

# Al Rajhi Bank Results Presentation

4Q 2023 Earnings Conference Call and Webcast



# 4Q 2023 Earnings Call

<b>03</b>	4Q 2023 Results Summary
<b>04</b>	Bank Of The Future – Strategy Execution
<b>05</b>	4Q 2023 Financial Highlights
<b>17</b>	FY 2024 Guidance
<b>21</b>	ESG Highlights
<b>23</b>	KSA's Macro-Economic Environment
<b>26</b>	IR Contact Information



# FY 2023 Results Summary | Results are in line with expectations

6.1% YTD Balance Sheet Growth	4.6% YTD Growth in financing portfolio	6.00% Growth in liabilities	LDR below regulatory minima
	<p>Net Financing</p> <p>568.3bn <math>\xrightarrow{+4.6\%}</math> 594.2bn</p> <p>FY 22 FY 23</p>	<p>Total Liabilities</p> <p>661.4bn <math>\xrightarrow{+6.0\%}</math> 701.3bn</p> <p>FY 22 FY 23</p>	<p>Loan to Deposit Ratio</p> <p>85.9% <math>\xrightarrow{\text{down}}</math> 82.9%</p> <p>FY 22 FY 23</p>
3.1% lower net income YoY	4.1% drop in net yield income, impacted by cost of funds	2.2% lower Non yield income	3.7% lower operating income
	<p>Net Yield income</p> <p>22,173mn <math>\xrightarrow{-4.1\%}</math> 21,269mn</p> <p>FY 22 FY 23</p>	<p>Non Yield Income</p> <p>6,402mn <math>\xrightarrow{-2.2\%}</math> 6,262mn</p> <p>FY 22 FY 23</p>	<p>Operating Income</p> <p>28,575mn <math>\xrightarrow{-3.7\%}</math> 27,531mn</p> <p>FY 22 FY 23</p>
Stable credit quality	14 bps COR reduction	9 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 FY 23</p>	<p>NPL</p> <p>0.62% <math>\xrightarrow{\text{up}}</math> 0.71%</p> <p>FY 22 FY 23</p>	<p>NPL Coverage</p> <p>238% <math>\xrightarrow{\text{down}}</math> 203%</p> <p>FY 22 FY 23</p>
Key Ratios	Operating efficiency remains solid	Improved capital position	Lower NPM
	<p>Cost to income ratio</p> <p>26.1% <math>\xrightarrow{\text{up}}</math> 27.2%</p> <p>FY 22 FY 23</p>	<p>Total Capital Adequacy Ratio</p> <p>21.4% <math>\xrightarrow{\text{up}}</math> 21.5%</p> <p>FY 22 FY 23</p>	<p>NPM</p> <p>3.55% <math>\xrightarrow{\text{down}}</math> 2.99%</p> <p>FY 22 FY 23</p>



# “Bank of the Future” closure position | Highlights on our executed strategy

## Bank

**Build** on our core

## OF

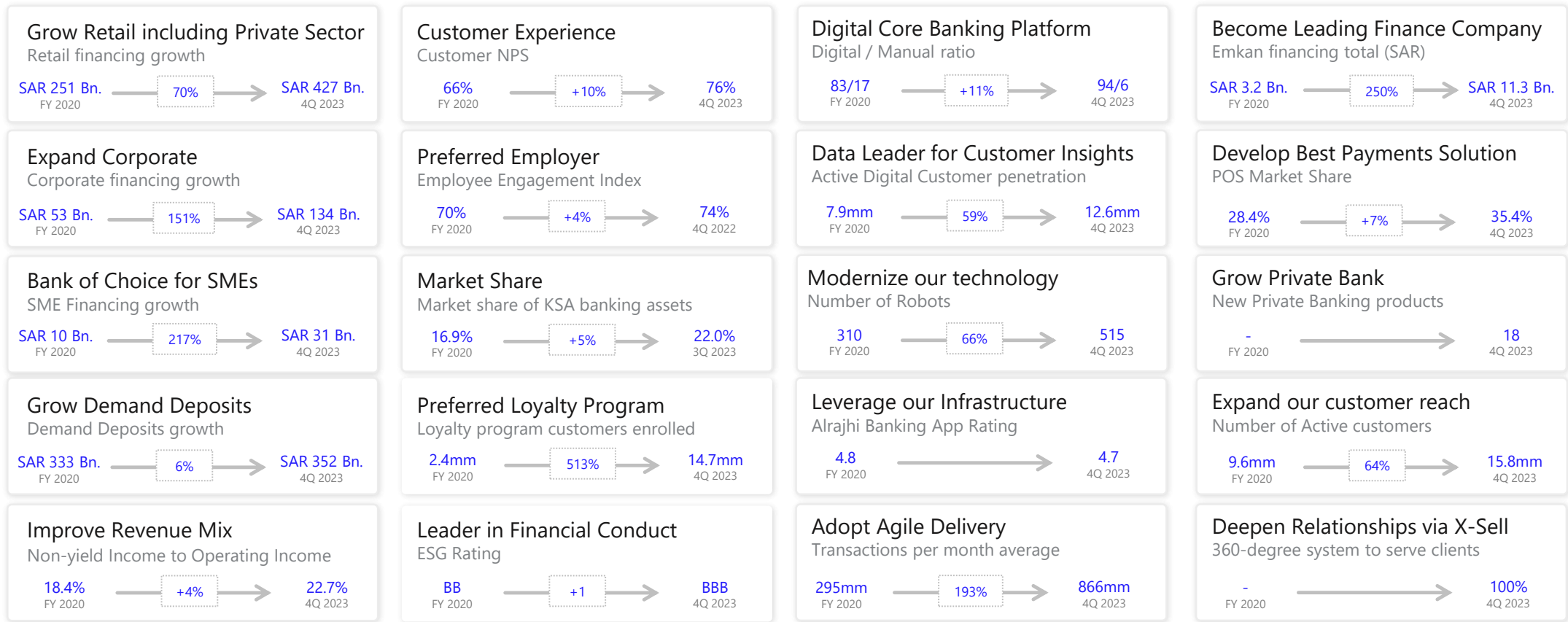
**Outperform** our competition

## The

**Transform** technology

## Future

**Focus** on new client needs

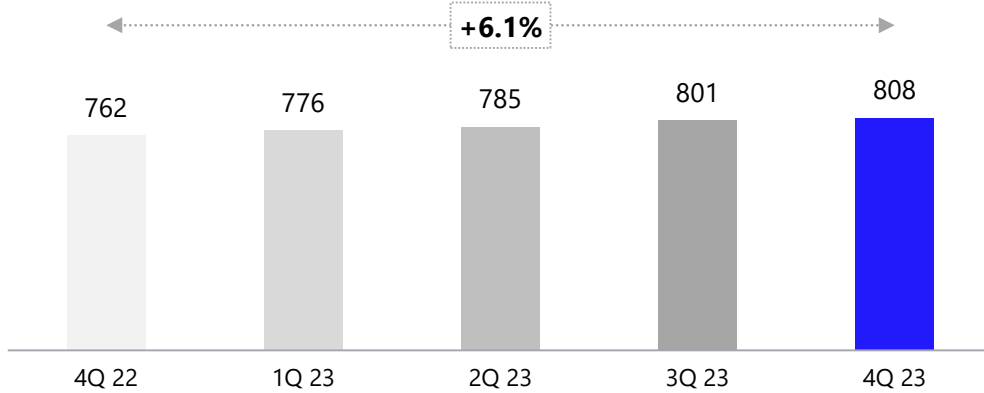


# 4Q 2023 Financial Highlights

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# Balance Sheet Trends (1) | Balance sheet growth of 6% YTD driven by Financing and Investments

