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Presentation

Mazen Al-Sudairi:

Hello, good afternoon and good evening to all. Welcome to today's call with Alrajhi bank for discussing Q3 2021 earnings and outlook. I'm Mazen Alsudairi from Alrajhi Capital and your host for the call. From Alrajhi Bank we have the CEO, Mr Almogbel, and the CFO, Mr Alfadda, who will walk us through the presentation and the answers of the Q&A. Over to you, gentlemen.

Waleed Al-Mogbel:

Good afternoon, everyone. Welcome and thank you for attending our earnings call for the third quarter of this year. Before we start we are proud to be ranked part of the top 20 among the global Banks by Market cap. Thank you so much for your trust. Now we are ranked number 16. We will go as always through our third quarter highlights. Then I will give you an overview of our strategic performance for the third quarter regarding “Bank of the Future” strategy, which we presented, if you remember, beginning of this year.

Now let's go ahead and take a closer look at the first slide. If you look at the first slide please, starting with the balance sheet we managed to deliver strong growth of 7% quarter on quarter and 35% year on year. The year to date growth came from all lines of business, 36% from retail, 23% from corporate and 36% from investment book.

Looking further to the net financing we have a growth of 33% year to date, resulted in financing portfolio reach now to SAR 420 billion, mainly driven by mortgage with a growth of 47%. Now the mortgage represents almost 36% of our total book and 44% of our retail book.

If we look at the liability side, total liability now stands at SAR 519 billion, a good increase in liability for more than 26% year to date. A good growth also in the demand deposit of around 9% compared to our market growth of 3.4%. That gives us a stable LDR of around 83% which allows more room for us to grow in our financing portfolio.

On the net income side we delivered solid net income for the first nine months. It is 44% year on year growth to SAR 10.7 billion. That is driven mainly from both net yield income which increased by almost 23% year on year and also non-yield income growth of 44% year on year mainly driven by fees from brokerage and digital payments. Our total operating income now has increased 26% year on year and stands at SAR 18.8 billion.

Going to the third element, we continue to maintain best-in-class asset quality. Cost of risk now is healthy, standing at 62bps, driven mainly by a good recovery compared to 75bps FY 2020.

Additionally, we continue to maintain low NPL. It stands at 67bps compared to 83bps last year with a healthy coverage ratio of 307% compared to 293% last year.

Lastly, the management has done a good exercise last year, if you remember, when we talk about zero-based budget to improve our efficiency that led to the improvement in our cost to income ratio by more 600bps, resulting in a cost to income ratio now of just above 27% compared to last year 33.4%.

If you allow me to move to the second slide, we are on track executing our bank of the future strategy. If you recall, we have four pillars. First is building on the core. We continue to focus on retail as a core banking business and we have seen a financing growth of almost 36% year to date and that growth in retail also, diversified from different types of retail products which our CFO will explain more in his section.

Additionally, we expanded corporate and repositioned ourselves. We have seen a financing growth year to date in corporates by 23% compared to a full year of last year of 7%. SME also is an integral part of our strategy, positioning ourselves as a bank of choice for SME. We have seen good growth in the first nine months of 47% year to date. Now SME represents 18% of our corporate book compared to 13% third quarter last year.

When it comes to the demand deposit. It has also been one of our priorities and as per the initial data from the central bank our market share has increased to 27.7%.

One of the items that we focused on in building on the core pillar is our non-yield income as a percentage of our total operating income. It continues to increase, reaching 20% compared to the third quarter last year when it was 18%.

Second pillar of our strategy is outperforming our competition. Starting with customer experience, we maintain our NPS leadership at 72% compared to 66% last year. For the banking assets market share with the growth we delivered in the previous quarters we have reached a market share of 20% compared to last year, 16%. With regard to loyalty program, total customers registered currently have reached 3.5 million customers.

Our third pillar is strengthening of Alrajhi Bank's technology. We are continuously improving our digital channels. Digital to manual ratio currently stands at 89 to 11 compared to last year of 83 to 17. Online account opening reached 92% of the total retail account opening year to date.

