

# Al Rajhi Bank Results Presentation

1Q 2022 Earnings Conference Call and Webcast



# 1Q 2022 Earnings Call

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# ARB had an excellent start to the year 2022 | Results are in line with or ahead of expectations

5.4% YTD Balance Sheet Growth	7.0% Growth in financing driven by all lines of business		4.1% Growth in liabilities		LDR below regulatory minima	
	Net Financing 452.8bn FY 21	+7.0% → 484.5bn 1Q 22	Total Liabilities 556.4bn FY 21	+4.1% → 579.3bn 1Q 22	Loan to Deposit Ratio 82.3% FY 21	87.9% 1Q 22
Solid 24% net income growth YoY	11.9% Net yield income growth, impacted by lower NPM		37.3% Non yield income growth		17.0% Operating income growth	
	Net Yield income 4,771mn 1Q 21	+11.9% → 5,340mn 1Q 22	Non Yield Income 1,177mn 1Q 21	+37.3% → 1,616mn 1Q 22	Operating Income 5,948mn 1Q 21	+17.0% → 6,957mn 1Q 22
Stable credit quality	12 bps COR reduction		3 bps improvement in NPL ratio from strong loan growth		NPL coverage remained strong and stable	
	Cost of risk 0.60% FY 21	0.48% 1Q 22	NPL 0.65% FY 21	0.62% 1Q 22	NPL Coverage 306% FY 21	308% 1Q 22
Key Ratios	2.4 ppt better operating efficiency		Capital position above regulatory minima		Lower NPM	
	Cost to income ratio 27.8% 1Q 21	25.4% 1Q 22	Total Capital Adequacy Ratio 17.9% 1Q 21	19.3% 1Q 22	NPM 4.56% 1Q 21	3.80% 1Q 22



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

## Bank

**Build** on our core

## OF

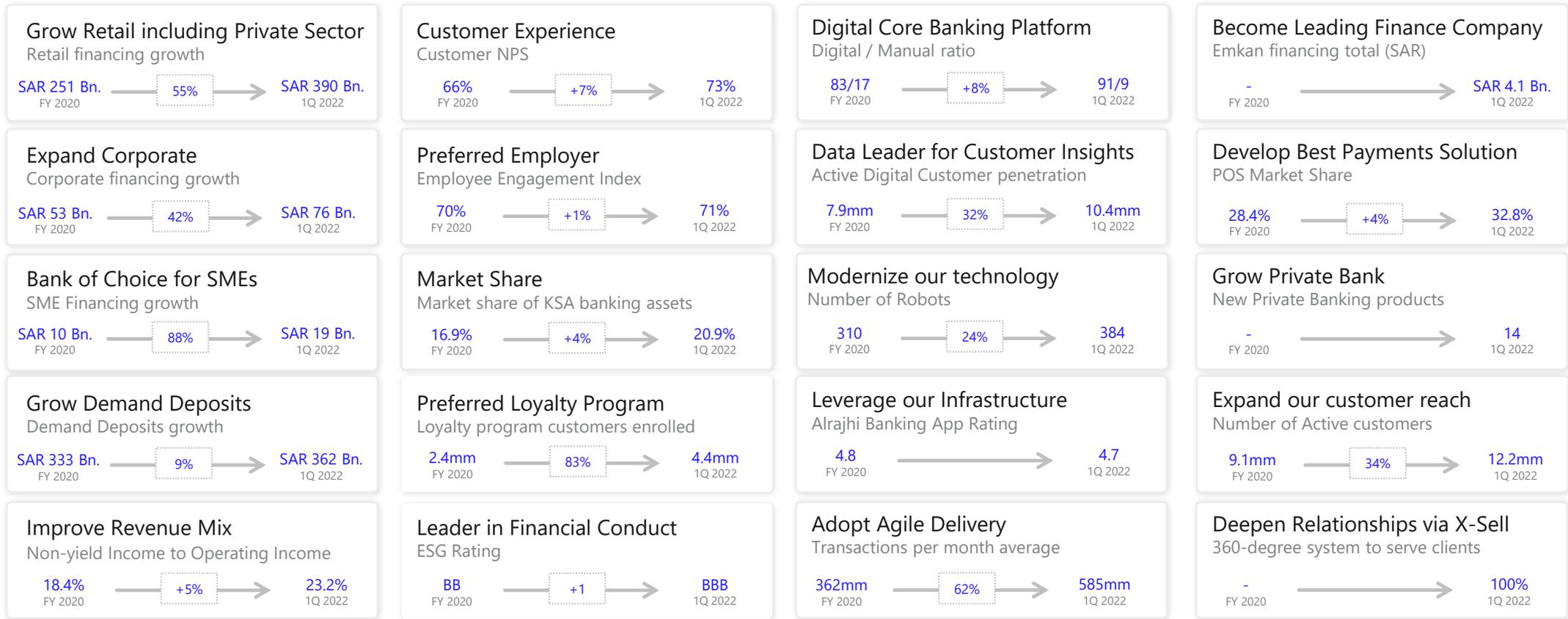
**Outperform** our competition

## The

**Transform** technology

## Future

**Focus** on new client needs

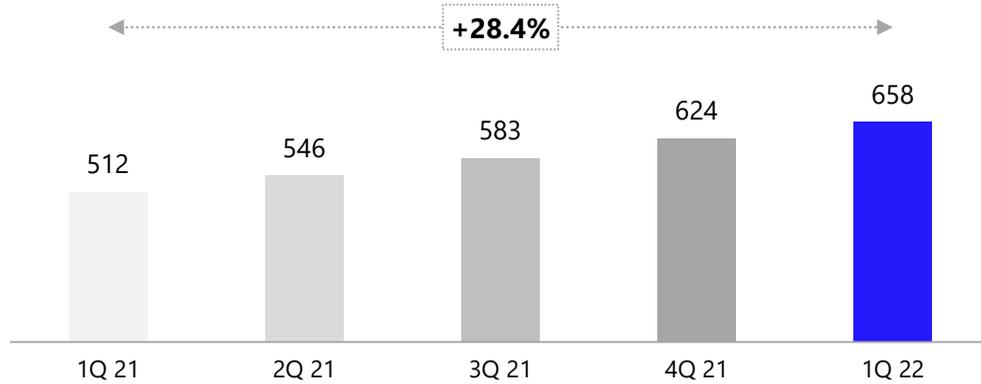


# 1Q 2022 Financial Highlights

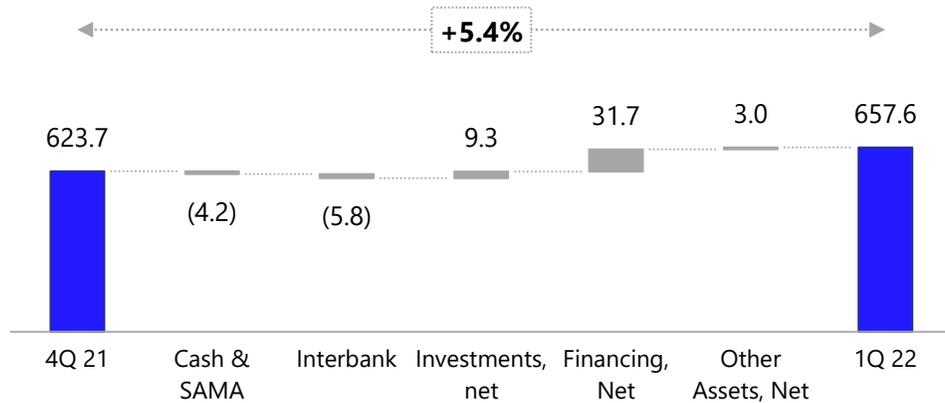
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# Balance Sheet Trends (1) | Strong 28% YoY balance sheet growth driven by Financing and Investments

