b>	<b>8,295</b>	<b>8,392</b>	<b>-1%</b>	<b>4,150</b>	<b>4,258</b>	<b>-3%</b>

Net Income After Zakat Growth Drivers By Type (SARmn)

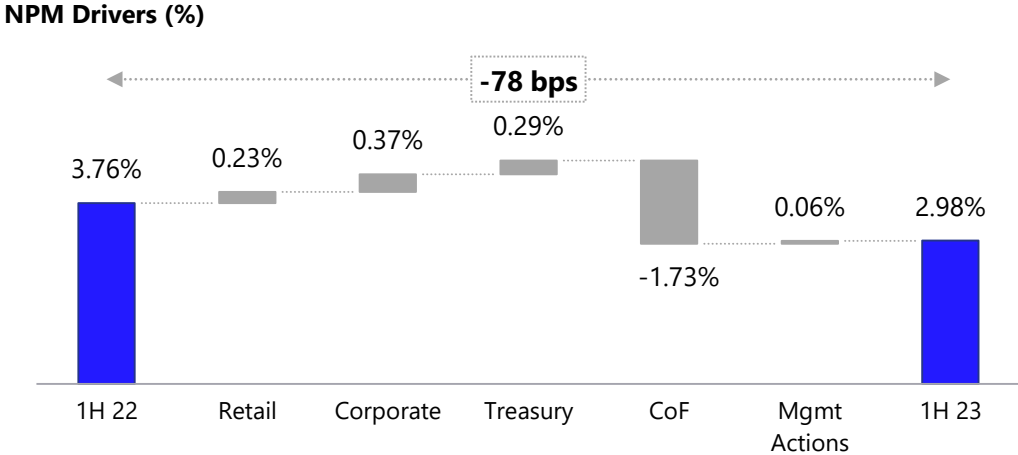
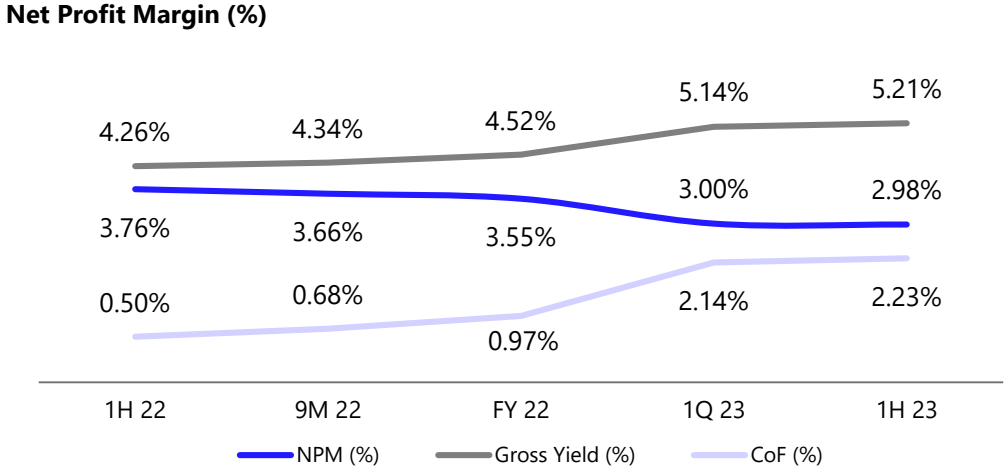
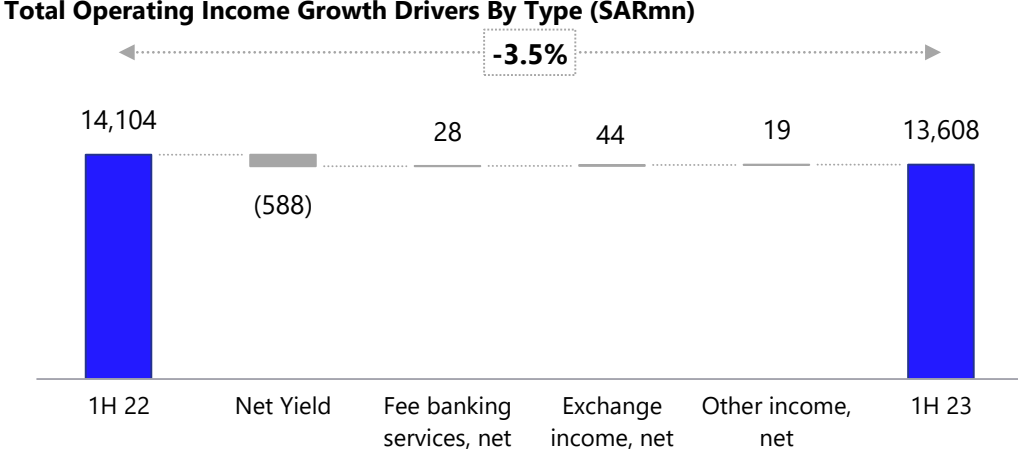
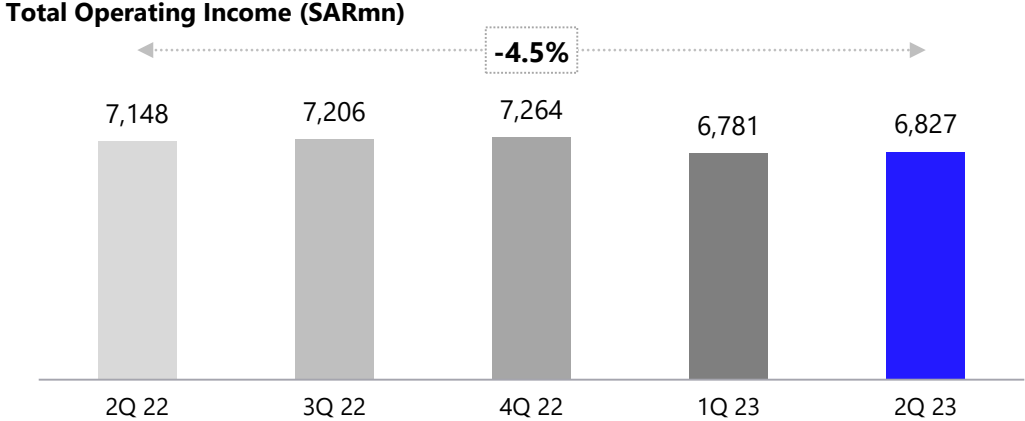


Net Income After Zakat Growth Drivers By Type (SARmn)