The penetration ratio of mobile application within our digital customers stands at 91%. In addition also we have seen an improvement in our end-to-end digital

financing, which has reached 34% of our personal finance, applied and executed through our digital application.
For the operational excellence we have currently more than 360 bots. They are doing almost 39,000 average daily transactions in our back office operations. Our average transactions per month have increased now to reach almost half a billion transactions conducted in our IT infrastructure. This increased almost 37% year to date.
The last pillar of our new strategy is to focus on clients' needs and requirements. The number of active customers has reached 11.6 million in the bank. We provide our sales team with a 360-degree system to ensure we have a proper cross selling assisting them in all products and services we have and they might need.
Having said that, we continue to improve our payment solutions. Our point of sale terminal market share has reached now 32%.
If you allow me now to talk about one of our projects to execute our strategy which we have introduced in the last two weeks, our Fintech payment company, neoleap. If we go to slide number five, digital payments are forecasted to grow at double-digit rates in Saudi Arabia and that is driven by a young, and tech savvy population.
Also vision 2030 goal is to reach 70% and 80% of non-cash transactions by 2025 and 2030 respectively. Digital payment also has been gaining momentum in recent years thanks to the initiative from the KSA Government and the central bank initiatives.
Therefore, we have decided to establish our Fintech payment company which we call neoleap. Having said that, we believe neoleap is in a favorable position to win the payments market, leveraging on ARB digital expertise, ARB's leading market share in payments coupled with the largest customer base we have.
Moving to slide number six, the DNA and the culture of the neoleap are shaped by ambitious vision and mission. The value proposition is a one-stop shop that spans across the payments value chain with a focus on innovative products with best-in-class customer experience.
neoleap products offering are as follows. Number one is the acquiring, seamless in store and online payment solutions to all merchants. Number two, issuing debit, credit and pre-paid cards. Number three, digital wallets, simplifying money management to promote financial inclusion and literacy and the last one is the online stores, integrated solutions to build an online store instantly.
We are very optimistic about the future of the neoleap and we will continue to focus on delivering value for our customer and shareholder. As we move forward we will continue to provide you with more details related to the progress of neoleap and the future expectations and we will, inshallah, continue executing our strategy with more initiatives.

Now, if you allow me, I will hand over to Abdulrahman, our CFO, to give you a detailed update on our financial performance. Thank you so much.

Abdulrahman Al-Fadda:
Good day, ladies and gentlemen. It is my pleasure to welcome you again to our earning call for Q3. I'm proud to present to all of you our outstanding performance for the nine months' result, where there has been good progress on our strategic execution.
Having said that, I will go over the financial performance very quickly, given that most of the information has already been shared via our earnings release post the results announcement, so that you can have further time during the Q&A session.
To start on the balance sheet, our total assets have increased by close to 35.4% year on year, around 7% on a sequential basis. Our total balance sheet stands at 583 billion Saudi riyals. To bring analysis on the movement in our year to date assets, our total year to date assets have increased by 114 billion Saudi riyals, mainly driven by two components. Investments have grown by 36% year to date and secondly is on the financing, which has grown by 33% year to date and we will cover that in further detail in the following slide.
As far as the funding perspective our total funding has increased by 24.3% year to date and the main driver of our funding profile was in the customer deposits. Our total customer deposits have increased by 25% year to date.
The second component also to highlight is our total equity has increased by 5.5 billion Saudi riyal, ie, 9% and also to remind that so far, we have paid a cumulative dividend since the beginning of the year around six billion Saudi riyal.
Zooming in further into the main drivers of the balance sheet movement, our total financing portfolio stands at 421 billion Saudi riyal, close to 45% year on year improvement, around 8% on a sequential basis.
Retail portfolio stands at 81% of the financing portfolio versus 78% in the same period last year. To provide a further analysis on the top right-hand side of the slide, the year to date movement, as explained by Waleed earlier, we have seen a broad-based growth on all business lines.
Mortgage has increased by 47% year to date, ex-mortgage of the retail portfolio 37%, corporate 23% and finally SME is 47%. It's worth highlighting that our mortgage book stands at 153.2 billion Saudi riyal, which represents 44% of the retail book, around 36% of the financing book.
In terms of the customer deposits, 38.5% year on year movements, around 31 billion on a sequential basis. To further analyze the driver of the total customer deposit increase of 25% year to date our DDA has increased by 9.4% versus the market growth of around 3.4% year to date whereby the DDA market share stands at 27.7% a pickup of 220-basis-point market share.