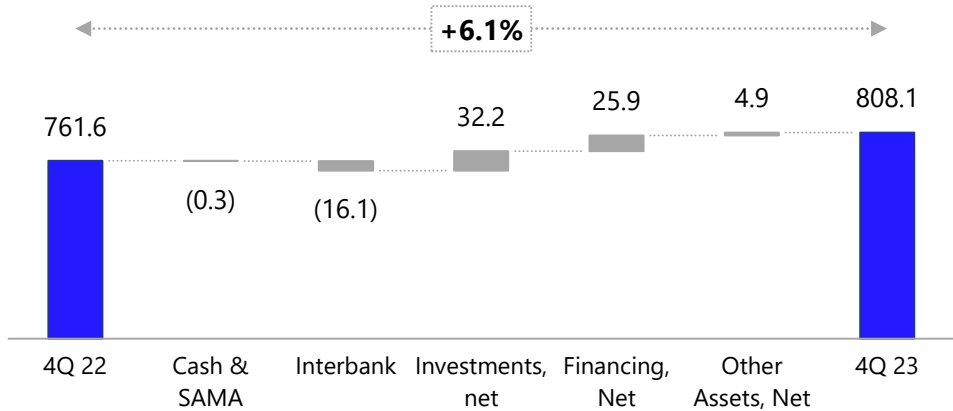
**Total Assets (SARbn)**



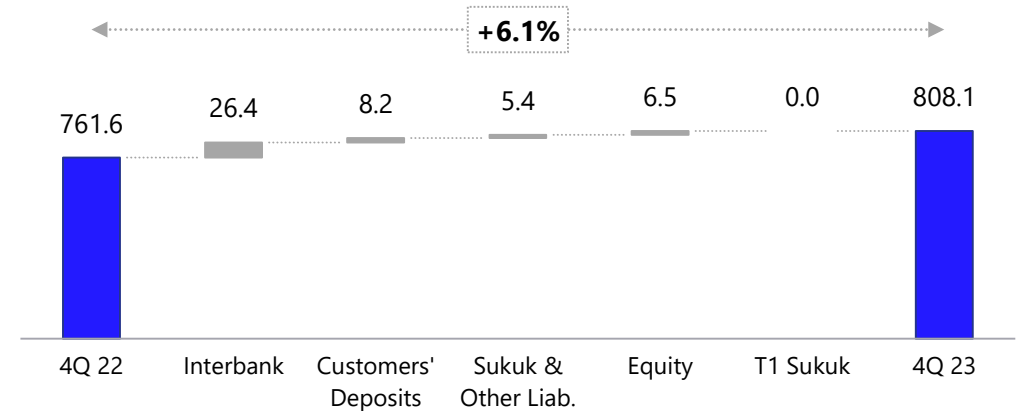
**SAR (mn)**

	4Q 23	3Q 23	QoQ	4Q 22	YoY
Cash & balances with SAMA	41,768	43,838	-5%	42,052	-1%
Due from banks & other FI	9,507	8,128	+17%	25,656	-63%
Investments, net	134,299	128,700	+4%	102,146	+31%
Financing, net	594,205	590,826	+1%	568,338	+5%
Other assets, net	28,321	29,991	-6%	23,426	+21%
<b>Total assets</b>	<b>808,098</b>	<b>801,483</b>	<b>+1%</b>	<b>761,619</b>	<b>+6%</b>
Due to banks & other FI	97,247	100,126	-3%	70,839	+37%
Customers' deposits	573,101	565,719	+1%	564,925	+1%
Sukuk issued	3,789	3,834	+1%	0	0
Other liabilities	27,202	29,525	-8%	25,630	+6%
<b>Total liabilities</b>	<b>701,339</b>	<b>699,204</b>	<b>+0%</b>	<b>661,394</b>	<b>+6%</b>
<b>Total equity</b>	<b>106,759</b>	<b>102,280</b>	<b>+4%</b>	<b>100,225</b>	<b>+7%</b>

**Movement in Assets (SARbn)**

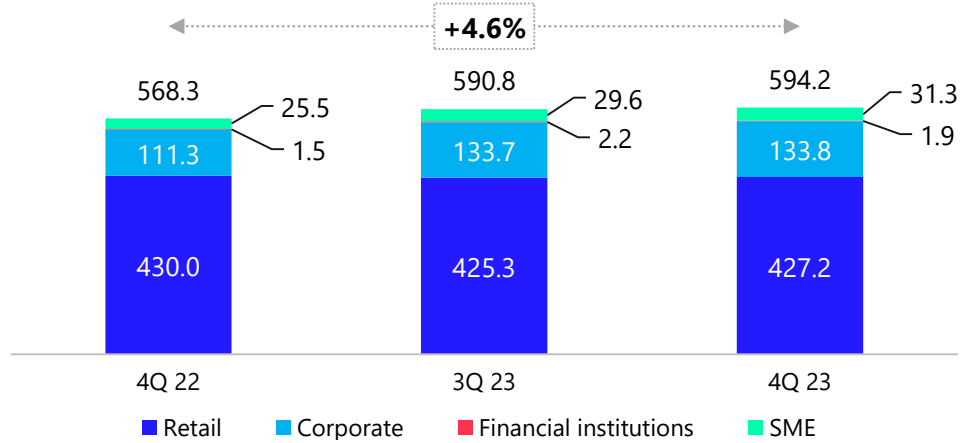


**Movement in Funding (SARbn)**

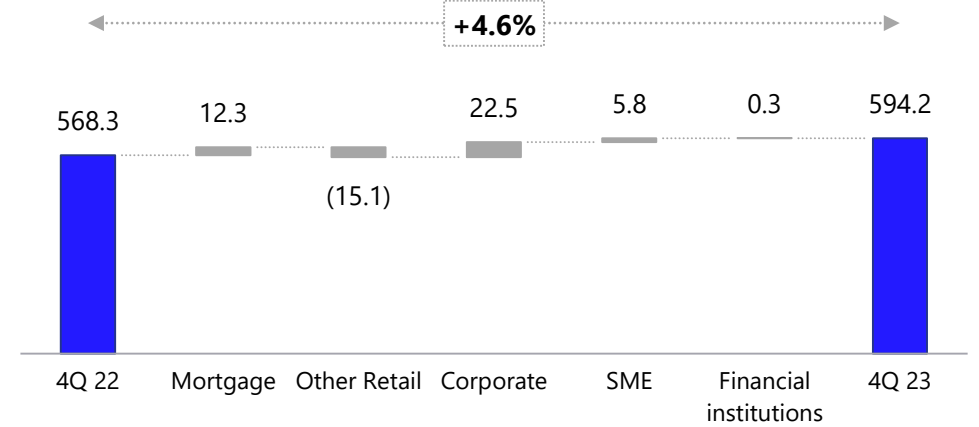


## Balance Sheet Trends (2) | Financing growth driven by mortgage and corporate

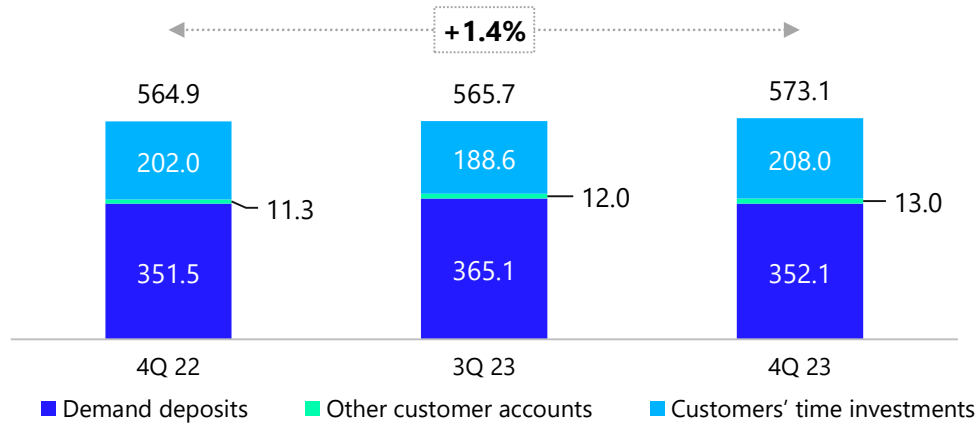
Financing, Net (SARbn)



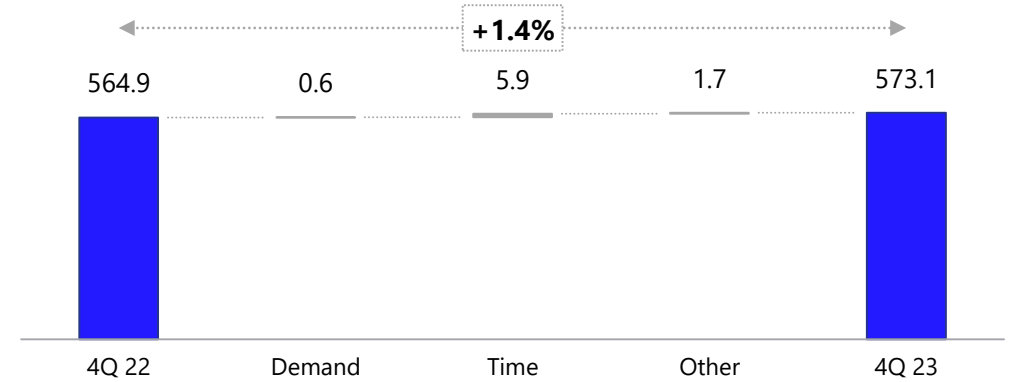
Movement in Financing (SARbn)



Total Customers' Deposits (SARbn)

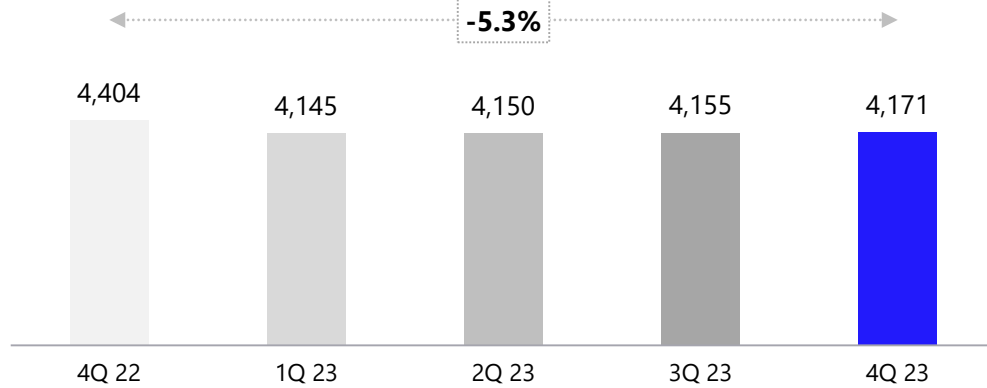


Movement in Total Customers' Deposits (SARbn)

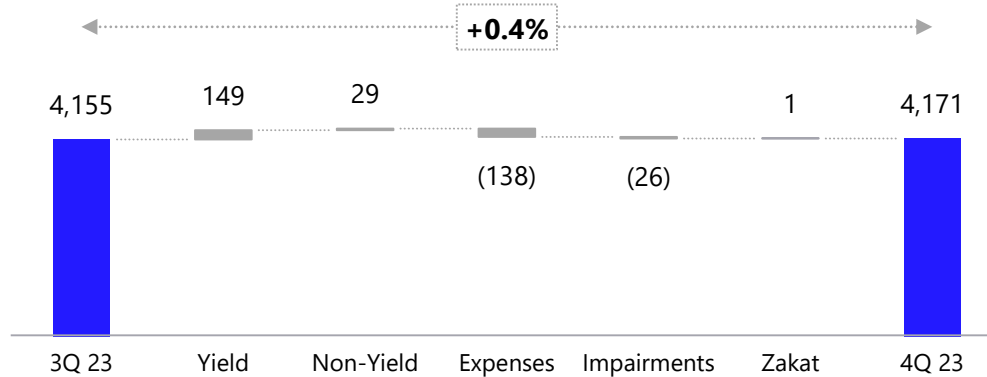


# Net Income Trends | net profit lower by 3.1% in 2023 impacted by NIM contraction

Net Income For The Period After Zakat (SARmn)