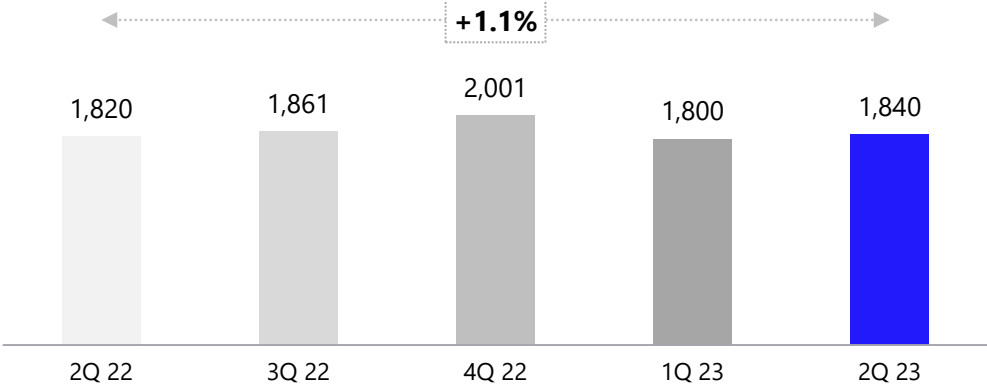


# Operating Income Trends | Lower operating income driven by higher cost of funding

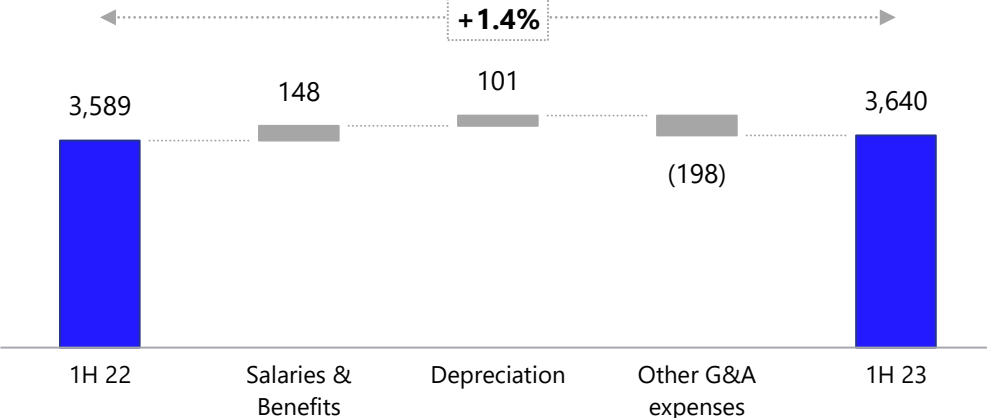


# Expenses Trends | Cost efficiencies remains solid

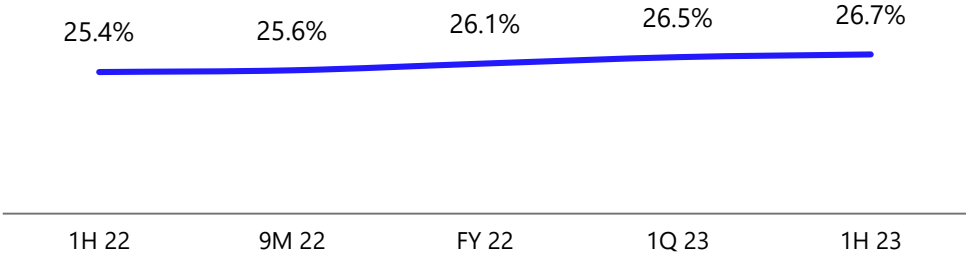
Operating Expenses (SARmn)



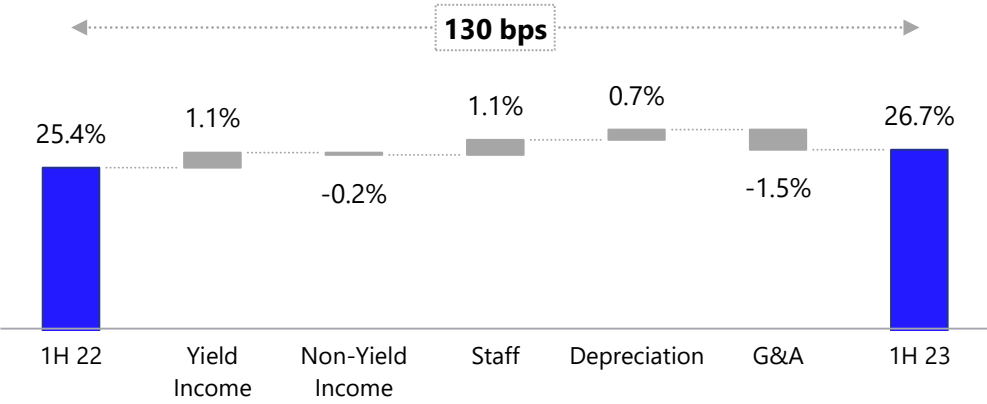
Operating Expenses Growth Drivers By Type (SARmn)



Cost To Income Ratio (%)

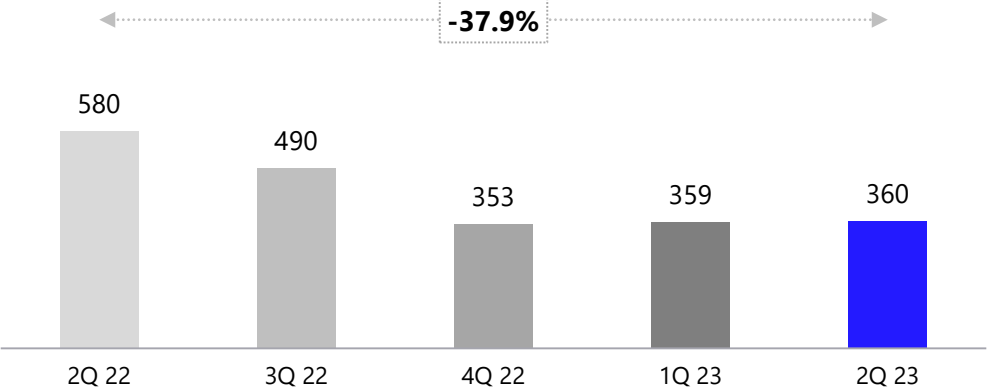


Cost to Income Ratio Drivers (%)

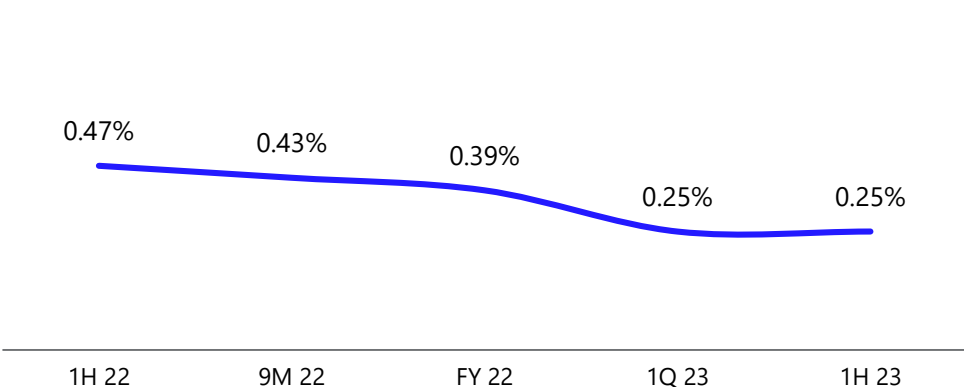


# Net Impairment & Cost of Risk | Lower net impairment resulted in cost of risk improvement

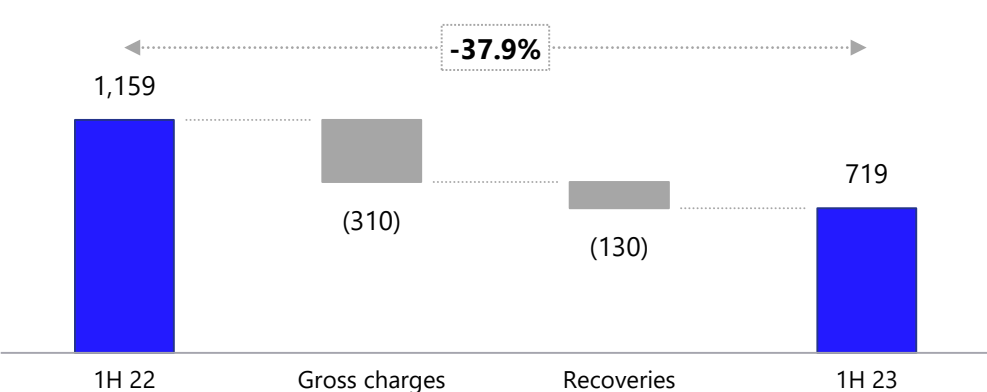
Net Impairment Charges (SARmn)