Time deposits have increased to 64 billion riyal year to date, mainly to support the growth that we have seen in the overall asset side. The key highlights on this slide are that we keep leveraging from our network and digital franchise to grow our financing book as well as the funding book whereby we're making good progress in executing our bank of the future strategy.

If we move into the profitability section, our quarterly net income growth, around 43% year on year, 5% on a sequential basis. To bring you the drivers of our net income, 43.7% growth year on year, they were as follows. Our NII has increased by 23%, non-yield income 44%, our operating expense 3% higher year on year and finally our impairment around 9% higher compared to the same period last year. It's worth highlighting that our pre-provision profits have shown an increase of 38% year on year.

On the bottom right-hand side of the slide we can see the sequential growth, 3% on the yield income, 6% non-yield income. Expenses were almost 1%, which will bring the pre-provision profit growth of 5% on a sequential basis and impairment were close to around 2%.

If you move on to further analyze the net income driver, I will start with the operating income. Operating income on a quarterly basis has increased by almost 28% and stands at 6.6 billion Saudi riyal. If you analyze the period's operating income we have seen a growth of around 26.4% increase in operating income. The operating income growth was mainly driven by two main line items. First, on the yield income, despite our average earning assets having increased by 28% year on year, our NII has only increased by 22.5% due to the NIM contraction. Secondly, fees have increased by 57% year on year and the main drivers, as mentioned earlier by Waleed, were the following. First, brokerage revenue. Average daily volume in Tadawul has increased by 32% year on year and our host of the call Alrajhi Capital have managed to further increase the market share by 110 basis points which stands at 19.6% year to date. Second contributor of the growth in the fee income was on the payments revenue and the reason for the growth in the payments revenue three main reasons. First, we have seen an increase in the consumer spending as per SAMA data, around 12% year on year. Second, we've seen a further acceleration of the positive migration to the cashless payment method whereby ATM withdrawals have gone lower by 6%, point of sale volumes have increased by 38%, e-commerce has increased by 95% year on year. Finally, we managed also to increase our acquiring business market share. It stands at 32.3% in Q3 versus 27.5% in the same period last year.

On the NIM, 40 basis point contraction on a year on year basis and the driver of the NIM contraction, you can see on the bottom right-hand side of the slide, around 26 basis points due to the retail financing.

If you recall, mortgage origination rates have dropped by a cumulative 160 basis points compared to 1st June 2020 due to capping the SRC rates. Secondly, we've seen an aggressive competition into the retail financing since the beginning of the year.
The second main component is on the corporate and treasury side, where we have seen 8 and 12 basis points' contraction on the NIM respectively. This was due to the fact average SAIBOR have contracted by 51 basis points year on year.
Third, cost of funds has increased by 6 basis points. This is due to the fact that we have increased our time deposit year to date by close to 64 billion riyal in order to support the growth in the financing book. Finally, 11 basis points as a management action to be able to counter-impact the NIM drop that we have seen.
The management action could be classified into the following. Change in mix, retail representing 81% compared to 78% the same period last year, and the second main driver was optimizing our non-average earning assets.
To summarize, focusing on the key pillars of the strategy and leveraging on the execution capability position us very well to deliver a strong result for the first nine months.
To move on and analyze the second driver of the net income growth on the operating expense, our operating expense, 1.8% for the quarter compared to the same period last year and 1.4% on a sequential basis. As you can see on the top right-hand side of the slide, our total Opex for the period increased by 3.2%.
There are two main drivers for the increase on the opex. First, the staff costs, which have increased by 4.8%. This is to support the growth that we have seen in the overall balance sheet growth of 35%. Second reason is on the G&A, where we have seen an increase of around 2.2% year on year movement. This is whereby we've seen higher transactions close to 53% year on year growth and also the second impact is the VAT increase from 5% to 15%, which came into effect on 1st July 2020. On the cost to income ratio, our cost to income ratio stands at 27.2% and we have delivered 610 basis points improvement in our cost to income due to the positive Jaws between the growth in our operating income of 26.4% versus the growth in our operating expense by 3.2%.
So to summarize, while we continue to grow our balance sheet, transform our technology, improve our customer experience and digital offering we are focusing as well on optimizing our cost base and further improving the efficiency accordingly.
Asset quality, cost of risk stands at 62 basis points versus 78 basis points at same period last year. Our NPL has increased by close to 17.5% compared to the same period last year. Nevertheless our NPL ratio stands healthy at 67 basis points, no material change from Q2 and an almost 16 basis point improvement compared to the same period last year.