Total Assets (SARbn)



Movement in Assets (SARbn)



SAR (mn)

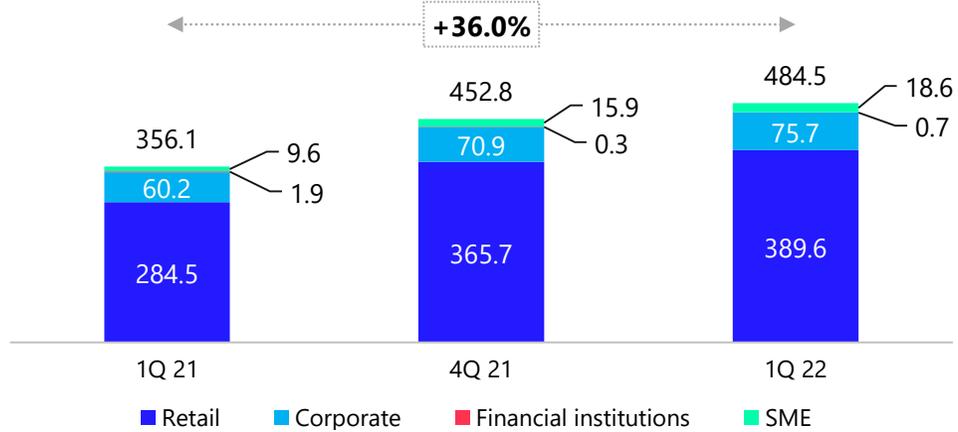
	1Q 22	4Q 21	QoQ	1Q 21	YoY
Cash & balances with SAMA	36,143	40,363	-10%	38,562	-6%
Due from banks & other FI	20,222	26,065	-22%	31,730	-36%
Investments, net	93,758	84,433	+11%	67,968	+38%
Financing, net	484,526	452,831	+7%	356,144	+36%
Other assets, net	22,979	19,979	+15%	17,829	+29%
<b>Total assets</b>	<b>657,628</b>	<b>623,672</b>	<b>+5%</b>	<b>512,234</b>	<b>+28%</b>
Due to banks & other FI	38,827	17,952	+116%	9,731	+299%
Customers' deposits	507,892	512,072	-1%	421,269	+21%
Other liabilities	32,568	26,339	+24%	22,012	+48%
<b>Total liabilities</b>	<b>579,287</b>	<b>556,363</b>	<b>+4%</b>	<b>453,011</b>	<b>+28%</b>
<b>Total equity</b>	<b>78,341</b>	<b>67,309</b>	<b>+16%</b>	<b>59,222</b>	<b>+32%</b>

Movement in Funding (SARbn)



## Balance Sheet Trends (2) | Financing growth across all lines of business

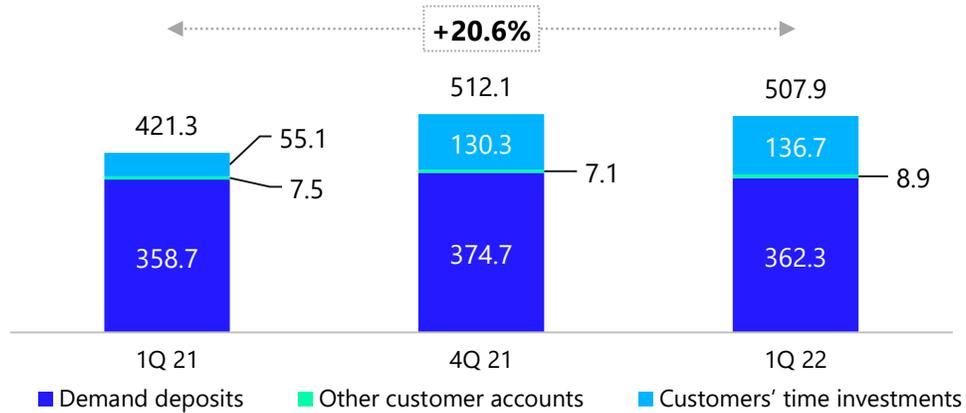
Financing, Net (SARbn)



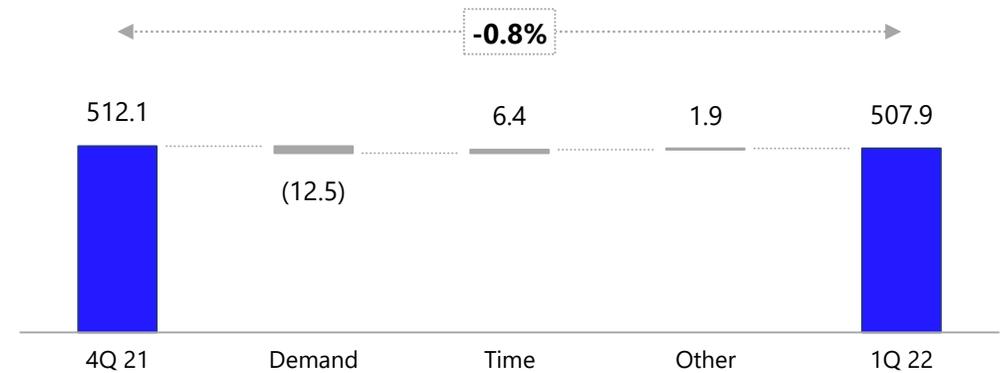
Movement in Financing (SARbn)



Total Customers' Deposits (SARbn)

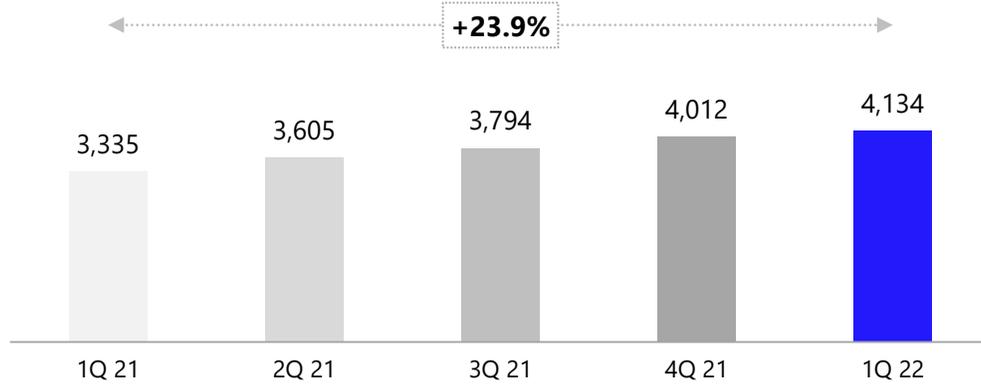


Movement in Total Customers' Deposits (SARbn)