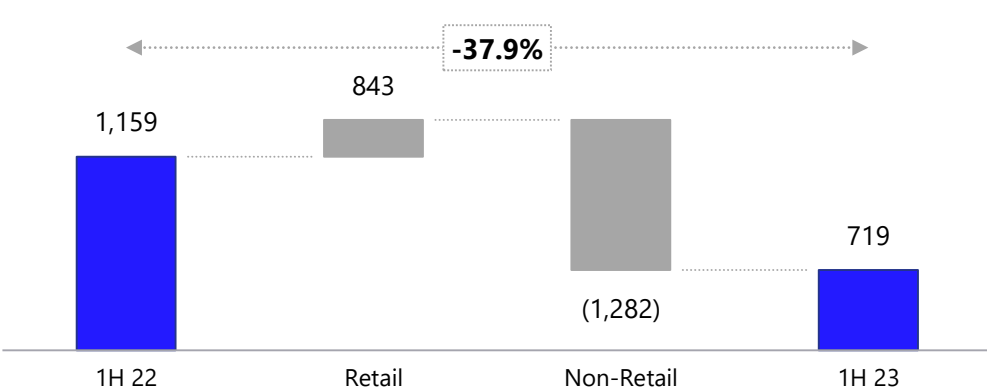
Cost of Risk (%)



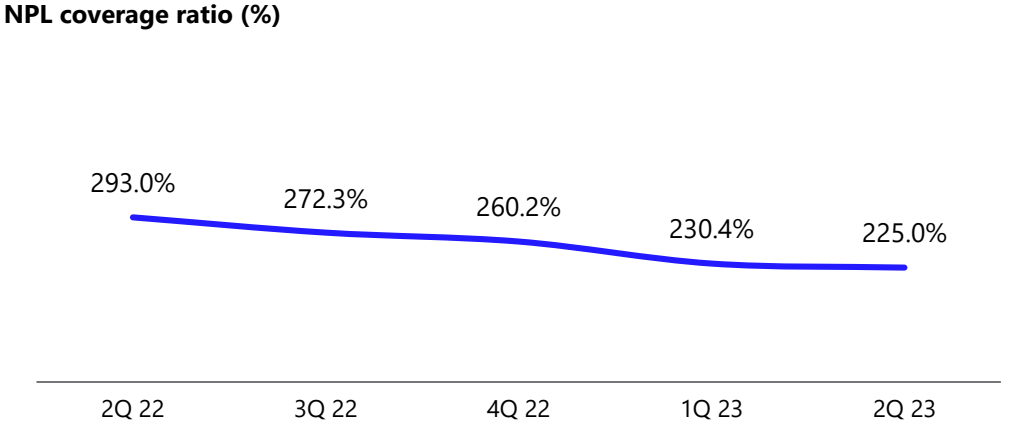
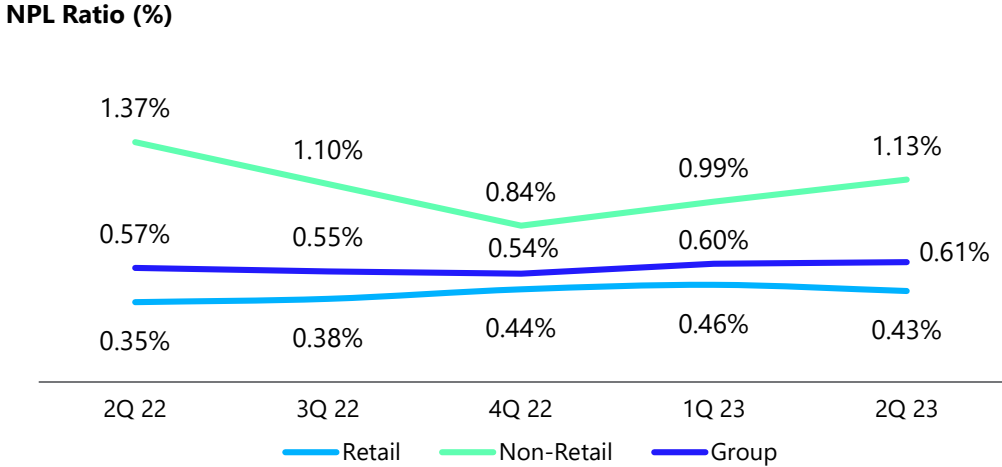
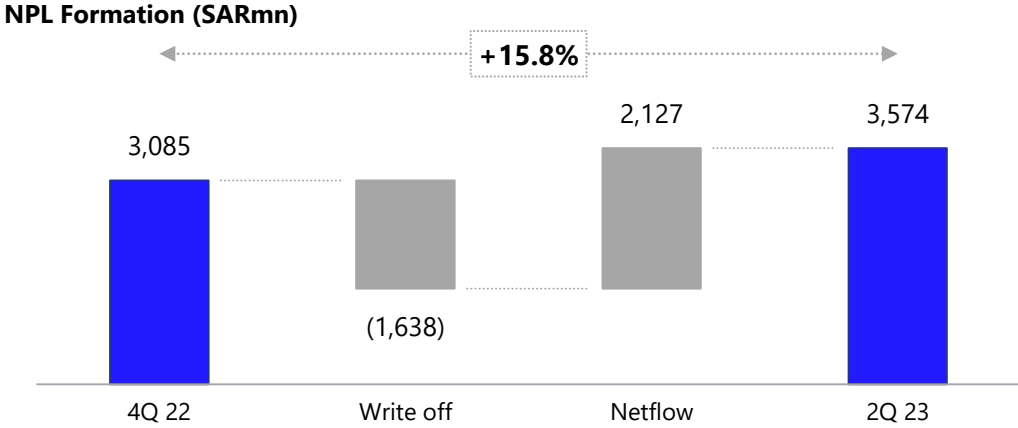
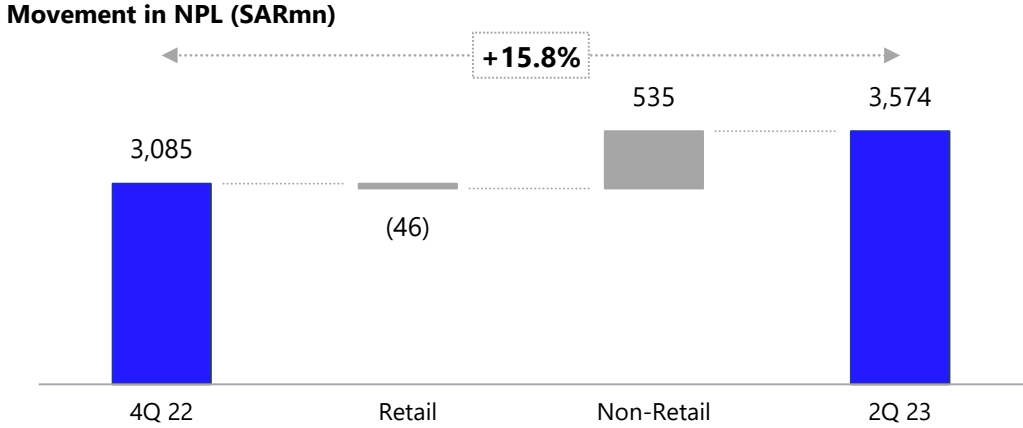
Movement in Net Impairment (SARmn)