Finally our NPL coverage stands healthy at around 308%, which is well ahead compared to the industry in Saudi Arabia.

To move on, our net impairment charge for the quarter of almost 28% due to the increase in the financing portfolio, around 1.7% on a sequential basis. To analyze further, as you can see on the top right-hand side of the slide, our total net impairment charge has increased by 8.6%.

It's worth highlighting that the gross charges have increased by 13%. Nevertheless our recovery has improved by 21%. That negated the growth in the gross charge.

Our stage one exposure, still healthy, 97% of the overall financing portfolio. Our stage coverage again still steady and healthy, stage one at 86 basis points, stage two at 30% and finally stage three at 81%. So, although we have a strong financing portfolio growth year on year but we didn't compromise on our prudent risk management, nor the credit quality and we keep maintaining adequate provision and coverage accordingly.

The liquidity position remains healthy and within regulatory requirements. It's worth highlighting that the actual LDR is at 82.7% versus the headline LDR of 88%. the difference is due to the SAMA definition on the way that we calculate the customer deposits benefit.

Finally, in Q3 we got almost four billion Saudi riyal of a free deposit from SAMA as a compensation for the DPP program, whereby the total free deposit from SAMA stands at 7.6 billion Saudi riyal with various maturity. LCR and NSFR are still at a healthy level, above the minimum regulatory requirement.

On the capital side, our total RWA has increased by 31% year on year, mainly driven by the growth in the credit risk RWA due to the growth in the financing portfolio. Our RWA density as of Q3 stands at 67.9% versus the same in Q2 of this year. Total capital has increased by 22% year on year. This is due to the fact that, as you recall, in Q2 we add back SAR 2.9 billion of the IFRS9 transition adjustment, which will start amortizing on a straight-line basis from 2022 for three years.

Our tier-one capital stands at 16.8% as of Q3, around 119 basis points lower compared to the year end. I would like also to highlight the drivers of the 119-basis-point reduction in our tier-one capital on the bottom right-hand side of the slide where 171 basis points of an internal capital generation has been delivered since the beginning of the year.

Finally, the bank's delivery of both a record quarter as well as a record period income has further improved our key return matrices. Our RORWA stands stable at almost 4%, earnings per share for Q3 1.52 riyal, for the period it's 4.29 versus 2.99 in the same period last year.

We've seen also a further improvement in our return on equity which stands at 23.6%. Finally our ROA still stable at 2.72%.

Taking into consideration the delivery of the last nine months as well as our forecast and what we have seen on the ground, we have upgraded our guidance on the financing portfolio to be in the range of 38% to 41%.
We have also downgraded our NIM guidance to be in the range of 45 to 55 basis point contraction. Our cost to income ratio, we are upgrading the guidance to be below 28% and the rest of the ratios we kept them unchanged accordingly.
Waleed, back to you.

Waleed Al-Mogbel:
Thank you, Abdulrahman, for the financial performance overview. We had, as you mentioned, a record quarter and a record first nine months. Alrajhi Bank maintained a track record of earning per share, ROE growth combined with a healthy delivery on a few line items such as NIM, fee as a percentage of operating income, cost-efficiency, cost of risk.
Also best-in-class balance sheet metrics such as liquidity, capital and stage coverage. Agile and performance-driven culture that supported us to execute the key pillar of our strategy and outperform the competition.
We have been a key player also to support the Kingdom 2030 Vision initiative, such as home ownership, private sector contribution to the GDP, digital economy and payments.
Having said that and as part of our new identity we will continue to drive excellence and encouragement to go beyond the unthinkable with a target to create a financial ecosystem of the future for new generations through a constantly improved experience and exciting possibilities.
Now we will open the floor for a Q&A session. Operator, back to you.