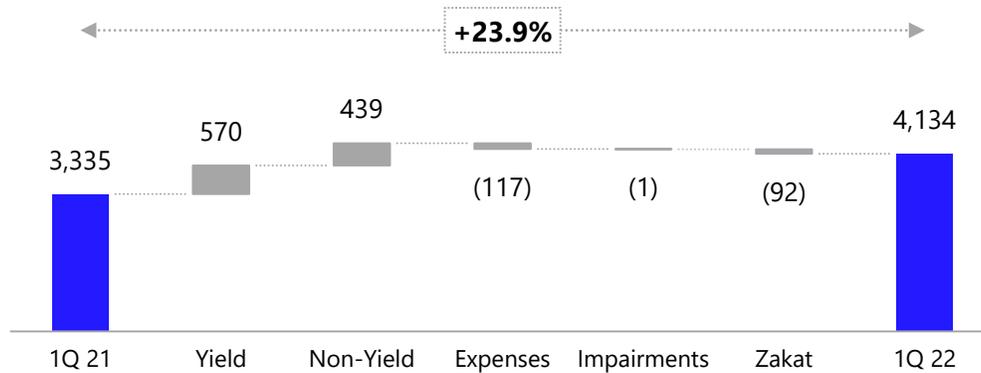


# Net Income Trends | Solid net profit growth of 24% YoY

Net Income For The Period After Zakat (SARmn)



Net Income After Zakat Growth Drivers By Type (SARmn)



SAR (mn)

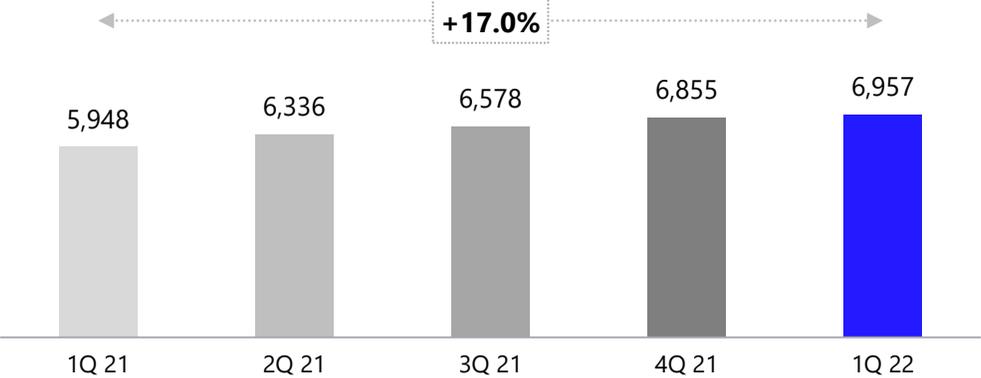
	1Q 22	1Q 21	YoY	4Q 21	QoQ
<b>Net financing &amp; investment income</b>	<b>5,340</b>	<b>4,771</b>	<b>+12%</b>	<b>5,355</b>	<b>-0%</b>
Fee from banking services, net	1,148	909	+26%	1,114	+3%
Exchange Income, net	237	175	+35%	218	+9%
Other operating income, net	232	93	+150%	168	+38%
<b>Fees and other income</b>	<b>1,616</b>	<b>1,177</b>	<b>+37%</b>	<b>1,500</b>	<b>+8%</b>
<b>Total operating income</b>	<b>6,957</b>	<b>5,948</b>	<b>+17%</b>	<b>6,855</b>	<b>+1%</b>
Operating expenses	-1,769	-1,652	+7%	-1,791	-1%
<b>Pre-provision profit</b>	<b>5,188</b>	<b>4,296</b>	<b>+21%</b>	<b>5,064</b>	<b>+2%</b>
Total impairment charge	-578	-577	+0%	-590	-2%
<b>Net income for the period before Zakat</b>	<b>4,609</b>	<b>3,719</b>	<b>+24%</b>	<b>4,474</b>	<b>+3%</b>
Zakat	-476	-383	+24%	-461	+3%
<b>Net income for the period after Zakat</b>	<b>4,134</b>	<b>3,335</b>	<b>+24%</b>	<b>4,012</b>	<b>+3%</b>

Net Income After Zakat Growth Drivers By Type (SARmn)

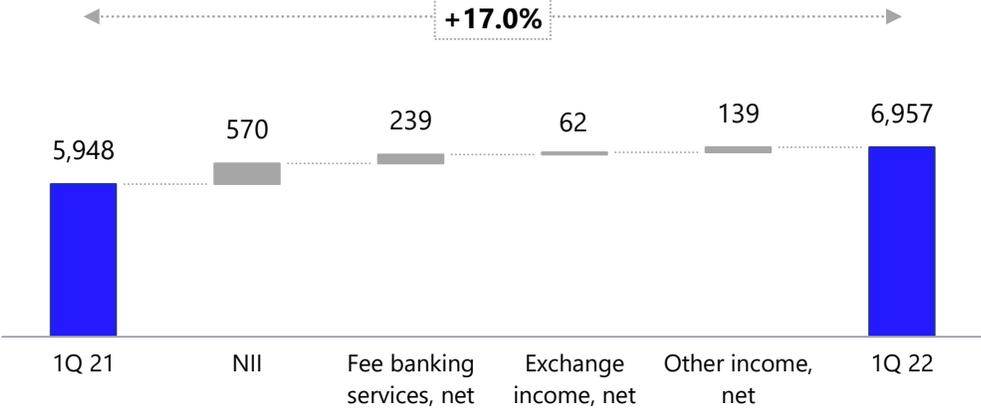


# Operating Income Trends | Strong income growth reflecting successful strategy execution

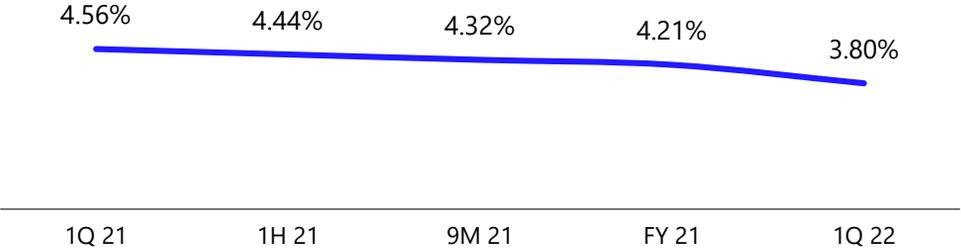
**Total Operating Income (SARmn)**



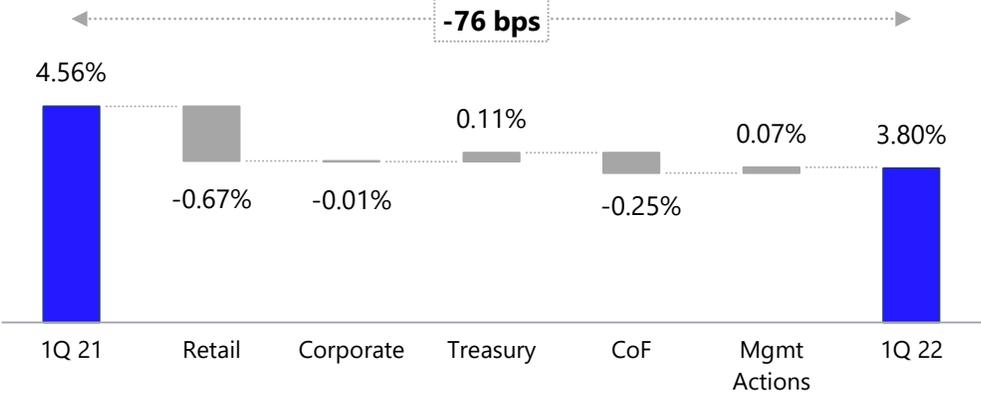
**Total Operating Income Growth Drivers By Type (SARmn)**