Movement in Net Impairment by Group (SARmn)

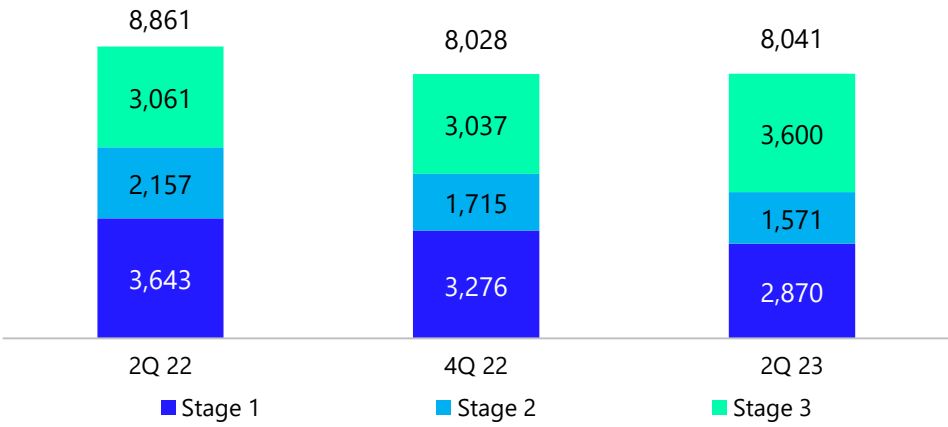


# Asset Quality Trends (1) | Asset quality remains healthy with high NPL coverage

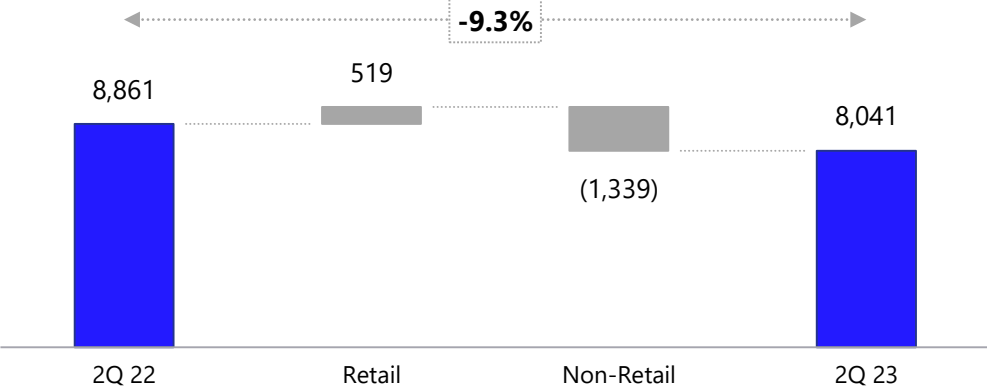


# Asset Quality Trends (2) | Healthy stage coverage reflecting prudent risk management

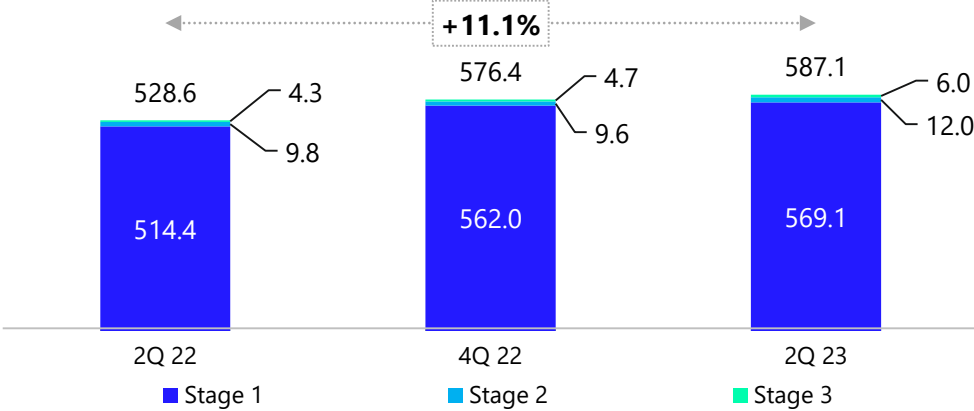