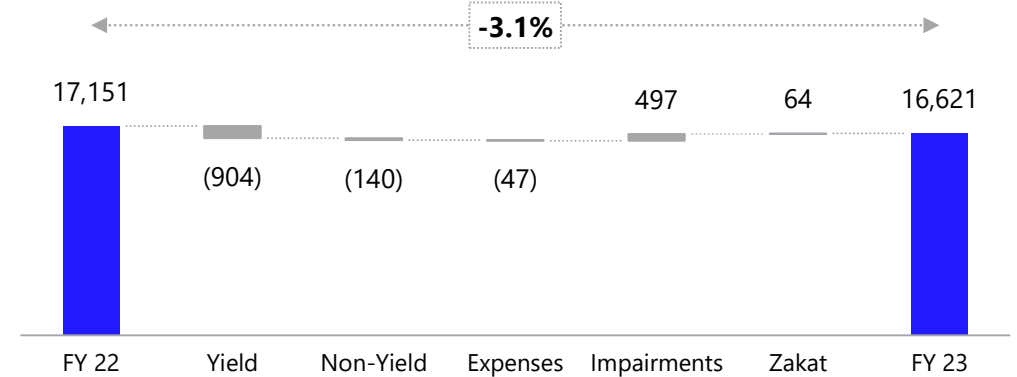
Net Income After Zakat Growth Drivers By Type (SARmn)



SAR (mn)

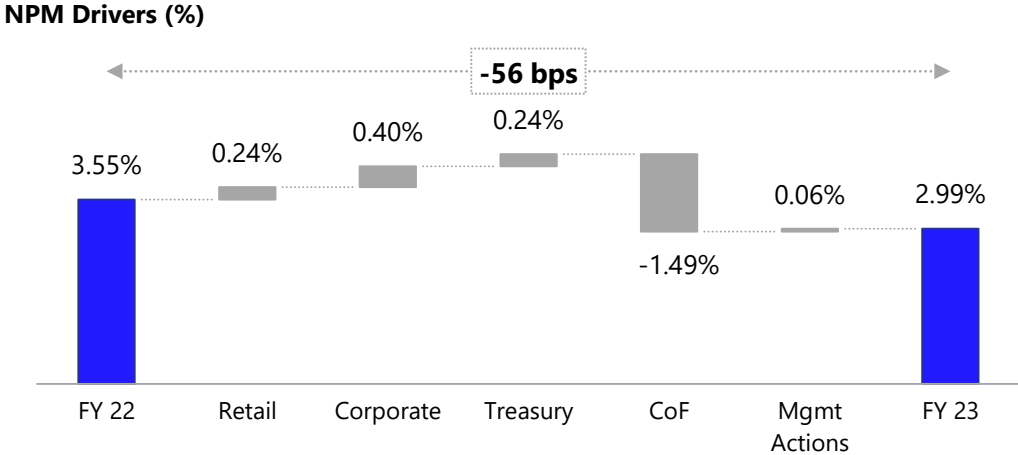
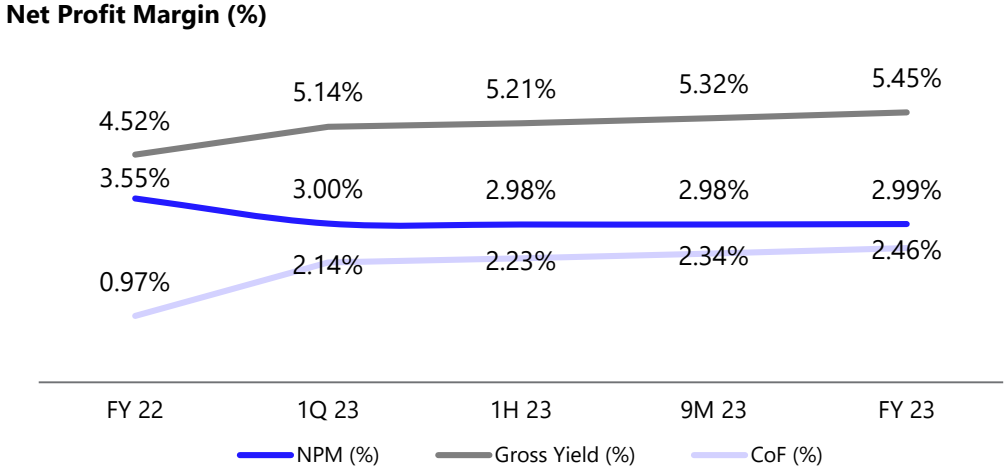
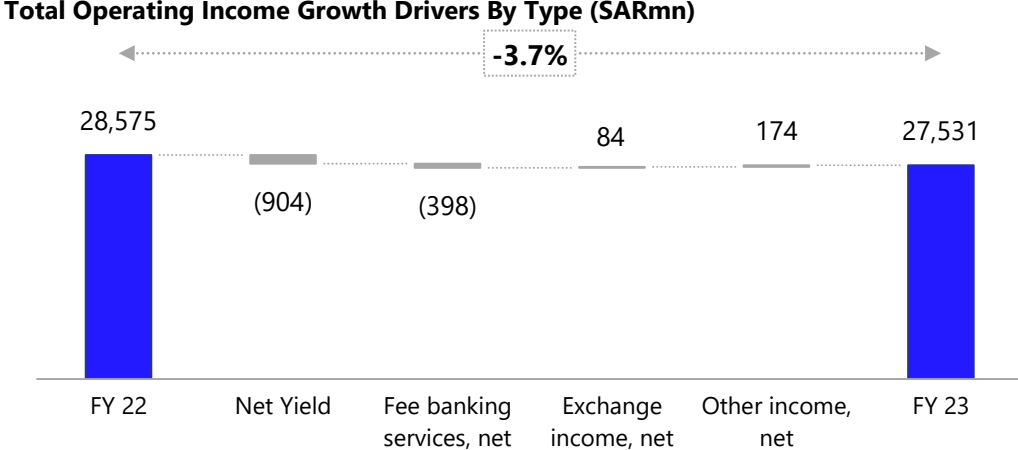
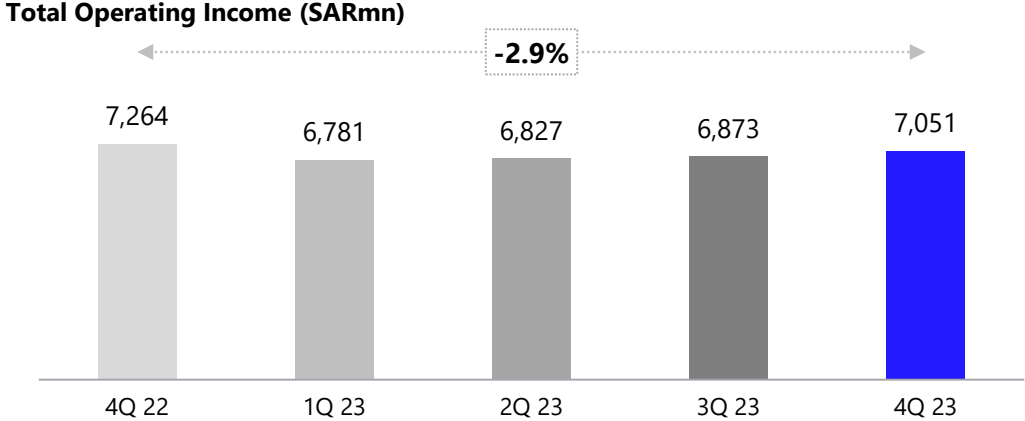
	FY 23	FY 22	YoY	4Q 23	4Q 22	YoY
<b>Net financing &amp; investment income</b>	<b>21,269</b>	<b>22,173</b>	<b>-4%</b>	<b>5,550</b>	<b>5,579</b>	<b>-1%</b>
Fee from banking services, net	4,226	4,624	-9%	988	1,179	-16%
Exchange Income, net	1,246	1,162	+7%	322	298	+8%
Other operating income, net	790	616	+28%	192	209	-8%
<b>Fees and other income</b>	<b>6,262</b>	<b>6,402</b>	<b>-2%</b>	<b>1,501</b>	<b>1,685</b>	<b>-11%</b>
<b>Total operating income</b>	<b>27,531</b>	<b>28,575</b>	<b>-4%</b>	<b>7,051</b>	<b>7,264</b>	<b>-3%</b>
Operating expenses	-7,498	-7,451	+1%	-1,998	-2,001	-0%
<b>Pre-provision profit</b>	<b>20,033</b>	<b>21,124</b>	<b>-5%</b>	<b>5,053</b>	<b>5,263</b>	<b>-4%</b>
Total impairment charge	-1,504	-2,001	-25%	-406	-353	+15%
<b>Net income for the period before Zakat</b>	<b>18,529</b>	<b>19,123</b>	<b>-3%</b>	<b>4,647</b>	<b>4,911</b>	<b>-5%</b>
Zakat	-1,908	-1,972	-3%	-477	-506	-6%
<b>Net income for the period after Zakat</b>	<b>16,621</b>	<b>17,151</b>	<b>-3%</b>	<b>4,171</b>	<b>4,404</b>	<b>-5%</b>

Net Income After Zakat Growth Drivers By Type (SARmn)