**Net Profit Margin (%)**

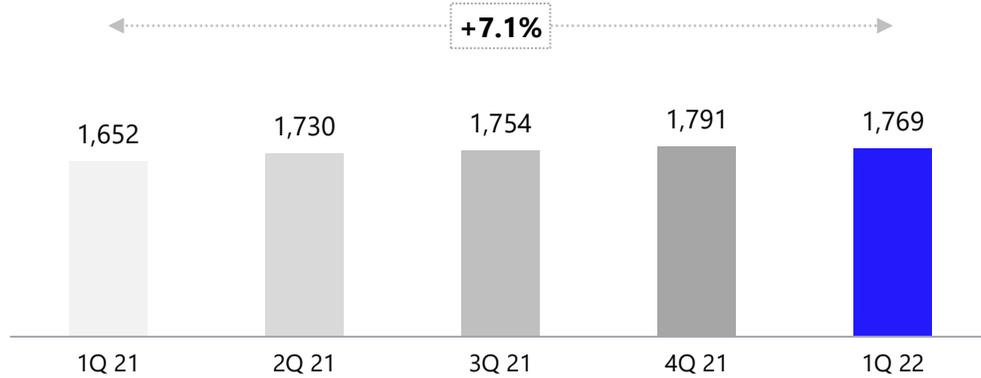


**NPM Drivers (%)**

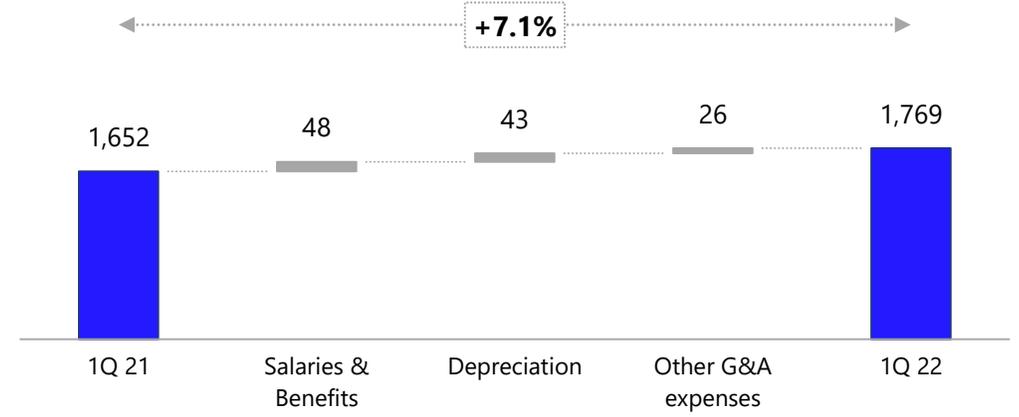


# Expenses Trends | Cost efficiencies resulted in higher positive jaws

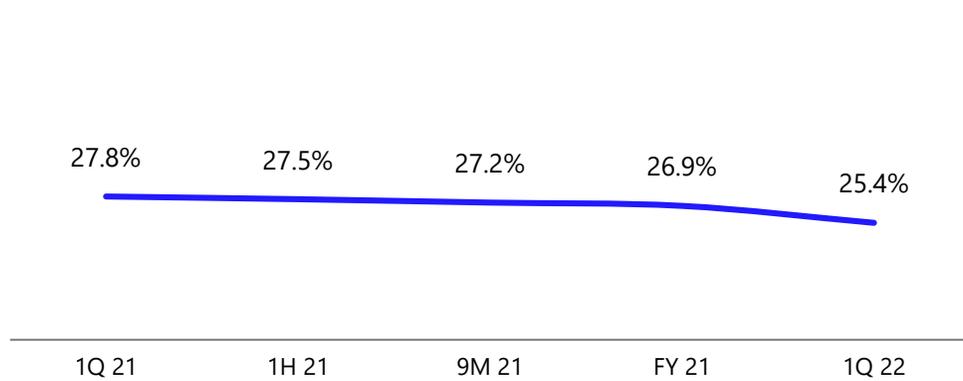
Operating Expenses (SARmn)



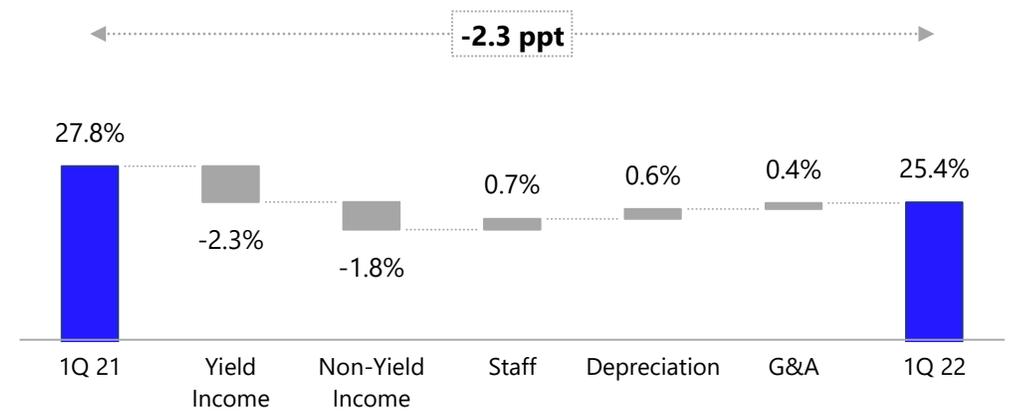
Operating Expenses Growth Drivers By Type (SARmn)



Cost To Income Ratio (%)

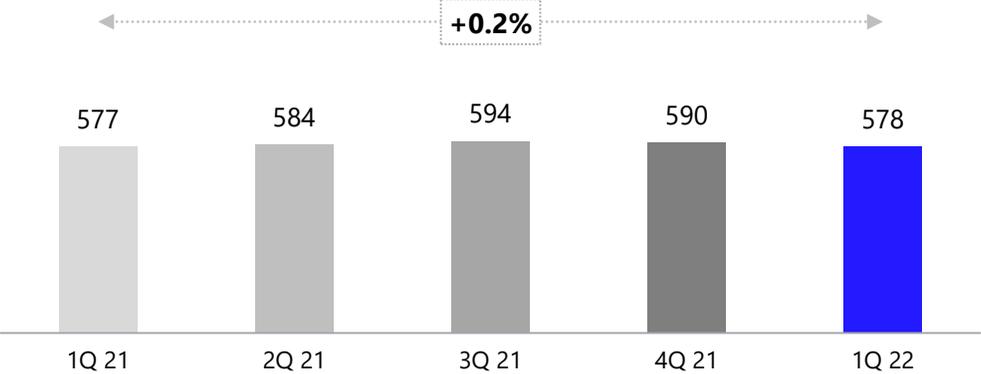


Cost to Income Ratio Drivers (%)