Operator:
Thank you. As a reminder, if you would like to ask a question and you've joined us on Webex please use the raise hand icon in your reactions tab. If you've joined us on the audio conference through a telephone please press * followed by 1 on your telephone keypad. If you've joined the audio conference via the web please press the request to speak flag icon.
When preparing to ask your question please ensure that your phone is unmuted locally. Our first question comes from Naresh Bilandani of JP Morgan Chase. Naresh, please go ahead.

Naresh Bilandani:
Hi. Thank you very much for allowing me the opportunity to ask questions. It's Naresh from JP Morgan. I'm sorry. I don't have any questions on Q3 actually. All

my questions are going to be on neoleap only so I would appreciate if you could just provide some insight.
The bunch of questions I have are as follows. What's the plan first of all with regards to the current issuer processing and acquiring business that sits in your franchise, will neoleap take these over from Alrajhi currently or what's the plan there? Just trying to understand how neoleap fits into the existing profile.
My second question there is when you talk of third-party processing business, as you mentioned in the presentation, is it fair to think that the success of such an exercise can come only if this entity, ie, neoleap, is truly independent from Alrajhi, or is that not right? In this regard would you say you have plans to hive off this entity from the core franchise or is that not in your immediate plan? That's the second question.
The third is, I'm just keen to understand, what value do you see from launching a digital wallet which by its capabilities is looking head-on with STC Pay? Is this just a competitive response or do you see the customer usage shifting more to static wallets like UR Pay?
Finally just keen to hear your thoughts on how should the street look at neoleap as an entity over the medium term, say three to five years from now? It would be great if you can share even the roughest ideas that you have in terms of what kind of financials we're looking at, the revenues or the volumes or the target profitability contribution, anything that you can throw some light on neoleap. That would be super-helpful. Thank you.

Waleed Almogbel:
Thank you, Naresh, for your questions. Naresh, I couldn't write all of them but I hope Abdulrahman, our CFO, will cover some of these questions. Also we have Adel, our CEO of neoleap. Also he will cover some of these questions.
Just one thing to remind you, our strategy, bank of the future, focuses on new clients' needs. We have mentioned in our strategy, develop best payment solution so our strategy for neoleap currently is not shifting the payments from the bank to the company.
neoleap has a completely separate, different strategy, completely separate and different culture and innovative products, development of these products outside the bank. We believe in the digital payments coming to serve the new generation and digital savvy so that's the reason why we established neoleap.
The second question, I think Adel can give a view on this.

Adel Alrajhi:
Thank you very much for your question and the first time we mention, the neoleap will shape the future of the payments of the Saudi market and this is a very important

statement as a vision. We decided to have an end-to-end solution and one of our solutions is to have card processing or third-party processing and we see the gap.
There is a huge gap in the market for third-party processing and there are huge opportunities on this product itself. This is why we've built the third-party processing, to focus on the Fintech and on the banking coming from outside the Saudi market and also for the financial institutions. This is mainly for third-party processing.
For the wallet side, when we started building the wallet we think not to compete only in the payment or to react to competition. We try to build a super app for daily usage of the wallet.
This is mainly to build the wallet and to acquire non-Alrajhi bank and also the mass customer from Al rajhi bank.

Waleed Almogbel:
Naresh's fourth question - I think Abdulrahman will cover it.

Abdulrahman Alfadda:
Naresh, like you are excited about neoleap. We're also even more excited about the future of neoleap. We believe the payments business, as has been highlighted by Waleed and Adel and given also the positive migration to the payment landscape we're quite excited about the future outlook of neoleap in terms of leveraging from the biggest market share in the acquiring business, also biggest market share on the issuing side, leveraging from the know-how and serving the mass customer and building an app to increase the touchpoints with our customers to create a further opportunity for us to cross-sell.
So in a nutshell we're quite excited about this and we believe that there is a further room for us to grow and focus on the payment leadership in line with our bank of the future strategy.