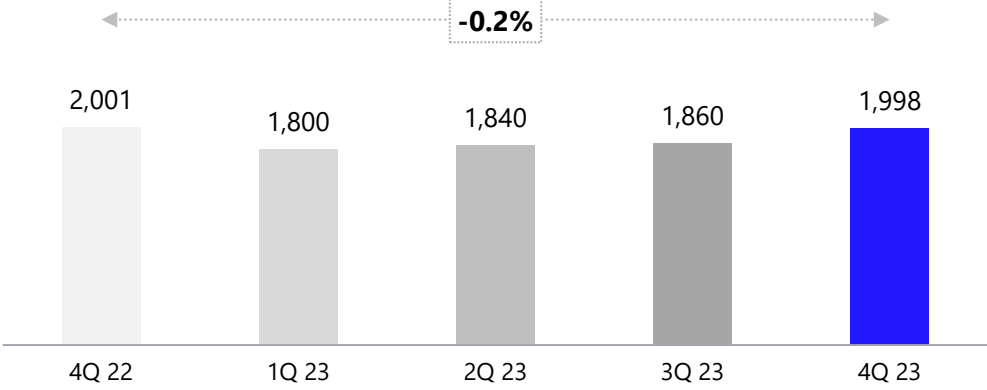


# Operating Income Trends | Lower operating income driven by higher cost of funding

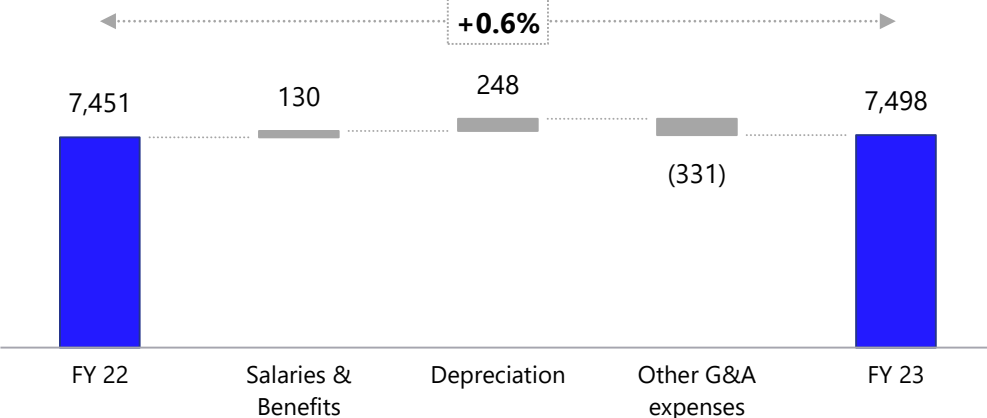


# Expenses Trends | Cost efficiencies remains solid

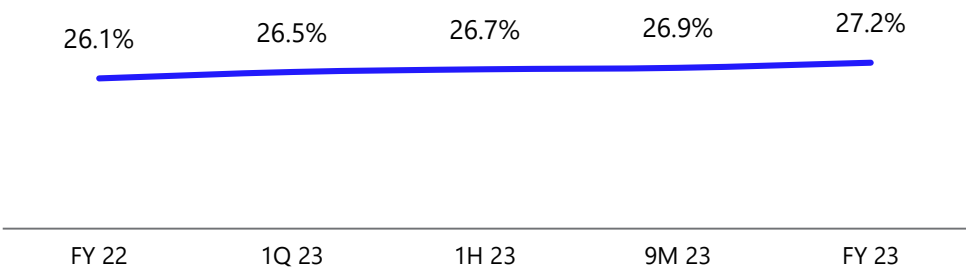
Operating Expenses (SARmn)



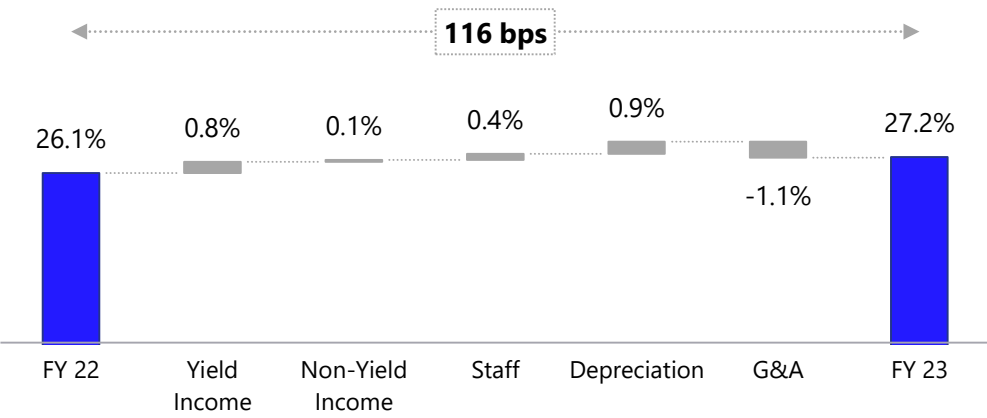
Operating Expenses Growth Drivers By Type (SARmn)



Cost To Income Ratio (%)

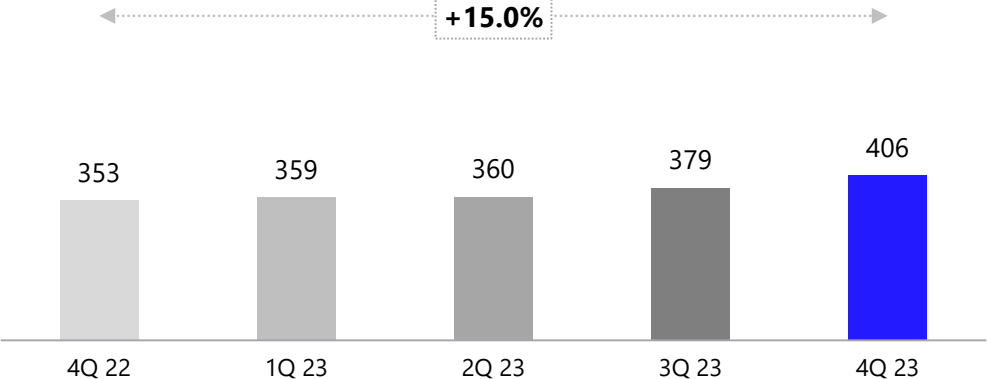


Cost to Income Ratio Drivers (%)