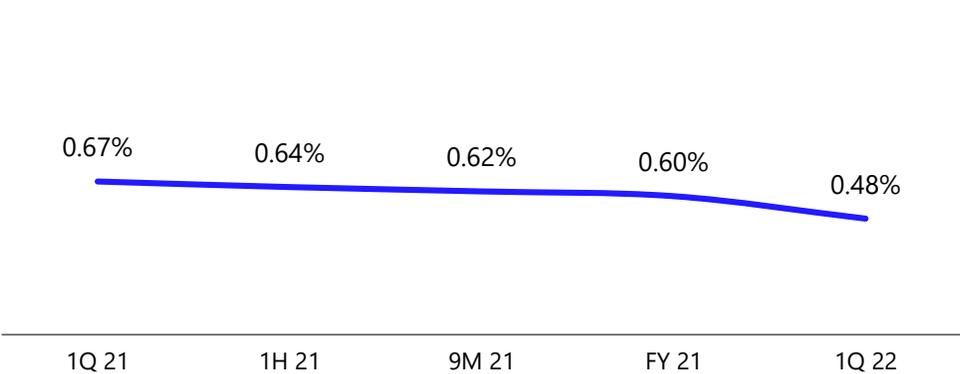


# Net Impairment & Cost of Risk | Stable net impairment resulted in cost of risk improvement

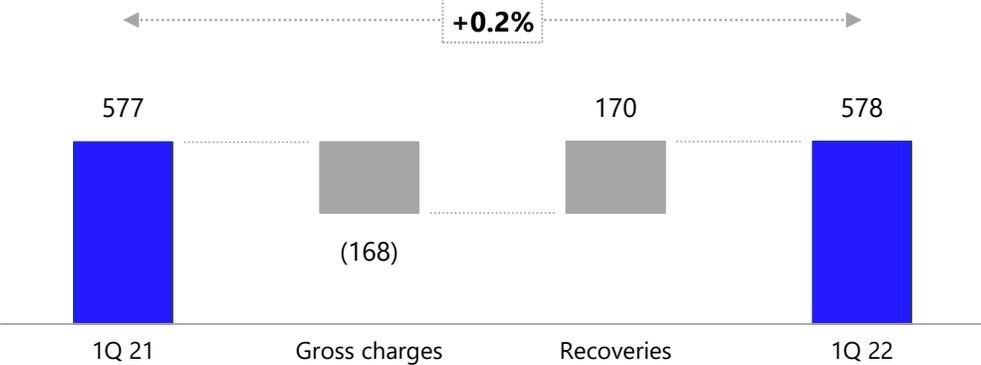
Net Impairment Charges (SARmn)



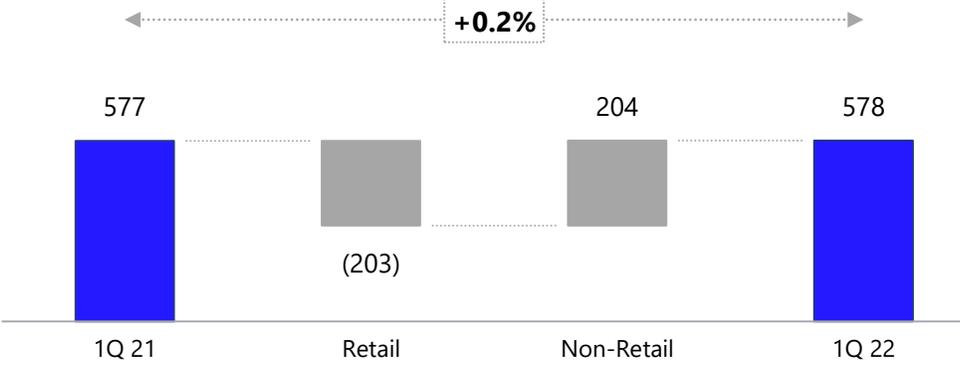
Cost of Risk (%)



Movement in Net Impairment (SARmn)



Movement in Net Impairment by Group (SARmn)