**ECL by Stage (SARmn)**



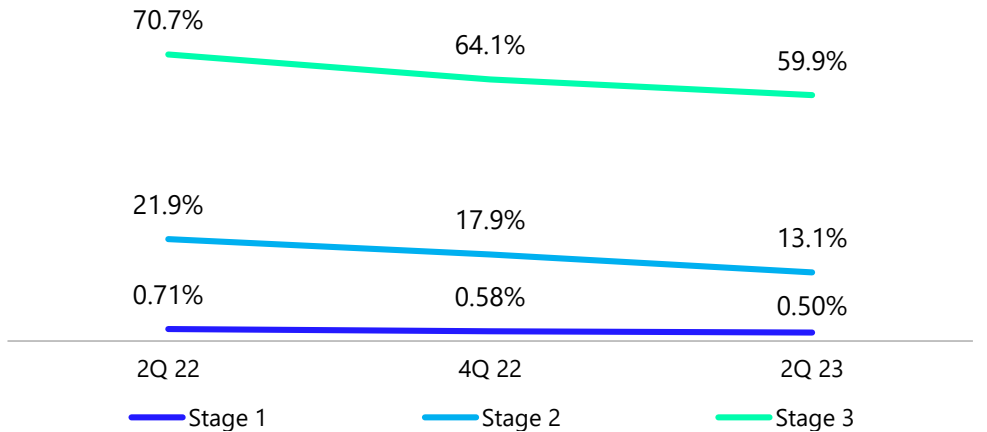
**Movement in ECL by Group (SARmn)**



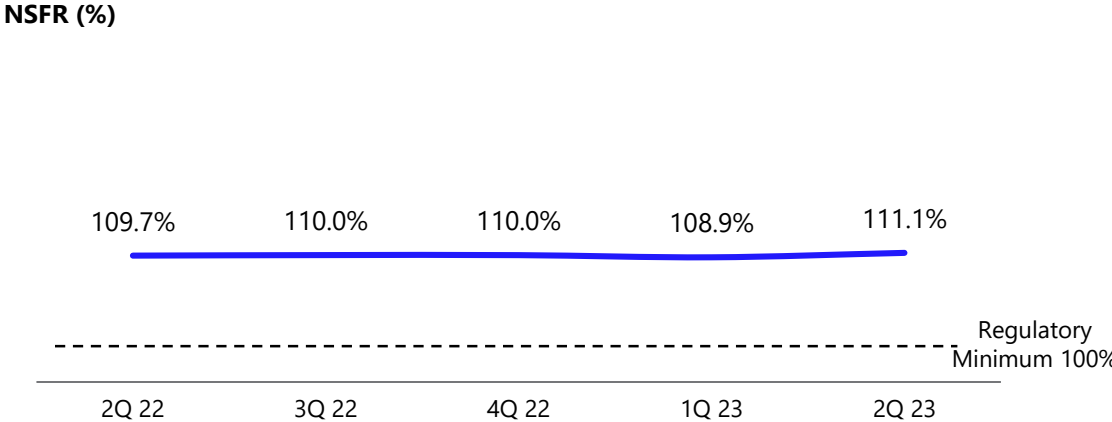
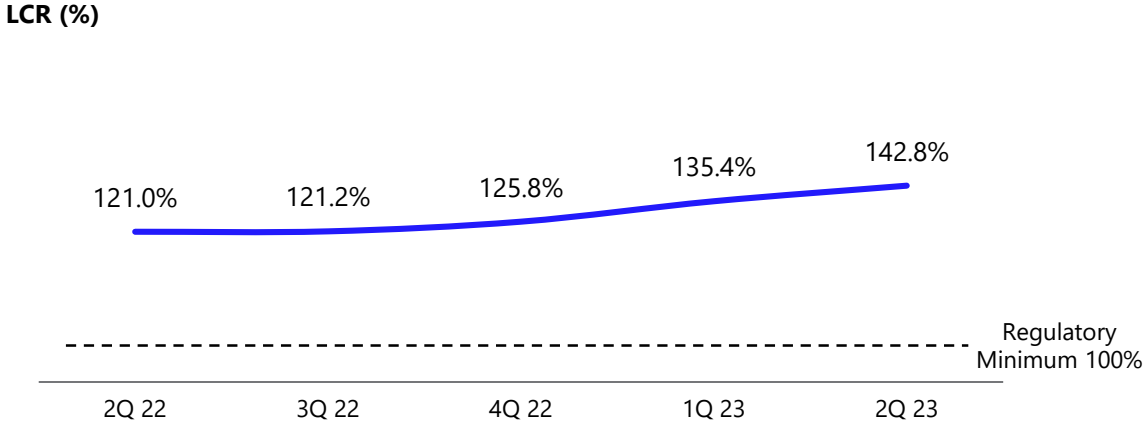
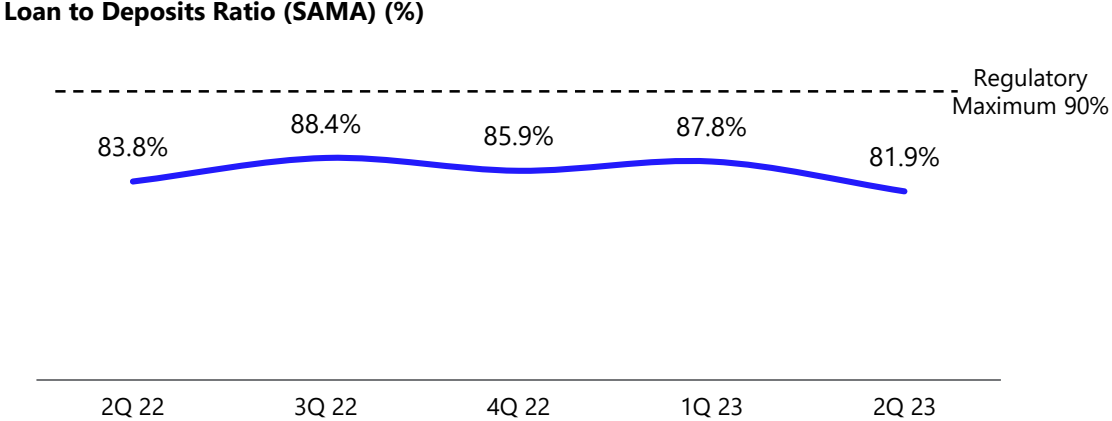
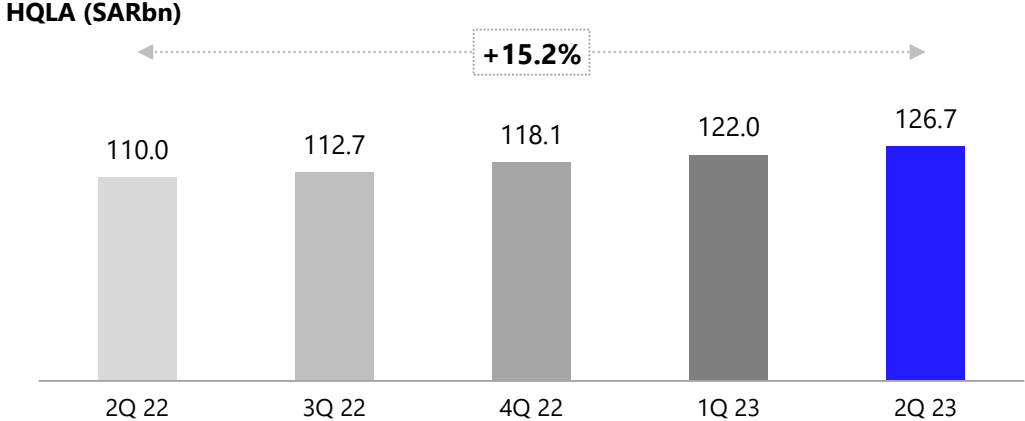
**Gross Loans by Stage (SARbn)**