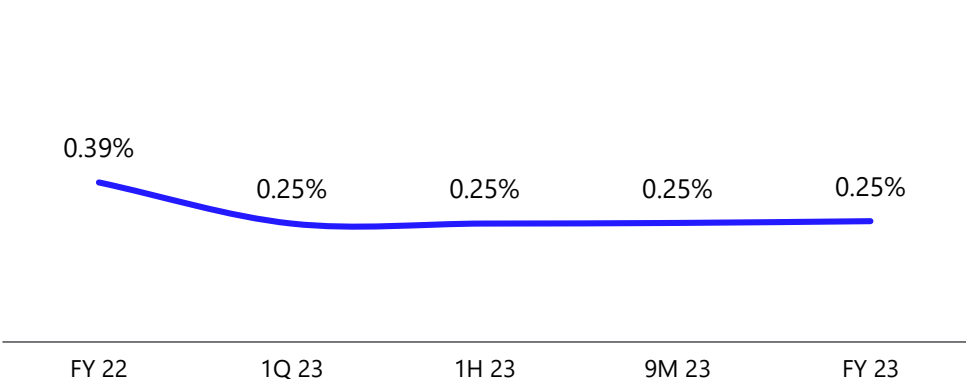


# Net Impairment & Cost of Risk | Lower gross charge and improved recoveries resulted in a maintained cost of risk

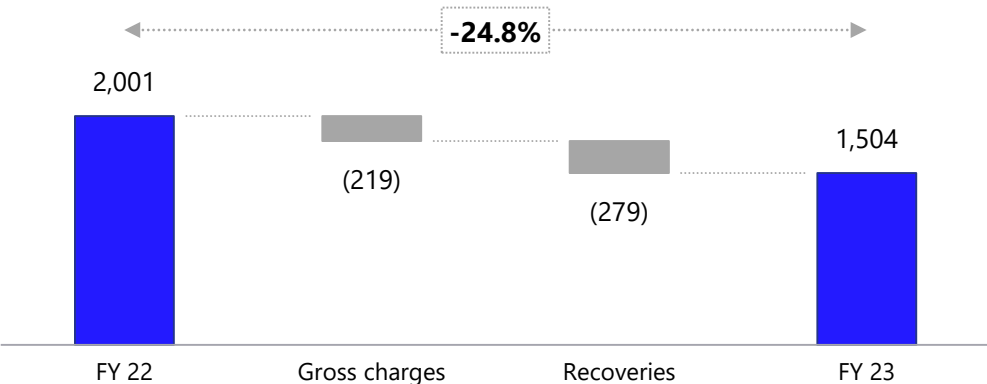
**Net Impairment Charges (SARmn)**



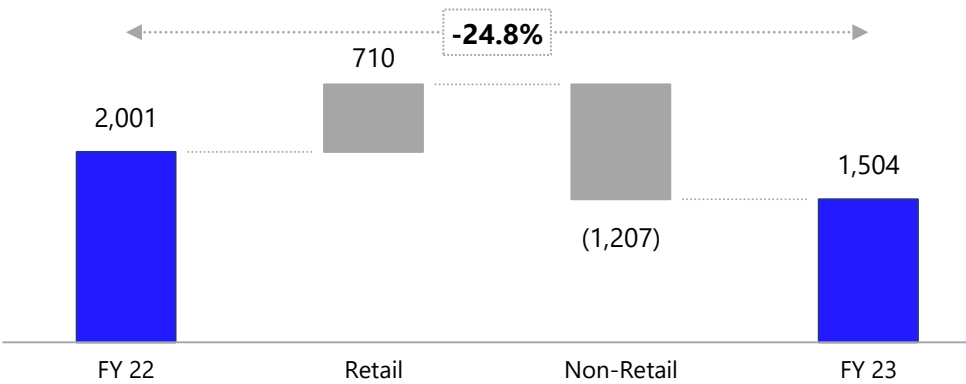
**Cost of Risk (%)**



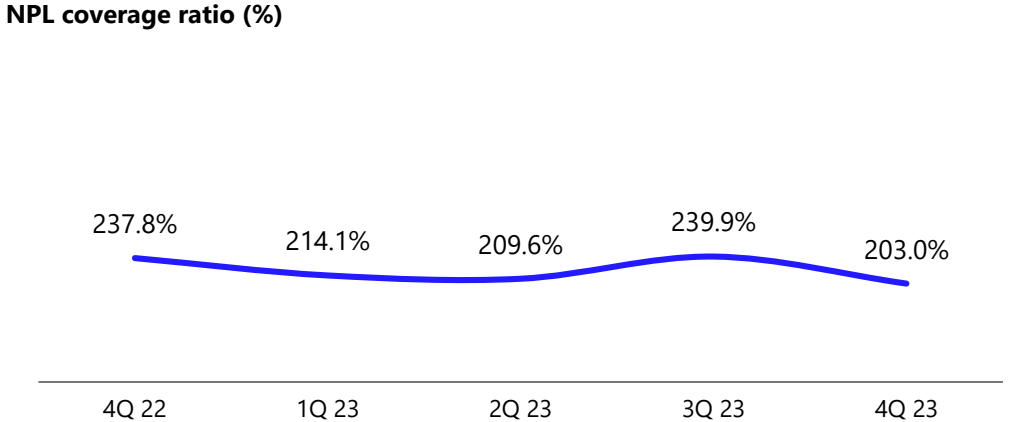
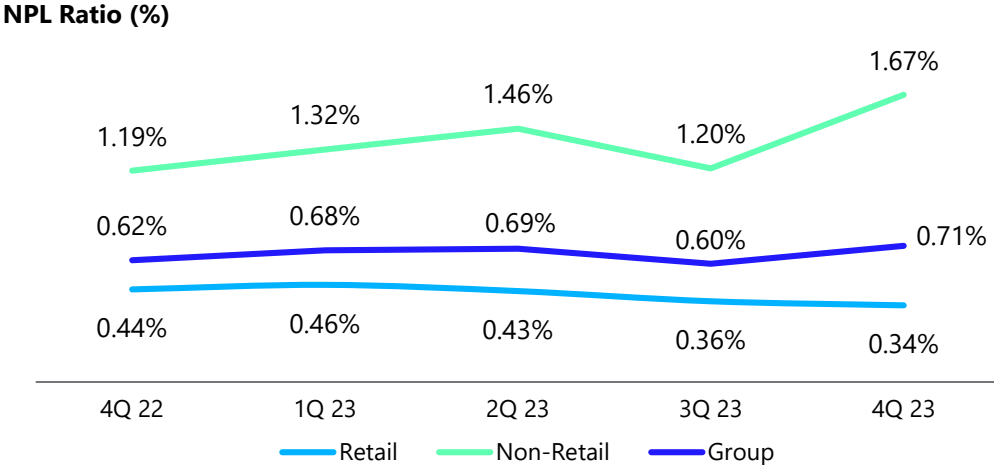
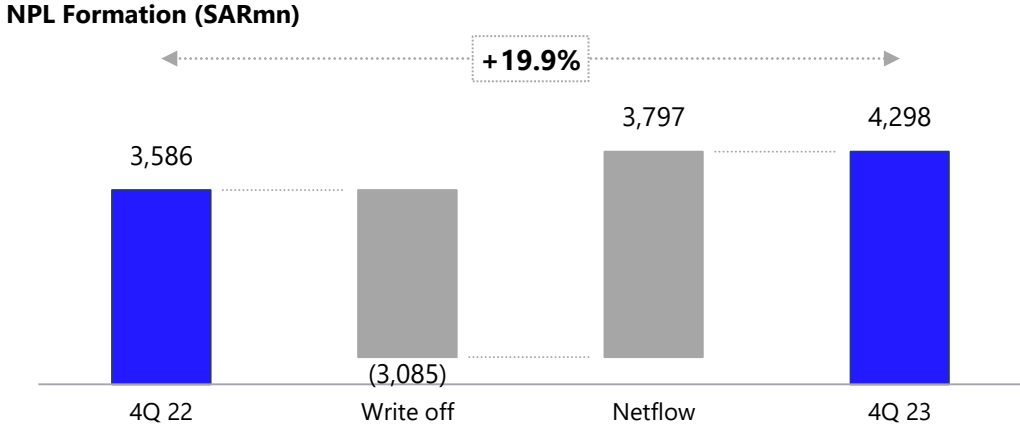
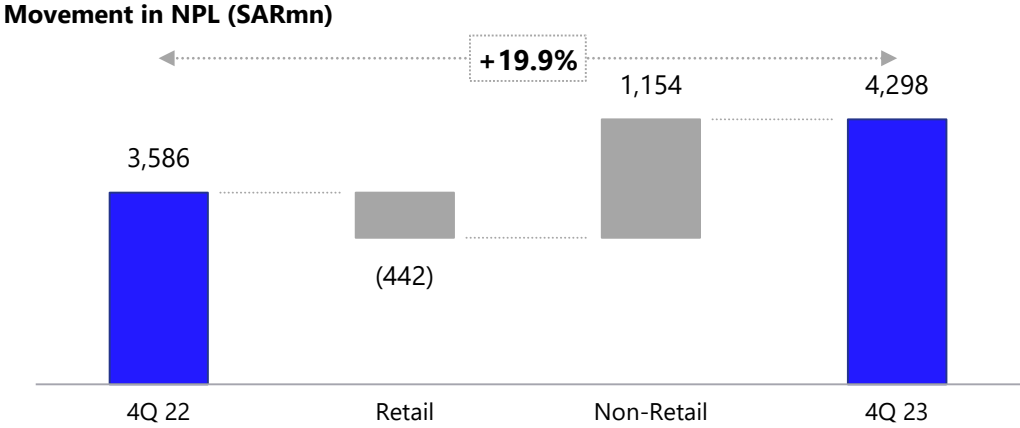
**Movement in Net Impairment (SARmn)**



**Movement in Net Impairment by Group (SARmn)**

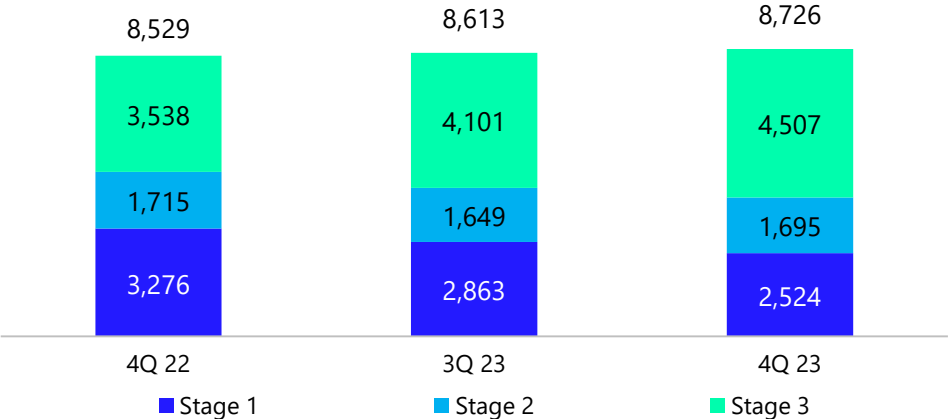


# Asset Quality Trends (1) | Asset quality remains healthy with high NPL coverage

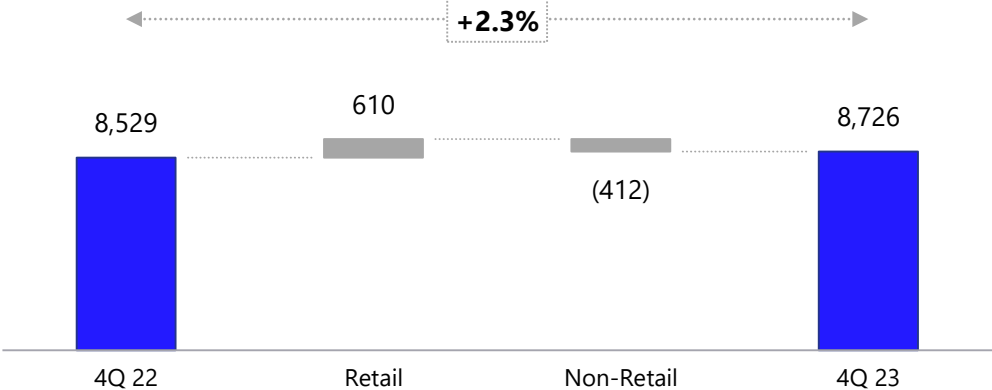


# Asset Quality Trends (2) | Healthy stage coverage reflecting prudent risk management

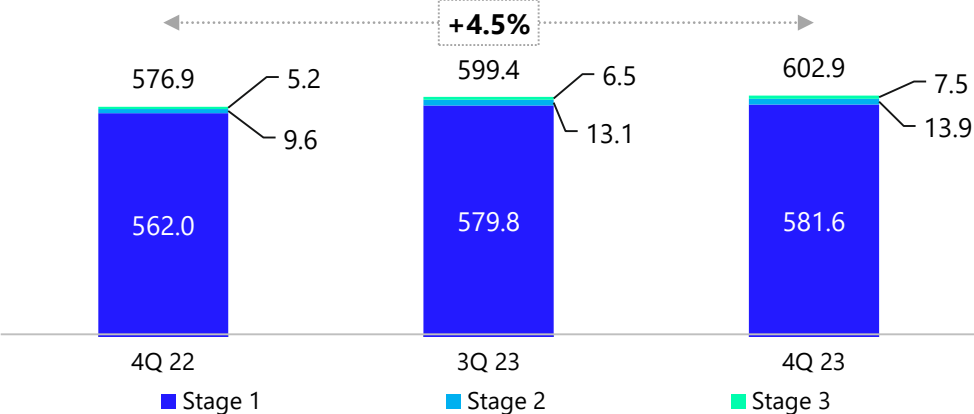
ECL by Stage (SARmn)