Naresh Bilandani:
Okay. Thank you very much for sharing some of these thoughts, Waleed and Abdulrahman. The final point - how should we think of the size of neoleap or is it still too early to make a call? Is there any medium or longer-term projection that you have even on the market share or the profitability or the contribution to the core banking franchise that you intend to achieve? Are there any thoughts that you can share on that?
I do have multiple follow-up questions but maybe just to round it off and allow others to ask the question, could you also throw some light on the tech platform on which these offerings will be based? Will these ride on the existing rails or will you

invest in developing or acquiring a new platform where these offerings are going to be launched?

Waleed Almogbel:
Naresh, as Abdulrahman mentioned, we are very excited about the future of neoleap and if you talk about the size right now, we talk about the whole market. There is a huge transformation happening in the country in terms of the payments, the new generation. It encourages us to go and create neoleap.
In terms of acquisition or for the platform or other companies we are not thinking about that right now. As you know, Al Rajhi has always believed in organic growth. Thank you.

Naresh Bilandani:
Okay, thank you very much.

Operator:
Thank you, Naresh. Our next question comes from Waleed Mohsin of Goldman Sachs. Waleed, your line is open. Please go ahead.

Waleed Mohsin:
Good afternoon. Thank you very much for the presentation and congrats on a record set of results and the establishment of neoleap. Three questions please from my side. One, we've been discussing this in the prior calls as well but I just want to ask again.
Your new origination market share keeps increasing and I think in this quarter you had a 55% new loan origination market share and your second-best competitor was at 10%. I just wanted to see what you're seeing on competition. What are you doing differently? It clearly seems there's a big gap in terms of new origination.
You've always been one of the leaders but the gap was much lower. Historically you used to take 20, 25% of new loans but this gap continues to increase. I'm just curious to hear what's changed again in the last quarter because the gap has widened.
Secondly if I look at your CASA ratio it's still one of the highest in the sector but obviously dropped from 93% last year to around 76%. I wanted to understand if your deposit gathering strategy's changing. Is it just a matter of less demand deposits available in the market or are you trying to match the tenure given that you're writing more longer-dated assets so you're trying to match it with the time deposits?
Just linked to this, this is the lowest CASA ratio we've seen for you in a long period of time so curious to hear that once rates start going up, what you see as the normalised CASA ratio for the bank.

Then finally we saw a little bit of a slowdown in corporate origination. This is obviously not a Rajhi thing but more a sector-wide phenomenon. I wanted to get your thoughts on the outlook for corporate lending and what you're seeing in the fourth quarter and your outlook for 2022. Thank you.

Waleed Almogbel:

Thanks, Waleed, for your questions. I will answer number one and number four. Abdulrahman will cover numbers two and three. In terms of the loan origination in the third quarter compared to the market, you remember in the beginning of our strategy we believe in having a strong and best customer experience plus improving our operation and TAT in addition to using our data, customer base, machine learning and AI, which helped us to have such good growth in loans in the quarter. Actually it started from the fourth quarter last year so that's the main reason for this growth.

Question number four for the corporate, the growth in corporate is 23% from the beginning of the year. We see this as good growth and very strong growth compared to the market growth. We are optimistic for the fourth quarter as one of our strategies is to position ourselves in corporate and SME.

However, we should remember that we are a retail bank and our focus is on our strength which is the retail segment. Abdulrahman.

Abdulrahman Alfadda:

Thank you, Waleed, for the questions. Yes, we've seen CASA as a percentage of the total customer deposits has gone lower but I would also like to remind you, since the beginning of the year, our CASA has grown by 9.4% versus the market growth of 3.4% so we managed to grow at three times the market which has resulted in a further improvement to the market share.

Nevertheless internally, we don't have an internal target in terms of CASA as a percentage of overall customer deposits. It's based on where are the opportunities for further growth. This year has been an exceptional year in terms of growth in the financing book of 33% year to date and also subsequently we've managed to upgrade our guidance.