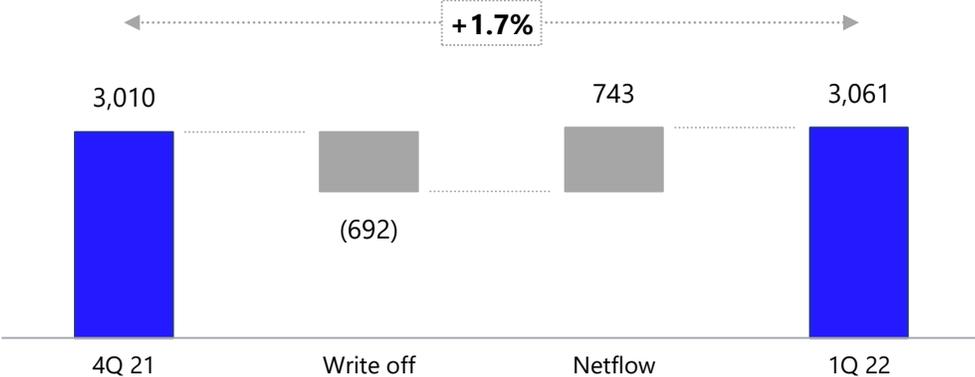


# Asset Quality Trends (1) | Asset quality remains healthy and NPL coverage remains strong and stable

**Movement in NPL (SARmn)**



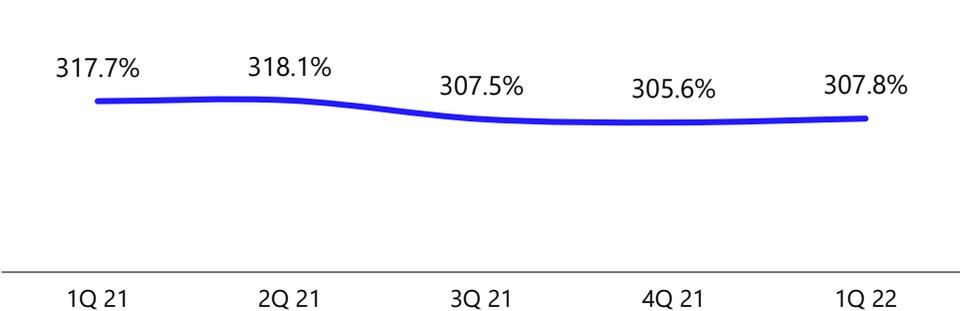
**NPL Formation (SARmn)**



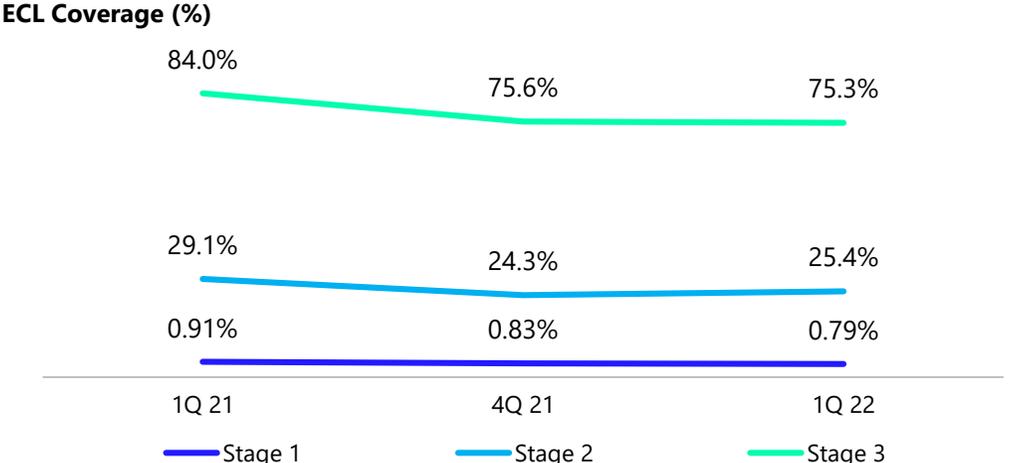
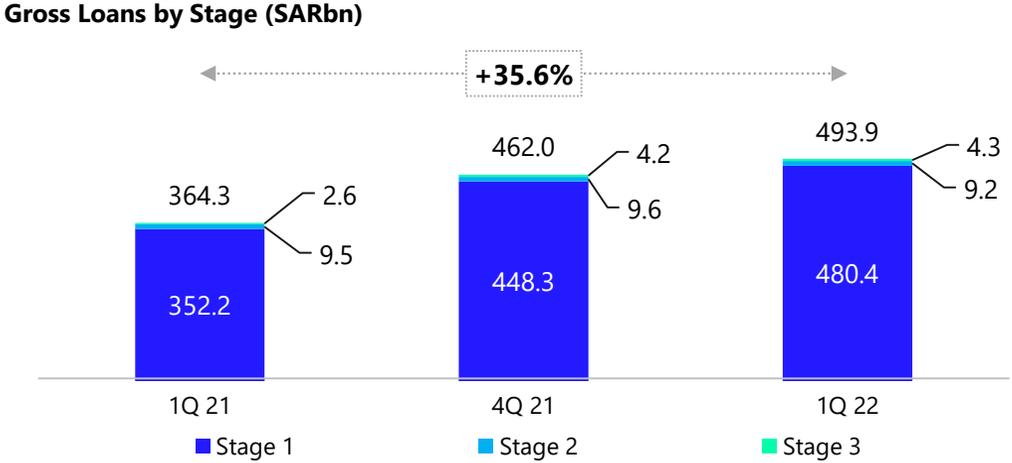
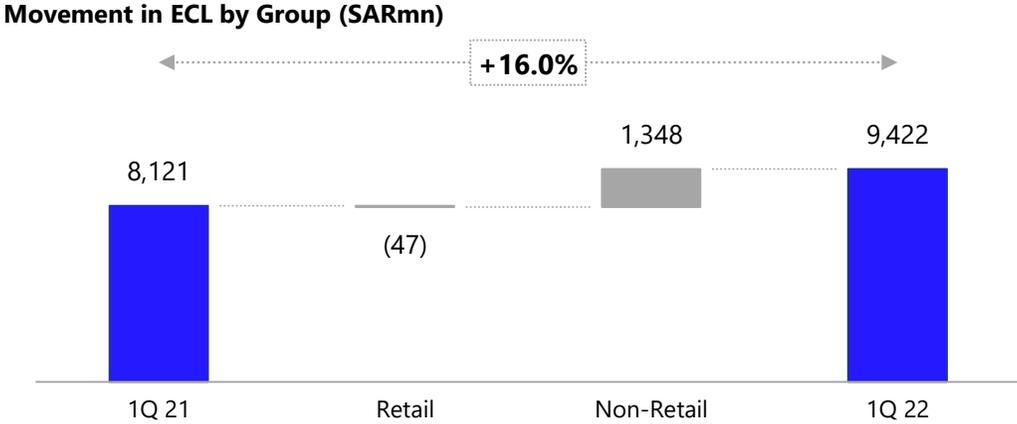
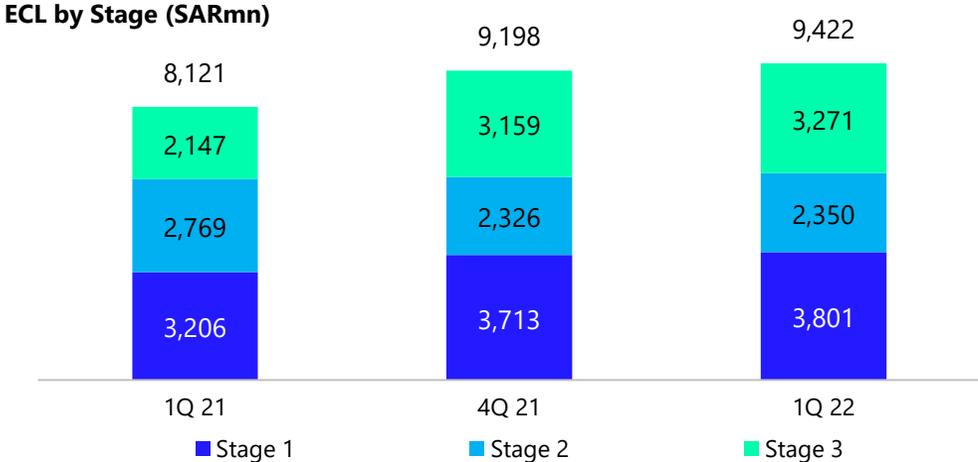
**NPL Ratio (%)**