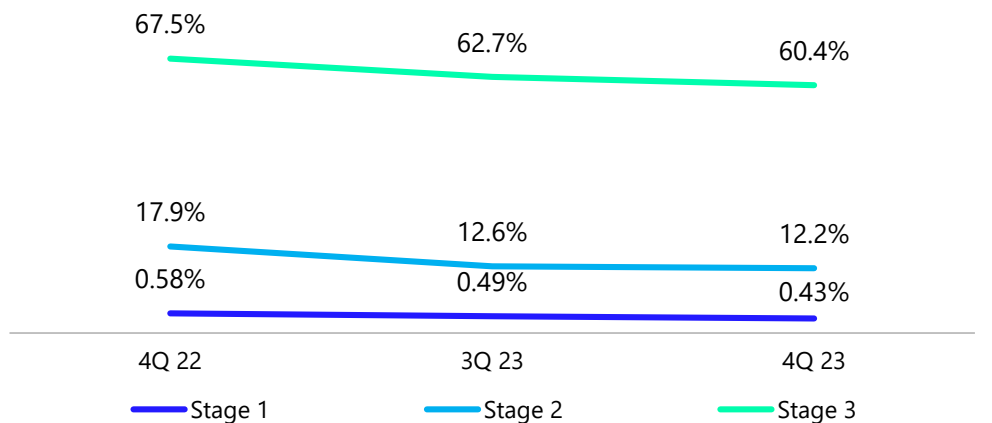
Movement in ECL by Group (SARmn)



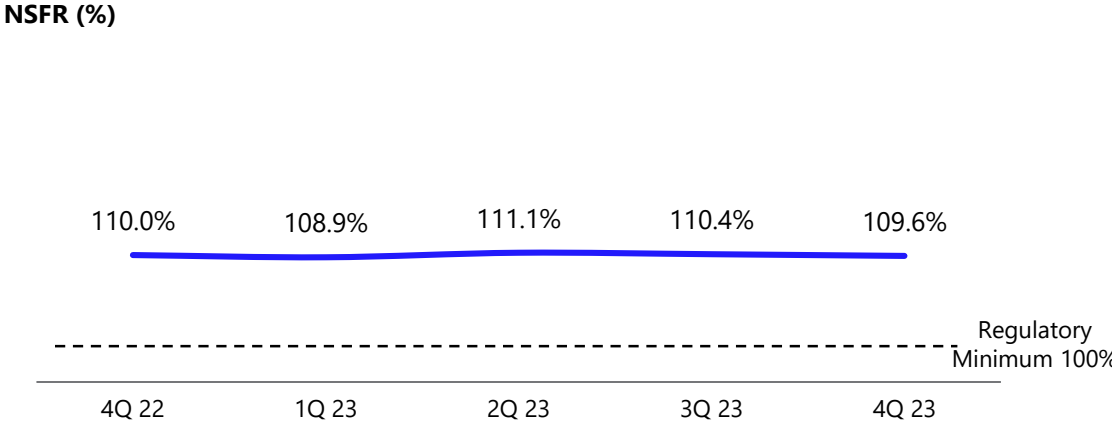
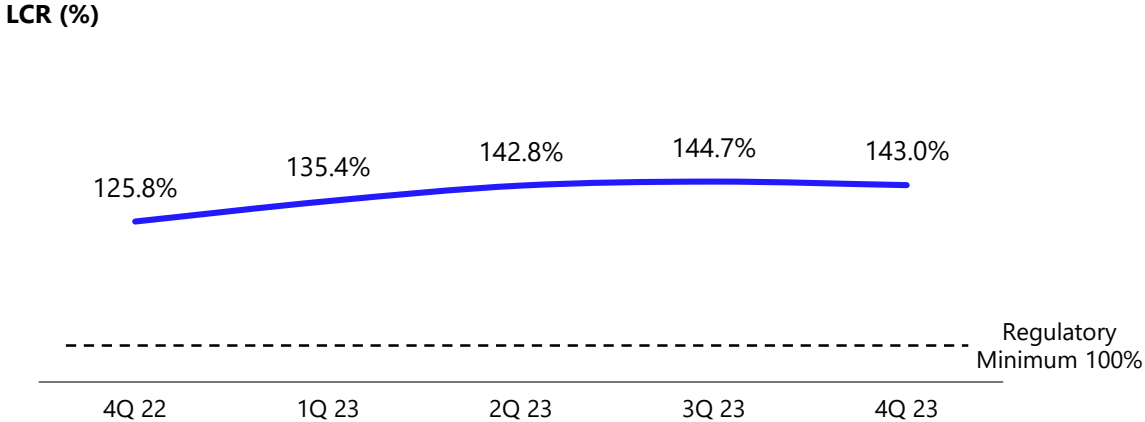
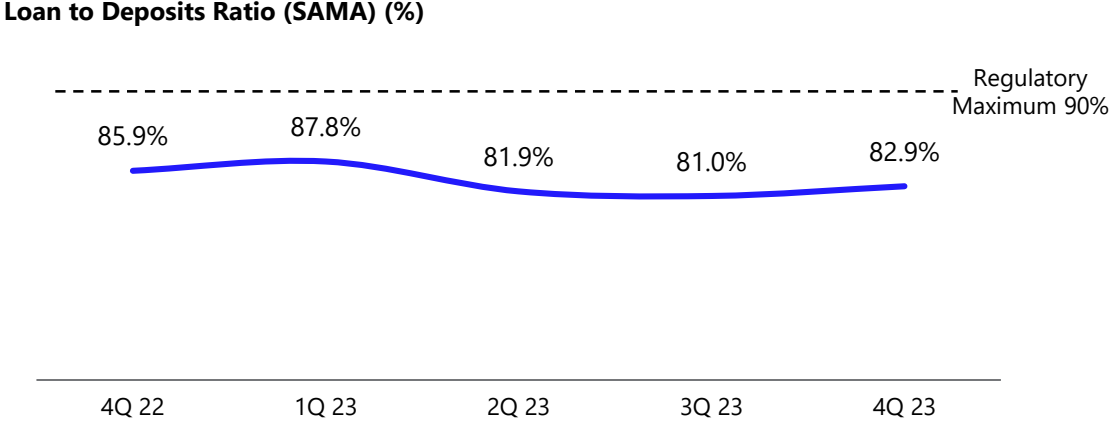
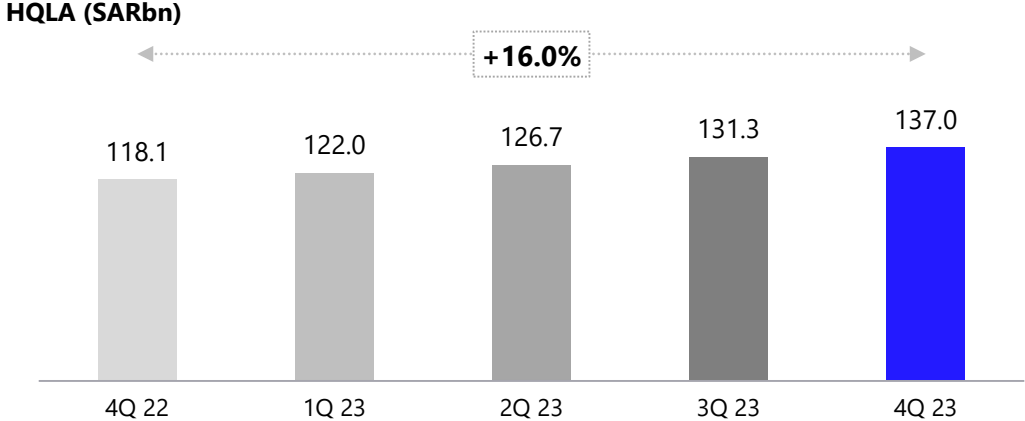
Gross Loans by Stage (SARbn)