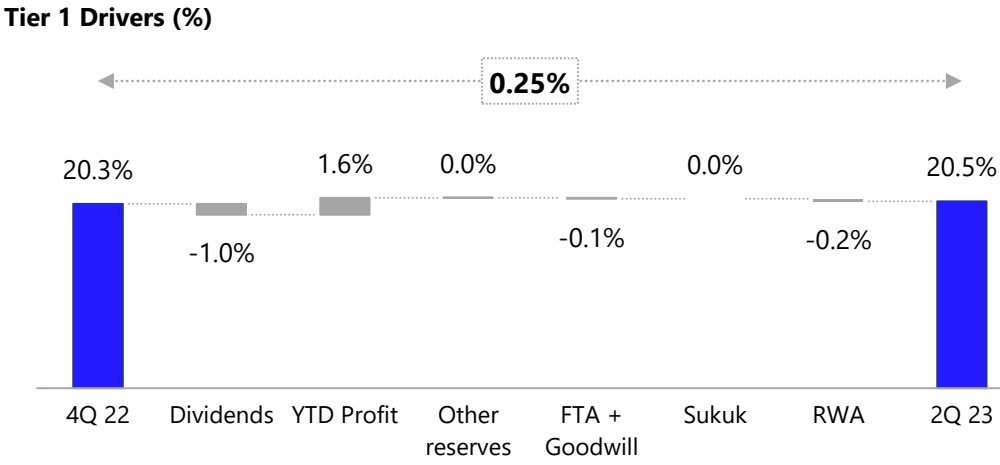
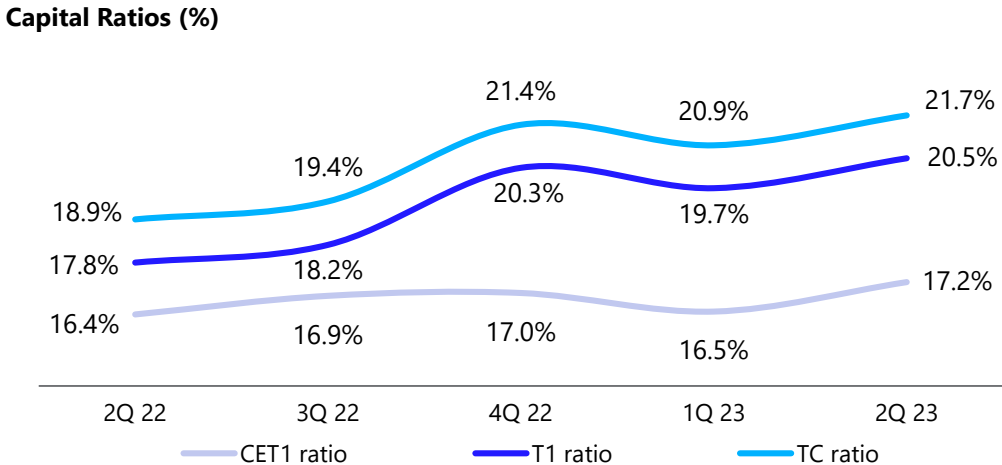
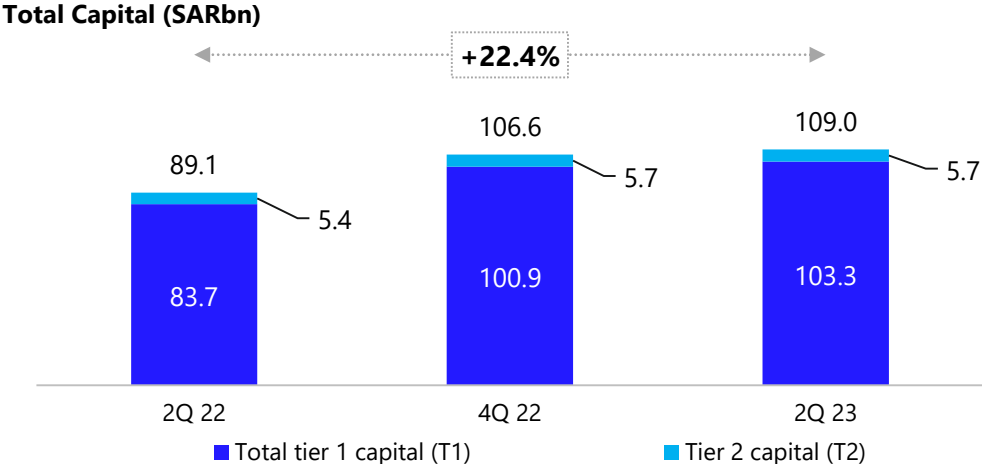
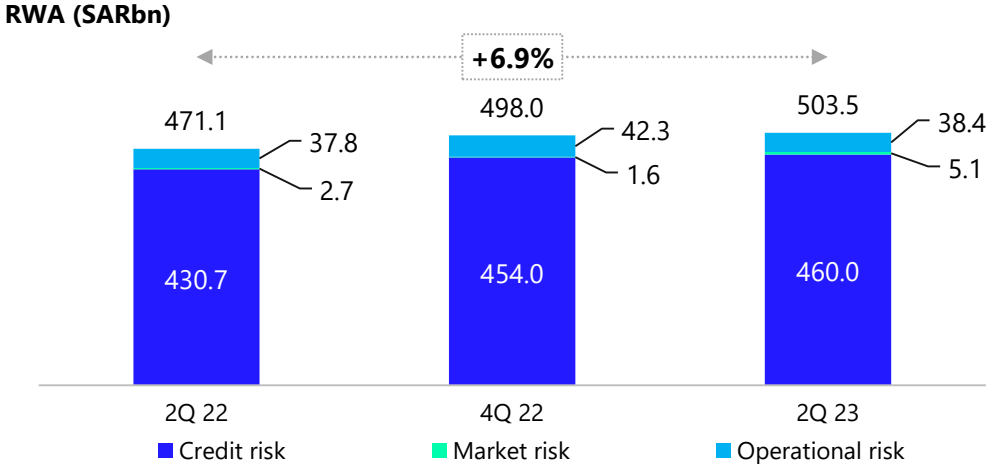
**ECL Coverage (%)**



# Liquidity Trends | Liquidity remains comfortably within regulatory requirements

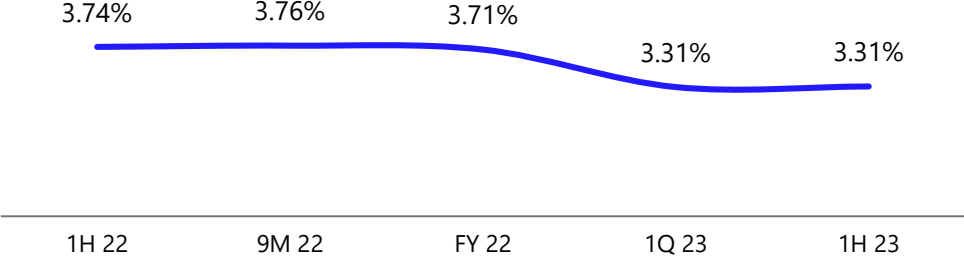


# Capitalization Trends | Capital position well above regulatory minima

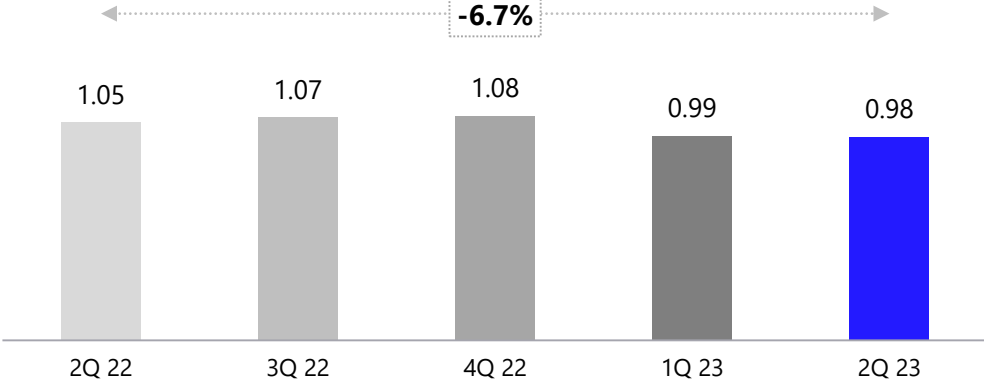


# Return Metrics | Al Rajhi Bank's returns remain industry-leading

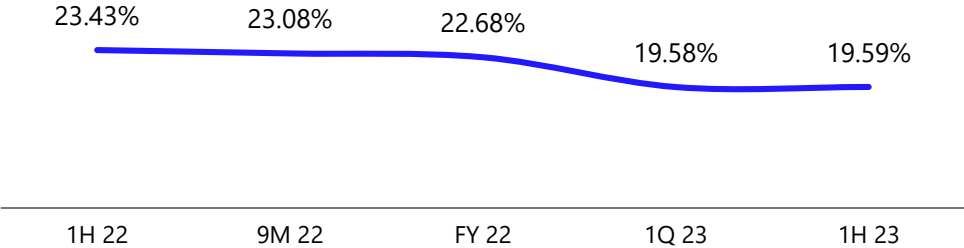
**Return on RWA (%)**



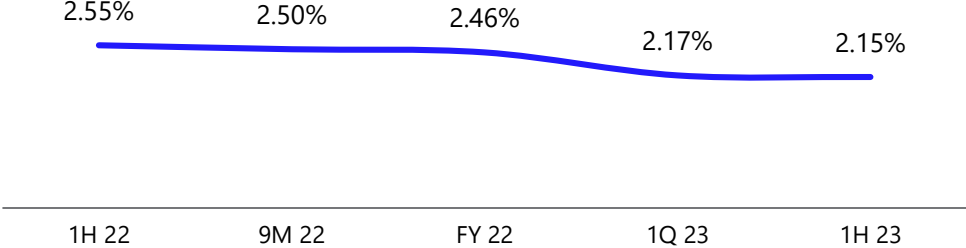
**Earnings per Share (SAR)**



**Return on Equity (%)**



**Return on Assets (%)**





# FY 2023 Guidance

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## FY 2023 Assumptions and Outlook | High interest rates is expected to weigh on credit demand