**NPL coverage ratio (%)**

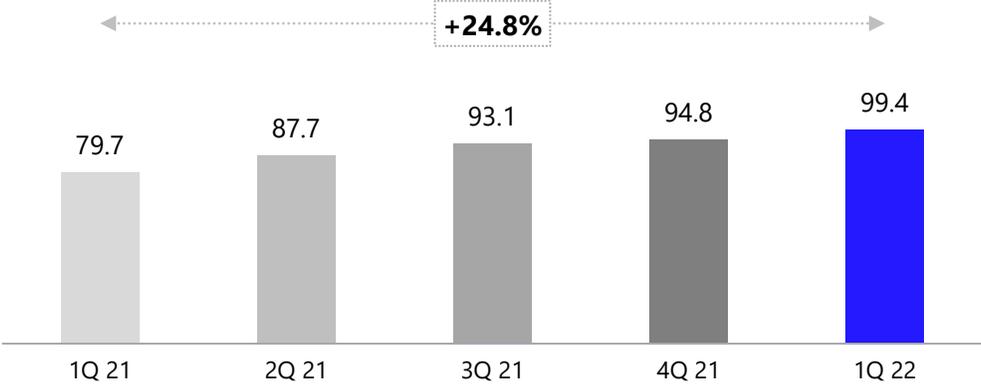


# Asset Quality Trends (2) | Healthy stage coverage reflecting prudent risk management

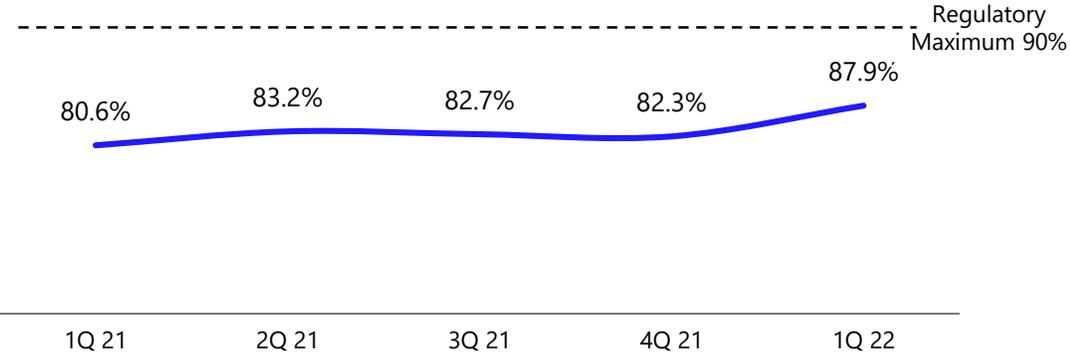


# Liquidity Trends | Liquidity remains comfortably within regulatory requirements

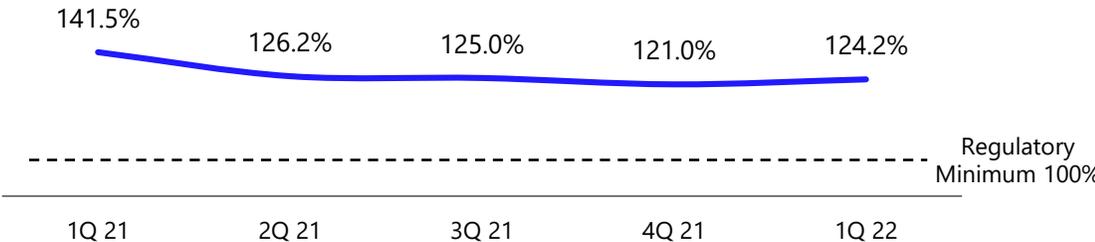
**HQLA (SARbn)**



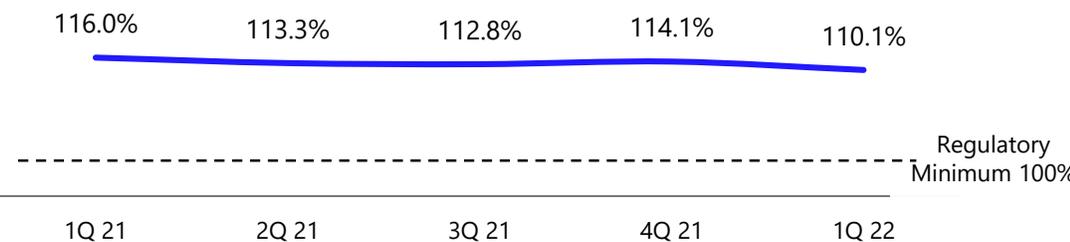
**Loan to Deposits Ratio (SAMA) (%)**



**LCR (%)**

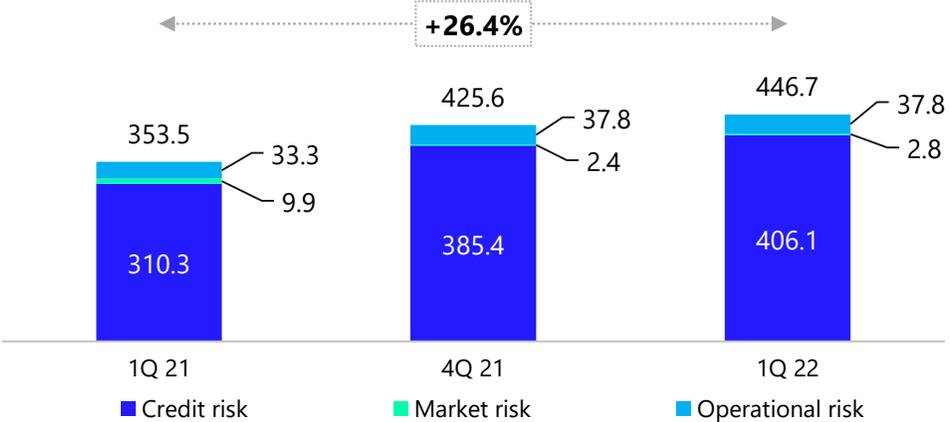


**NSFR (%)**

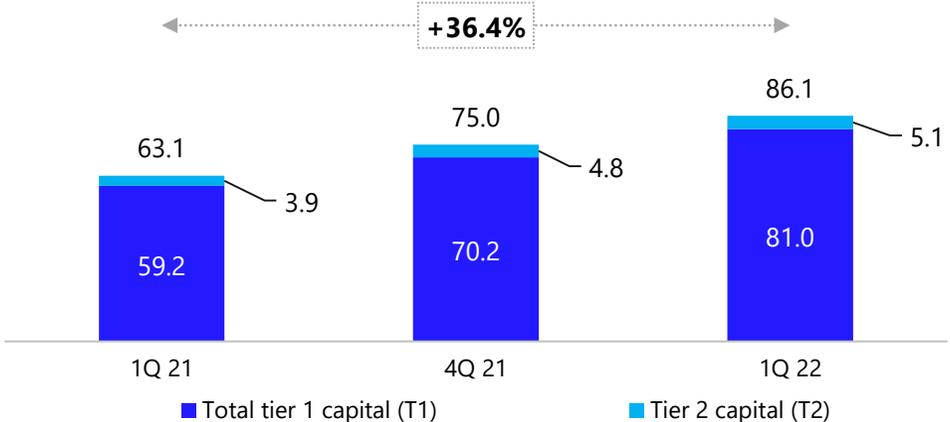


# Capitalization Trends | Capital position well above regulatory minima

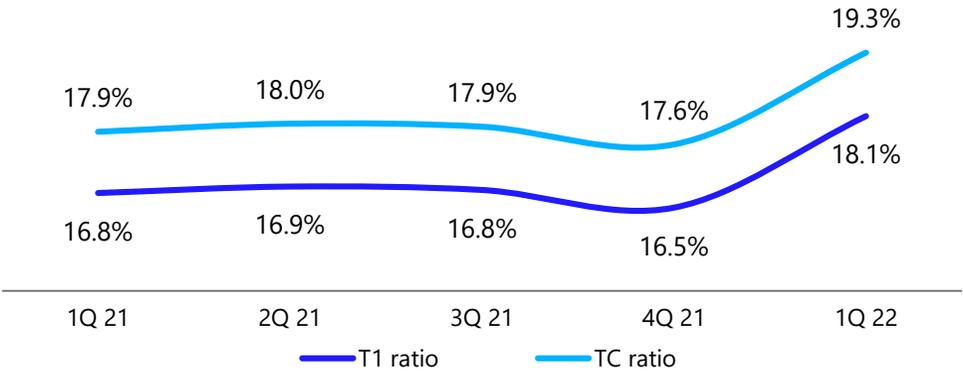
RWA (SARbn)



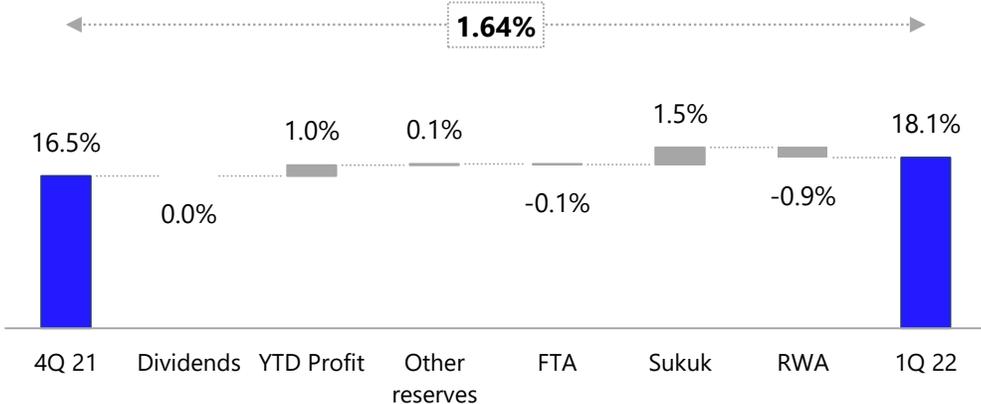
Total Capital (SARbn)



Capital Ratios (%)