So we've taken this as a benchmark to be able to see where are the growth opportunities. Nevertheless I think it's very difficult for me to be able to answer where we project CASA will evolve over the coming years. I think there're multiple factors, one at the macro level nevertheless and I think we've seen a further improvement at the macro level.

Q3 budget results came in yesterday. For the first time since Q1 2019 the budget has shown a surplus so we are quite optimistic about the overall deposits within the banking system. That's at the macro level and even internally in the bank focusing on growing our CASA has been a part of our DNA since the bank was established few decades. Thank you, Waleed.

Waleed Mohsin:
That's very helpful. Thank you, Abdulrahman. Thank you, Waleed. Thank you very much.

Operator:
Thank you, Waleed. Our next question comes from Shabbir Malik of ESG Hermes. Shabbir, your line is open. Please proceed.

Shabbir Malik:
Hi. Thank you very much and congratulations on a good set of results. A couple of questions from my side, the first question on neoleap. I was wondering if you could provide some data on how much volumes does neoleap or the payment company manage, any indicator of that and what kind of revenue or take rate is generated on those volumes? If you can share that it would be very useful.
My second question is on CASA. You've highlighted that you've grown at three times the market rate. I just want to understand, is this mostly driven by the retail segment or is it also cash management, corporate-driven, this growth in CASA?
Typically with retail CASA it tends to be small, granular sums of deposits and typically these grow gradually over the coming years so can we expect this growth to further expand in the coming years as these customers increase their deposits with the bank and can potentially improve your CASA over the medium to long term?
Finally I have a question on the SAMA deposits. Can you highlight how much of those deposits are liquidity-related and how much of those are deferral-related and what kind of maturities should we expect for these deposits? Thank you.

Abdulrahman Alfadda:
Thank you, Shabbir. For the first question related to any data on neoleap, unfortunately we're not in a position to disclose that information. Nevertheless rest assured that from a management perspective we are taking it seriously, we are quite excited about it. We have made a lot of investments since last year to be able to be proud of launching neoleap as a complement to the payments and building an ecosystem around the customer to be able to further improve the cross-sell opportunities.
The second question related to the CASA. I think what we have seen, Shabbir, is a broad base whether it's been from a retail customer, as well as given that we have also increased corporate portfolio and our colleagues in the corporate banking have

also managed to further improve the cross-sell, that also comes with a further growth in the CASA.

So I think it's a combination of the two and I think maybe the key highlights, Shabbir, we're leveraging on one of the best-in-class digital mobile offerings that has helped us to be able to grow the number of customer base.

We managed to further acquire a new customer base since the beginning of the year. As Waleed mentioned at the beginning, close to 90% of all the current accounts that have been opened since the beginning of the year were from our mobile offering so we're leveraging from the investment that the bank has been doing since five years ago.

Further, to answer the last question, as I mentioned earlier, the total deposits that we have from SAMA are SAR 7.6 billion. This is all as compensation for the DPP program. There is no general liquidity. If you recall, there was a general liquidity. That has expired in June and extended for three months but as of 30th September SAR 7.6 billion is the compensation for the DPP program with various maturities, between 1.5 years and three years.

Shabbir Malik:

Thank you.

Operator:

Thank you, Shabbir. Our next question comes from Nauman Khan of SNB Capital. Nauman, please go ahead.

Nauman Khan:

Thank you and congratulations on your excellent results as well. Just a couple of questions, one on the mortgage theme. I think mortgages, you have been guiding for 30% CAGR for yourself as well. More recently with what we've seen in SAMA report the mortgages have decelerated slightly from a peak of about 17, 18 to a 12 billion run rate.

If you can highlight the reasons why do you think the markets have slow down and as you said earlier in your previous call that it was seasonal, do you still think it is seasonal or is this the new run rate for new mortgage originations? One. If you can answer this then I can ask my second question after that.