### Economy



- IMF revised down Saudi GDP growth forecasts to 1.9% in 2023 and 2.8% in 2024
- Saudi economy grew by 1.1% in 2Q23, driven by 5.5% growth in non-oil activities and 4.2% contraction in oil activities.
- Consumer spending increased by 8.9% in 1H 2023 on the back of improved economic activities
- Mortgage growth impacted due to the recent subsidy program changes while non-retail growth remains healthy

### Interest Rates



- Interest rates are expected to peak in early 3Q 2023 and then stay flat for the remaining of the year
- Higher interest rates is expected to weigh on credit demand and deposits mix in 2023
- Gross yields trend is expected to continue improving during the year reducing cost of funding pressure
- SRC benchmark rate remains unchanged since the latest change in March 2023

### Strategy & Execution



- "Bank of the Future" strategy delivery is in-line or ahead of expectations
- Strategy execution is on track to build a financial ecosystem addressing changing customer needs
- The focus will continue to improve the bank overall efficiencies through several initiatives
- ESG remains a focus for the management to build a sustainable business that contributes to the bottom line



## FY 2023 Guidance | Progressing in line with “Bank of The Future” strategy

		FY 2023 Guidance	1H 2023 Actual		Guidance Revision
<b>Balance Sheet</b>	Financing	Mid single digit	+1.9%	—	Mid single digit
<b>Profitability</b>	Net profit margin	-25 bps to -35 bps	-57 bps	↓	-40 bps to -50 bps
	Cost to income ratio	Below 27%	26.7%	↓	Below 27.5%
	ROE	Above 20%	19.59%	↓	Above 19%
<b>Asset Quality</b>	Cost of risk	0.30% - 0.40%	0.25%	↑	0.20% - 0.30%
<b>Capital</b>	Tier 1 ratio	Above 20%	20.5%	—	Above 20%



Q & A



# ESG Highlights

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## ESG Highlights | 2Q 2023

	USD <b>1.2 bn</b> Green syndicated loan		<b>Renovation</b> Of children with disability Association clinic	ISO/DIS 37301:2020 Compliance	
	Started using solar energy system in 44 branches to reduce utilities consumption	SAR <b>41.6mn</b> Donation in 2022	<b>6</b> Key social projects delivered	ISO 22301:2019 Business Continuity Management	
SAR <b>785bn</b> Total Assets	Around <b>SAR 3bn</b> of financing renewable energy projects	SAR <b>477mln</b> Zakat paid	<b>91</b> kidney transplants through Shifaa platform	<b>1,448</b> Sharia Board Resolutions	<b>109%</b> growth in female employees in 2022
SAR <b>4.1bn</b> Net Profit after Zakat	USD <b>1.0 bn</b> Sustainable Sukuk	SAR <b>885mln</b> in salaries and benefits paid	<b>10</b> batches of Graduate Development Program since 2015	<b>137</b> Policies & Frameworks	<b>28%</b> of female employees at the group level
<b>0%</b> Financing exposure in Tobacco, Alcohol & Gambling	<b>93:7</b> Digital to Manual Ratio	SAR <b>27.3bn</b> in financing for SMEs	<b>56,900+</b> total training days	<b>4 out of 11</b> Independent Board Directors	<b>+100%</b> growth in female customers since 2015
<b>Financial Sustainability</b>	<b>Environmental</b>	<b>Social</b>		<b>Governance</b>	<b>Gender Diversity</b>

■ 2Q 2023 figures



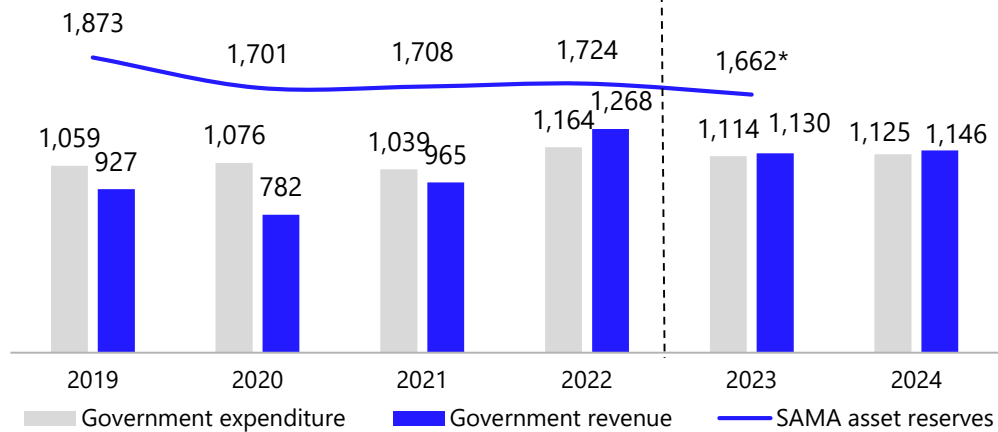
# KSA's Macro-Economic Environment

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## Highlights

- GDP grew by 1.1% in 2Q 2023 driven by higher non-oil activities
- IMF revised down Saudi's GDP growth forecasts to 1.9% for 2023 and 2.8% for 2024
- Inflation eased to 2.7% in June 2023 and expected to normalize in 2024 to 2.3%

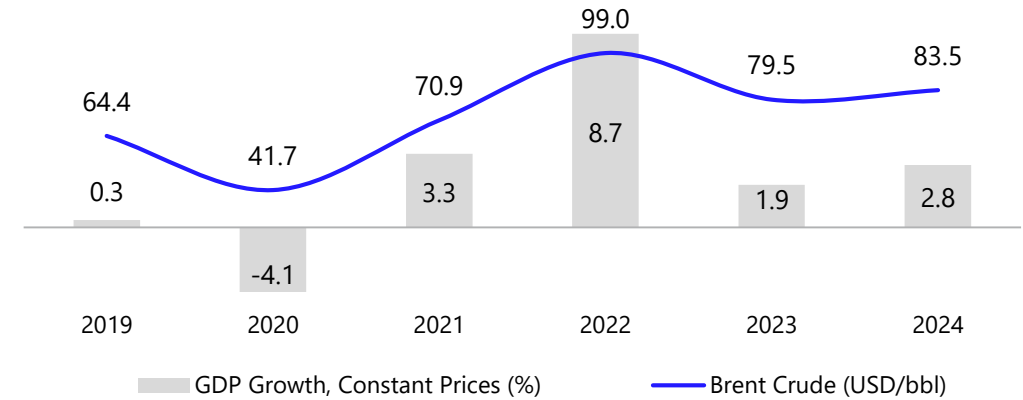
### Expenditure/Revenue and Asset Reserves (SARbn)