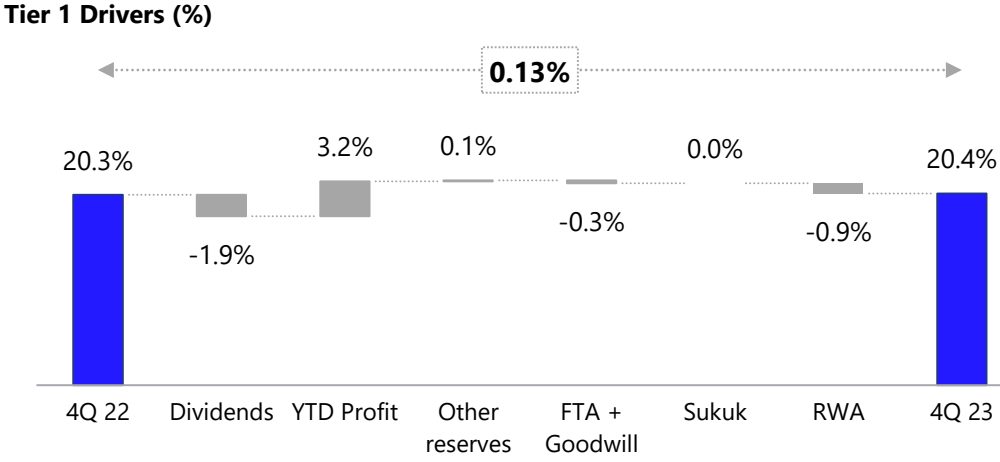
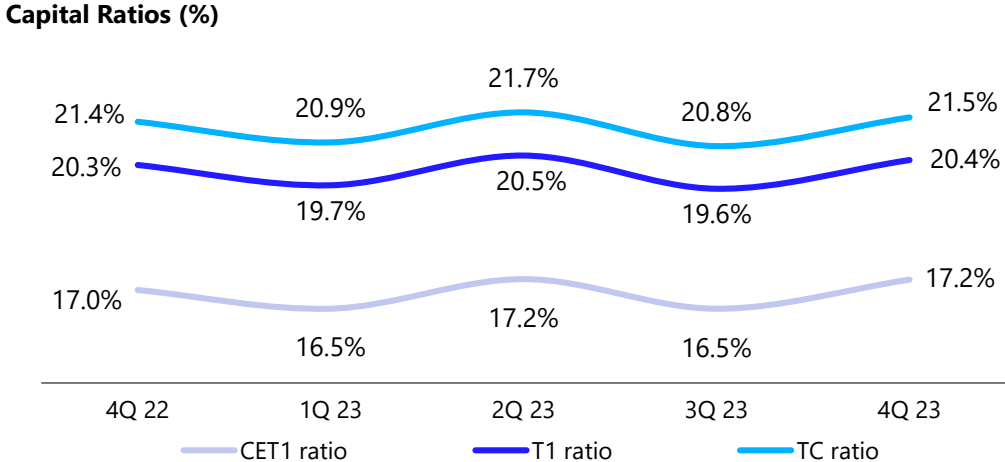
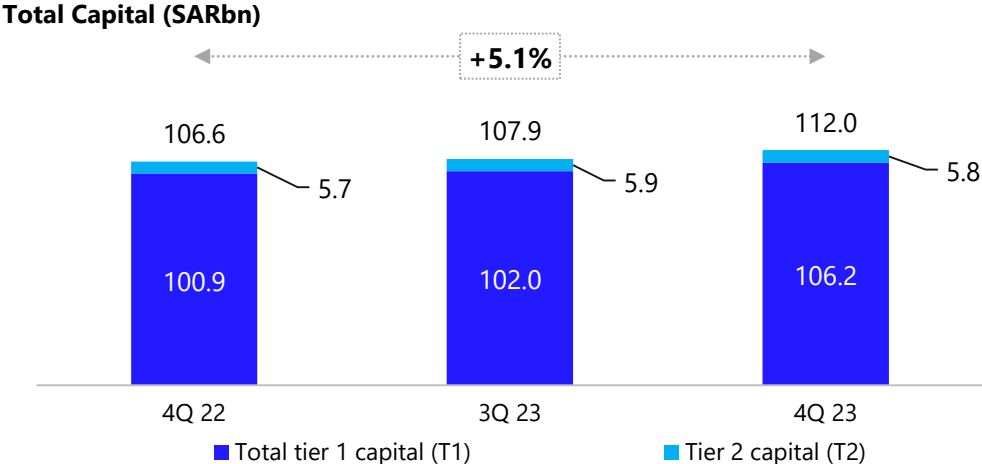
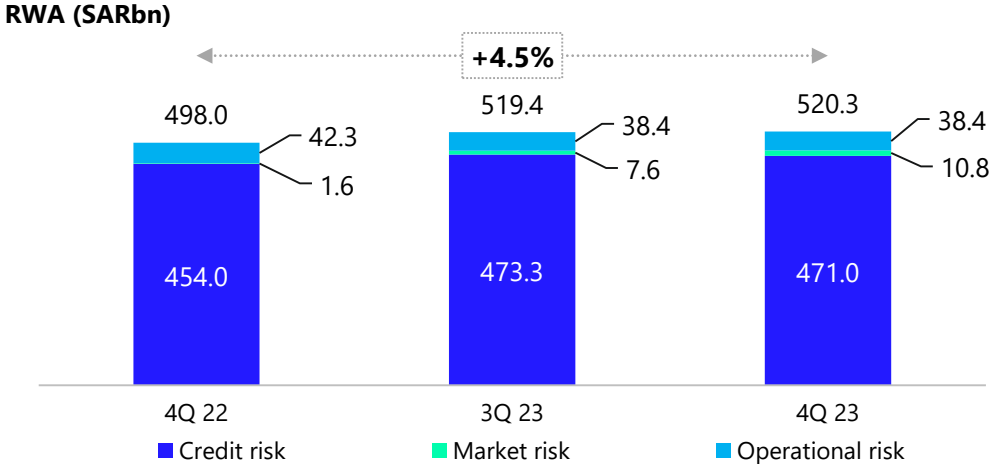
ECL Coverage (%)



# Liquidity Trends | Liquidity remains comfortably within regulatory requirements

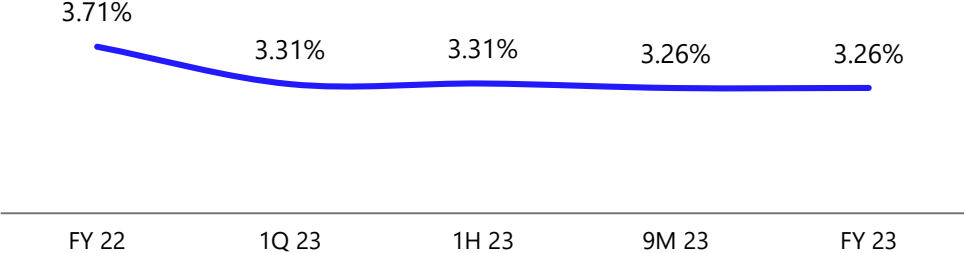


# Capitalization Trends | Capital position well above regulatory minima

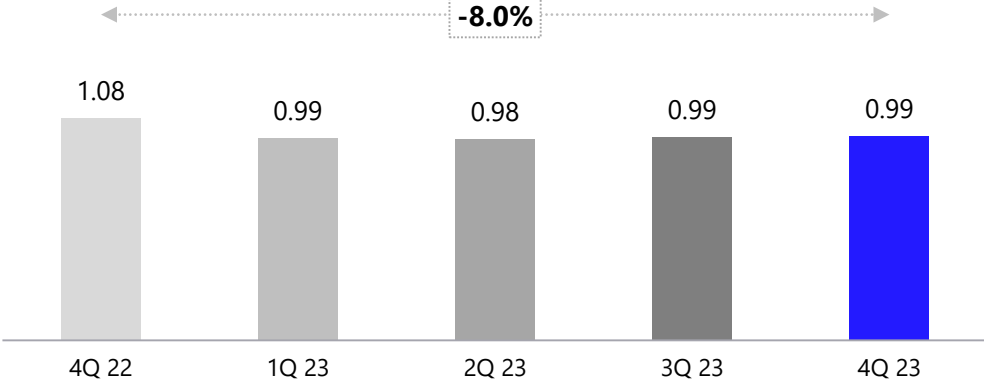


# Return Metrics | Al Rajhi Bank's returns remain industry-leading

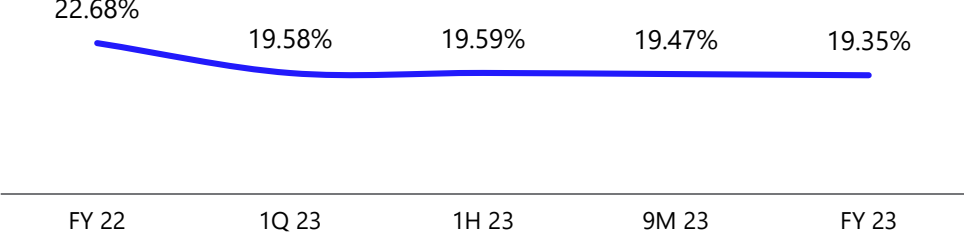
**Return on RWA (%)**



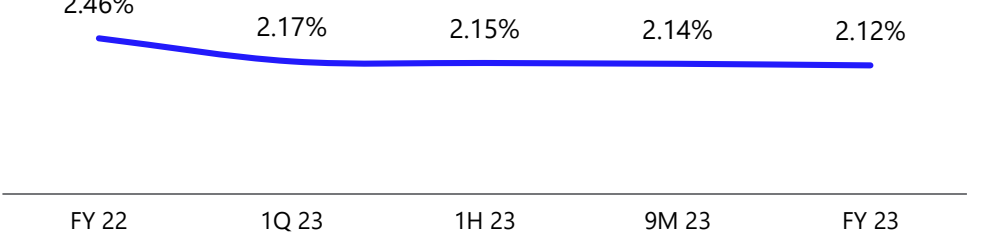
**Earnings per Share (SAR)**



**Return on Equity (%)**



**Return on Assets (%)**





# FY 2024 Guidance

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## FY 2024 Assumptions and Outlook | Interest rates are expected to go lower in 2024 and beyond

### Economy



- Saudi economy contracted by 0.9% in 2023, mainly driven by lower oil GDP while non-oil GDP is improving
- IMF has revised Saudi GDP growth forecasts to 2.7% in 2024 and projected 5.5% for 2025
- Consumer spending increased by 6.7% in 2023 on the back of improved economic activities
- Credit demand is expected to remain positive over the medium term due to economic diversification

### Interest Rates



- In line with the recent economic outlook, interest rates are expected to go lower in 2024 and beyond
- The outlook of the interest rates environment will have an impact on both credit demand and deposit mix
- Gross yields trend is expected to continue to outpace the cost of funding
- SRC benchmark rates have remained at 7%+ levels since November 2023

### Strategy & Execution



- "By End of December we have completed our "Bank of the Future" strategy which was in line with our expectations
- Our new Strategy will be focused on providing financial solutions that are customer centric
- The focus will continue to improve the overall banking experience through several initiatives
- ESG remains a focus for the management to build a sustainable business that contributes to the bottom line



## FY 2024 Guidance | For our newly launched strategy “Harmonize the Group”

		FY 2023 Change	FY 2023 Actual	FY 2024 Guidance
<b>Balance Sheet</b>	Financing	+4.6%	SAR 594 Bn.	Mid single digit
<b>Profitability</b>	Net profit margin	-56 bps	2.99%	+5 bps to +15 bps
	Cost to income ratio	+1.16%	27.23%	Below 27%
	ROE	-3.33%	19.35%	Above 19%
<b>Asset Quality</b>	Cost of risk	-0.14%	0.25%	0.25% - 0.35%
<b>Capital</b>	Tier 1 ratio	+0.1%	20.4%	Above 20%



Q & A

# ESG Highlights

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# ESG Highlights | FY 2023

	USD <b>2.6 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 61 branches to reduce utilities consumption	SAR <b>+100mn</b> Donation in 2023 for Jood housing project from the bank and its customers	<b>6</b> Key social projects delivered	ISO 22301:2019 Business Continuity Management	
SAR <b>808bn</b> Total Assets	Around <b>SAR 3bn</b> of financing renewable energy projects	SAR <b>1.91bn</b> Zakat paid	<b>54</b> kidney transplants in 2023	<b>260</b> Sharia Board Resolutions in 2023	<b>12%</b> growth in female employees in 2023
SAR <b>16.62bn</b> Net Profit after Zakat	USD <b>1.0bn</b> Sustainable Sukuk	SAR <b>3.53bn</b> in salaries and benefits paid	<b>11</b> batches of Graduate Development Program since 2015	<b>137</b> Policies & Frameworks	<b>29%</b> of female employees at the group level
<b>0%</b> Financing exposure in Tobacco, Alcohol & Gambling	<b>94:6</b> Digital to Manual Ratio	SAR <b>31.3bn</b> in financing for SMEs	<b>101,500+</b> total training days	<b>5 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>