Abdulrahman Alfadda:

Thank you, Nauman. First of all I think we've been giving a heads-up to the market earlier that we are expecting probably a seasonality impact that is impacting Q2, which we have seen. The mortgage origination in Q2 was close to around SAR 30.3 billion versus SAR 46.7 billion in Q1.

Also we have guided that we expect further improvement. Sector total Q3 mortgage origination is around 33.7 billion so that's in the short term. I think we retreat our earlier forecast on the mortgage growth for the entire market to be 30% on a CAGR basis for 2021 until 2023, front-loaded in this year.
Alrajhi Bank have managed to grow our mortgage book by 47% year to date and I think from our perspective we don't see any reason to change that view that we have in our minds. It's basically watching the development into the streets and with the various discussions that we're having with all the ecosystem related to the mortgage. So, long story short, we still retreat our forecast of 30% CAGR growth for the entire market from 2021 until 2023, front-loaded in this year.

Nauman Khan:
My next question is about your CASA as well, your current account. As you said earlier, despite the fact that you have grown the market by 3%, three times what the market's grown by, your current account deposits came down as a percentage of total deposits quite significantly.
Do you think there is a constraint on the market and going forward do you have any strategies to counter that? For example a lot of other banks have started their Sukuk program so are you considering something of that sort just to stabilize the funding base as well?

Abdulrahman Alfadda:
Yes, Nauman. As I've mentioned probably in a couple of earning calls in the past we have analyzed several options to be able to manage our asset and liability duration mismatch and also to further improve the capital position if required.
Those options have been analyzed and we are ready as and when we believe it's the right time to tap into one of the options that we have in the most economical value that has a further improvement into the shareholder value of the organization. Thank you, Nauman.

Nauman Khan:
Thank you. I think this is all from my side. Thank you guys.

Operator:
Thank you, Nauman. Our next question today comes from Aybek Islamov of HSBC. Aybek, your line is open. Please go ahead.

Aybek Islamov:
Thank you for the conference call. I guess I would like to circle back on neoleap and just to understand, are you transferring any intangibles, any assets for example on

your POS network under the neoleap umbrella, what exactly is happening with neoleap? Or is it entirely a new start-up which is not carving out any intangibles or any fixed assets from Alrajhi Bank? That's my first question.

I think secondly, EMKAN finance, I'm just curious. You're showing very good growth in EMKAN finance subsidiary, which is a sign that customers are limit up on their debt ratios with the core bank and if they want to borrow more obviously they're going through the consumer finance channel.

Currently I've read somewhere in the news - correct me if it's wrong but currently you probably have around 150 or maybe 180,000 customers in EMKAN finance, using EMKAN finance products. So where do you see the customer count going two, three years from now, what are your projections? Obviously you know your customer base very well.

Also those who are taking EMKAN finance loans, are they purely unsecured like any other consumer finance product out there or are they competitive in Saudi Arabia? That's all. Thank you.

Waleed Almogbel:

Thank you for your questions. For neoleap, as we mentioned in the beginning of the Q&A, neoleap is a digital payments company established from scratch, completely greenfield IT infrastructure, nothing to do with the bank for curving business or any communication or system from the bank. This is for neoleap.

For the EMKAN, I'm not sure about the number of customers that you are mentioning. I don't know from where you get it but EMKAN is one-year-old company. Yes, it is unsecured lending. The target market for EMKAN is the same as neoleap, which is for the segments that are not covered by the bank.

For the future of EMKAN, I believe it is too early to assess the portfolio. The credit appetite of this portfolio as it is completely as unsecured lending. We need more time to understand the non-salary transfer customer behavior. Thank you.

Aybek Islamov:

Thank you.

Operator:

Thank you. Aybek. This concludes today's Q&A so I would like to hand you back to the CEO for any closing remarks.

Waleed Almogbel:

Thank you, everyone dialing in and thank you again for your trust in us. We are very proud of our results and we will continue to focus on executing and achieving our strategic goals for this year and beyond.

Last year we have established EMKAN as one of the executions of our strategies. This year we established neoleap as another pillar of our strategy besides the focus of our core business, a good growth in retail, corporate and treasury. We look forward to meeting you in the fourth quarter earnings call. Thank you again.