Source: MoF, SAMA

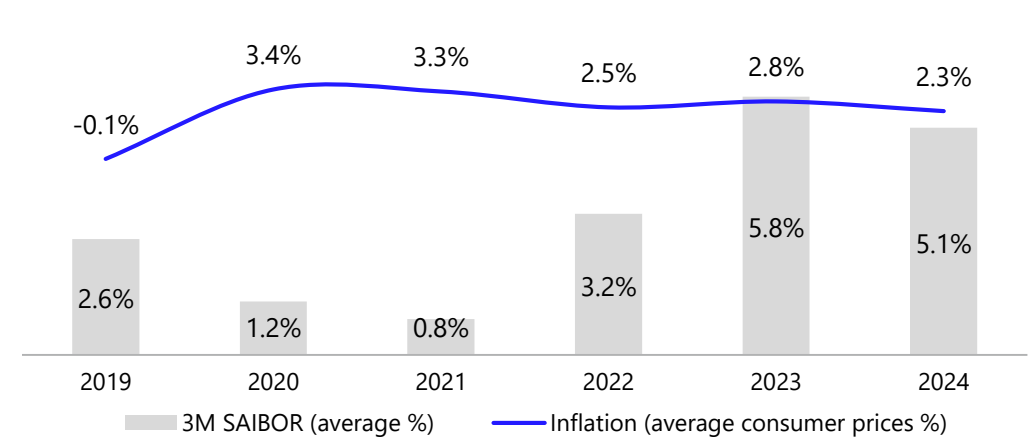
\* June 2023 figure

### GDP Growth/Brent Oil Price



Source: IMF, U.S. Energy Information

### 3M SAIBOR / Inflation



Source: SAMA, IMF, MoF



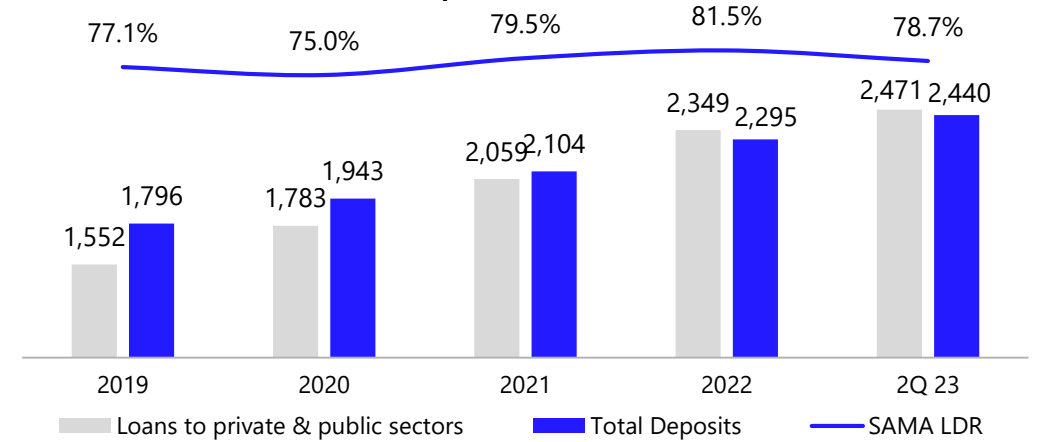


# Banking Sector Highlights | Banking system deposits growth outpaced loans growth in 1H2023

## Recent Developments

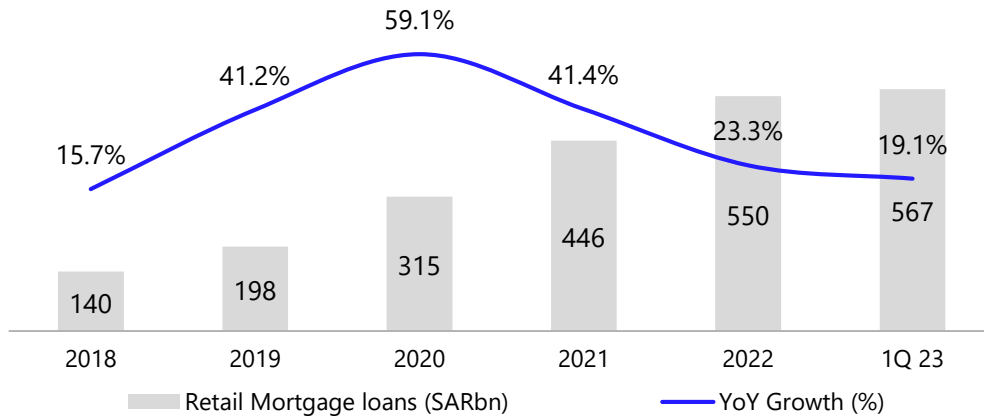
- Deposits growth in the banking system during first half outperformed loans growth
- SRC benchmark rate remains unchanged since the latest change in March 2023
- Consumer spending increased by 8.9% in 1H2023 with continuous migration to cashless payment methods

SAMA LDR (%) & Bank Loans and Deposits (SARmn)



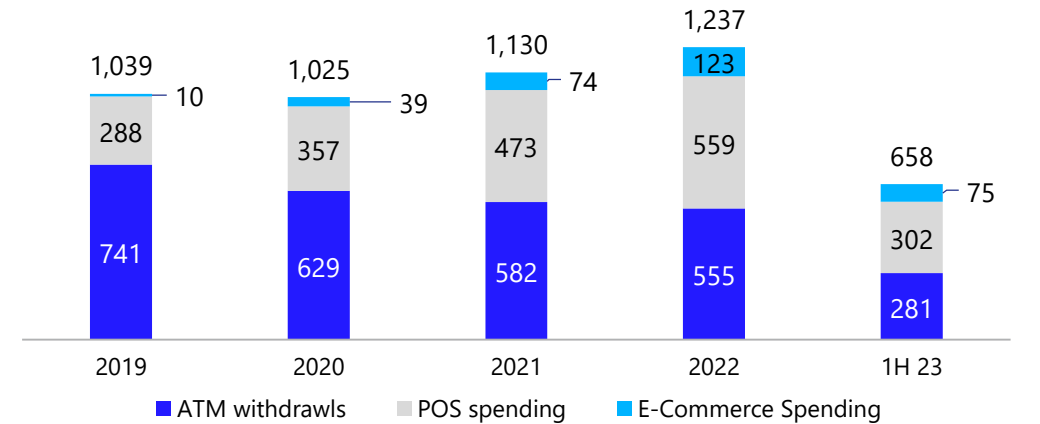
Source: SAMA

Retail Mortgage (SARbn)



Source: SAMA

POS/ATM & E-Commerce (SARbn)



Source: SAMA



# IR Contact Information

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## Additional Information | Contact investor relations for more information

### Rayan Alshuaibi

Director of Investor Relations  
+966 (11) 828 1972  
alshuaibirs@alrajhibank.com.sa

### Abdulrahman Alyami

Assistant Manager Investor Relations  
+966 (11) 828 3586  
AlyamiAH@alrajhibank.com.sa



Alrajhi Mobile App



Alrajhi Business App



Alrajhi IR App



Alrajhi Tadawul Mobile App



Emkan App



urpay App

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- Annual Report
- Financial Statements
- Investor Presentation
- Factsheet
- Data Supplement
- Earnings Release



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