■ 4Q 2023 figures



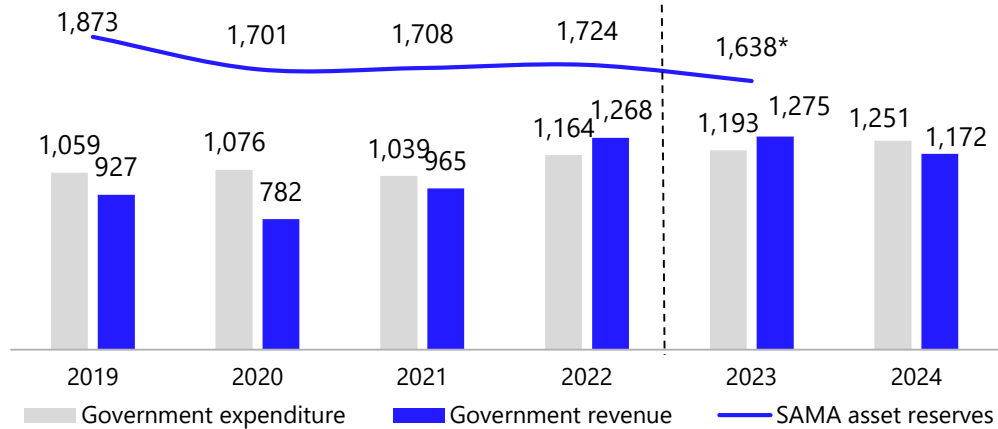
# KSA's Macro-Economic Environment

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## Highlights

- GDP declined by 0.9% for the year 2023 driven by lower oil activities
- IMF revised Saudi's GDP growth forecasts to 2.7% for 2024 and estimated 2025 to grow by 5.5%
- Inflation eased to 1.5% in December 2023 and expected to normalize in 2024 to 2.2%

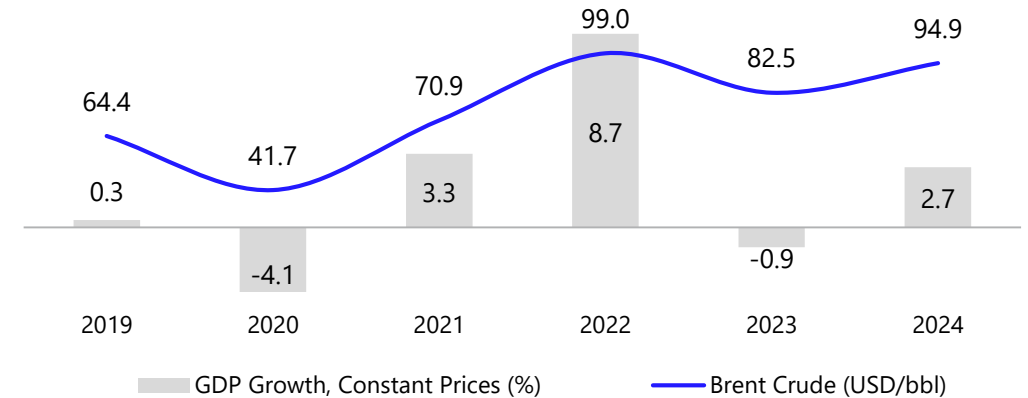
### Expenditure/Revenue and Asset Reserves (SARbn)



Source: MoF, SAMA

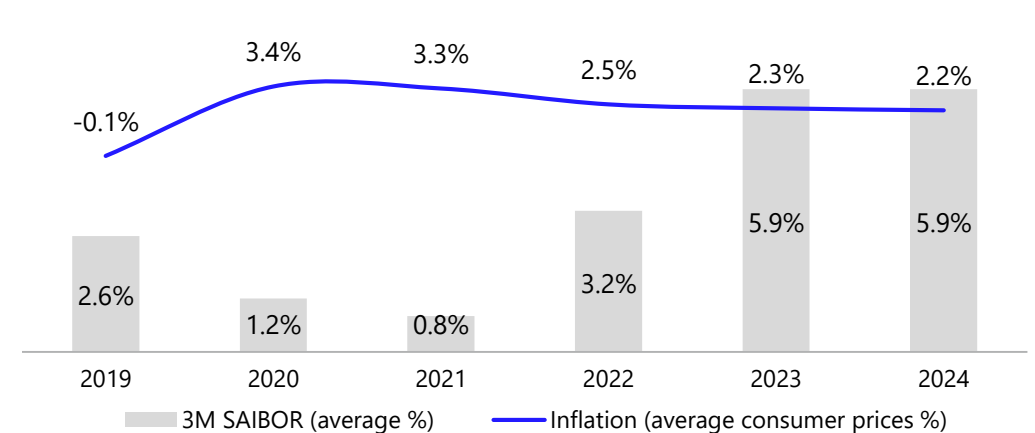
\* December 2023 figure

### GDP Growth/Brent Oil Price



Source: IMF, U.S. Energy Information

### 3M SAIBOR / Inflation



Source: SAMA, IMF, MoF



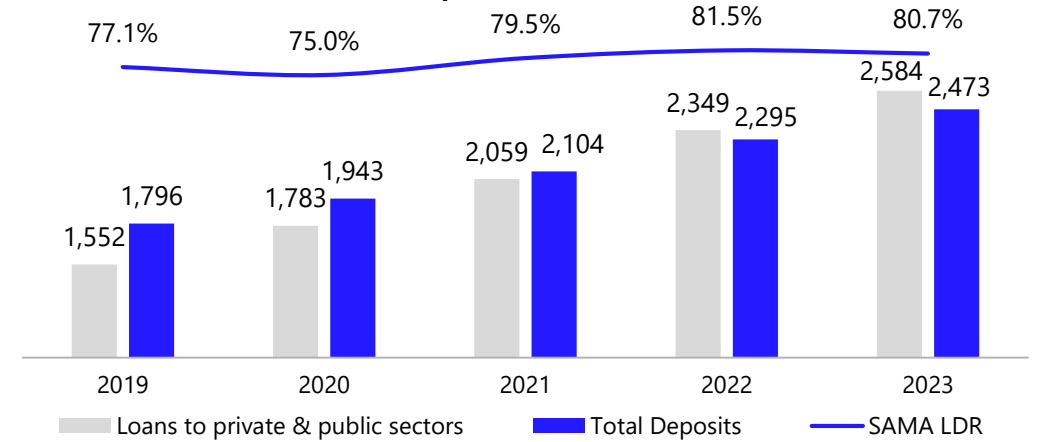


# Banking Sector Highlights | Banking system deposits growth is in line with loans growth in 2023

## Recent Developments

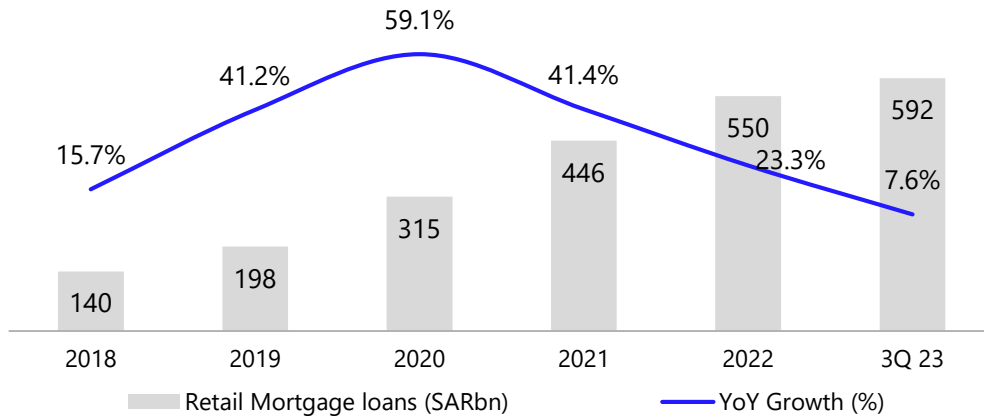
- Deposits growth in the banking system during 2023 is in line with loans growth
- SRC benchmark remained stable at 7%+ since November 2023
- Consumer spending increased by 6.7% by end of 2023 with continuous migration to cashless payment methods

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



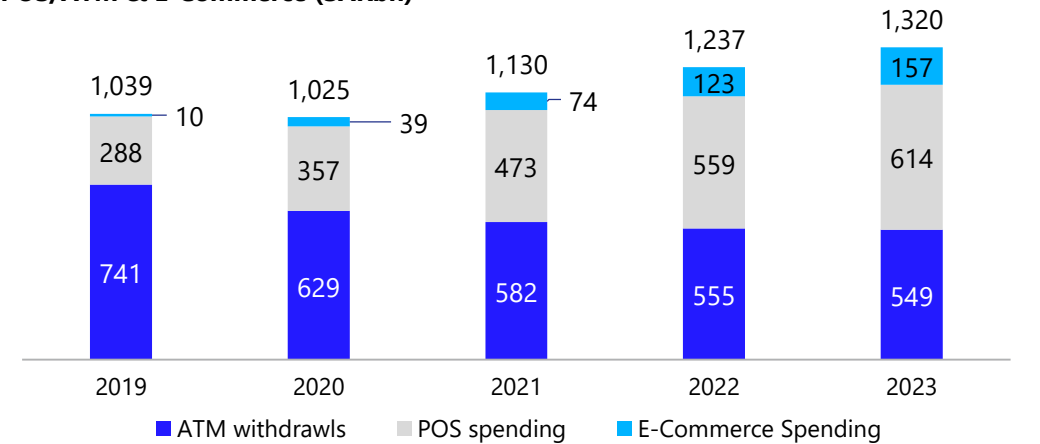
Source: SAMA

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

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



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