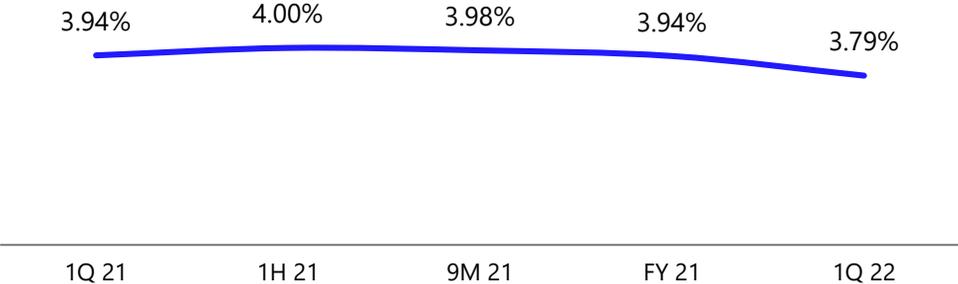


Tier 1 Drivers (%)

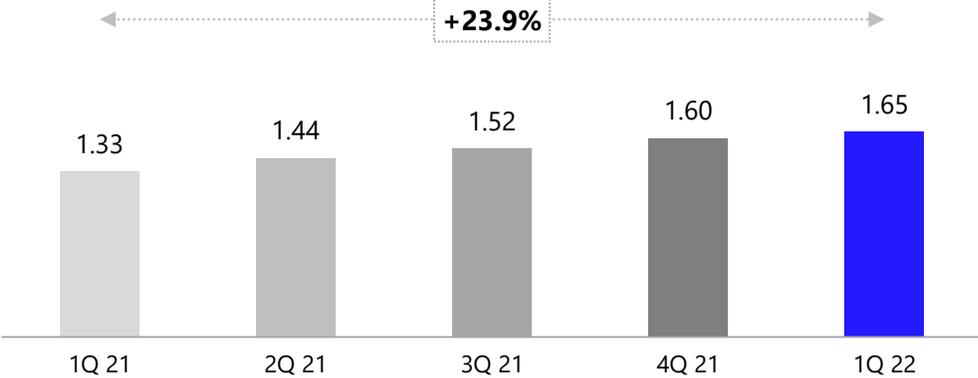


# Return Metrics | Al Rajhi Bank's returns remain industry-leading

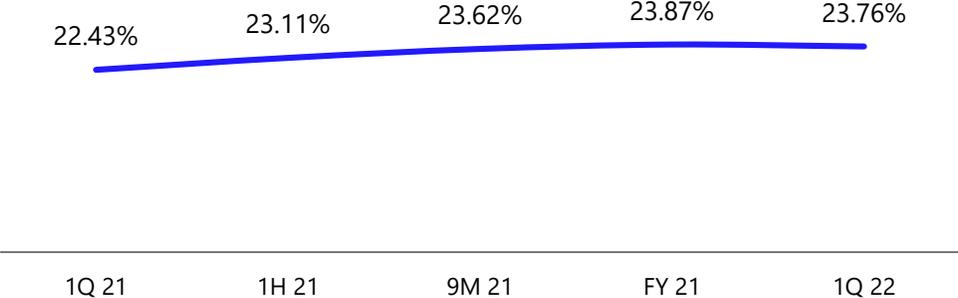
**Return on RWA (%)**



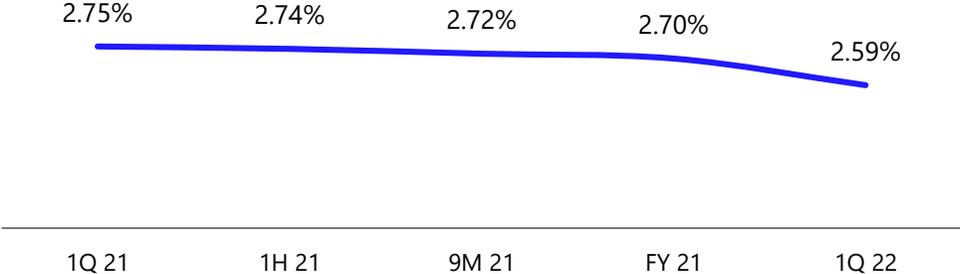
**Earnings per Share (SAR)**



**Return on Equity (%)**



**Return on Assets (%)**



# FY 2022 Guidance

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# FY 2022 Assumptions and Outlook | Driven by positive economic outlook with focus in delivering efficiencies

## Economy



- IMF upgraded Saudi GDP growth forecast to 7.6% in 2022 from previously 4.8%
- Saudi economy grew by 9.6% in 1Q 2022, recording the highest growth rate since 2011
- Consumer spending increased by 9.2% in 1Q 2022 on the back of improved economic activities
- Credit growth is expected to continue during 2022 supported by government and PIF initiatives and projects

## Interest Rates



- Interest rates are expected to move higher during 2022 as US inflation staying well above its 2% target
- Competition is expected to continue which will negate the positive impact of higher interest rates
- Retail ex-mortgage assets re-pricing is expected to occur in the range of 1-3 years.
- SRC has revised up the mortgage subsidies cap rate on 14<sup>th</sup> April 2022

## Strategy & Execution



- “Bank of the Future” strategy is paving the way for growth opportunities across all business lines
- 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 2022 Guidance | Continuation of excellent results and strategy execution

		FY 2022 Guidance	1Q 2022 Actual	Guidance Revision	
<b>Balance Sheet</b>	Financing	High teens	+7.0%	↑	Low twenties
<b>Profitability</b>	Net profit margin	-45 bps to -55 bps	-41 bps	↓	-55 bps to -65 bps
	Cost to income ratio	Below 27%	25.4%	↑	Below 26.5%
	ROE	23% – 24%	23.76%	—	No change
<b>Asset Quality</b>	Cost of risk	0.50% - 0.60%	0.48%	↑	0.40% - 0.50%
<b>Capital</b>	Tier 1 ratio	17% - 18%	18.1%	—	No change



Q & A

# ESG Highlights

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# ESG Highlights | 1Q 2022

			<b>91</b> kidney transplants through Shifaa platform	ISO/DIS 37301:2020 Compliance	
	Started using solar energy system in 5 branches to reduce utilities consumption	<b>SAR 32mn</b> Donation in 2021	<b>9</b> batches of Graduate Development Program since 2015	ISO 22301:2019 Business Continuity Management	<b>101</b> women-owned suppliers engaged
<b>SAR 658bn</b> Total Assets	<b>Over USD1bn</b> of financing renewable energy projects	<b>SAR 476mIn</b> Zakat paid	<b>3,663</b> Employees volunteered in social programs	<b>1,209</b> Sharia Board Resolutions	<b>69%</b> growth in female employees since 2015
<b>SAR 4.1bn</b> Net Profit after Zakat	ISO Green Certification for the head office building	<b>SAR 805mIn</b> in salaries and benefits paid	<b>18,300+</b> of volunteering hours Clocked	<b>137</b> Policies & Frameworks	<b>17%</b> of female employees
<b>0%</b> Financing exposure in Tobacco, Alcohol & Gambling	<b>91:9</b> Digital to Manual Ratio	<b>SAR 18.6bn</b> in financing for SMEs	<b>33,300+</b> total training days	<b>4 out of 11</b> Independent Board Directors	<b>93%</b> growth in female customers since 2015
<b>Financial Sustainability</b>	<b>Environmental</b>	<b>Social</b>		<b>Governance</b>	<b>Gender Diversity</b>

■ 1Q 2022 figures



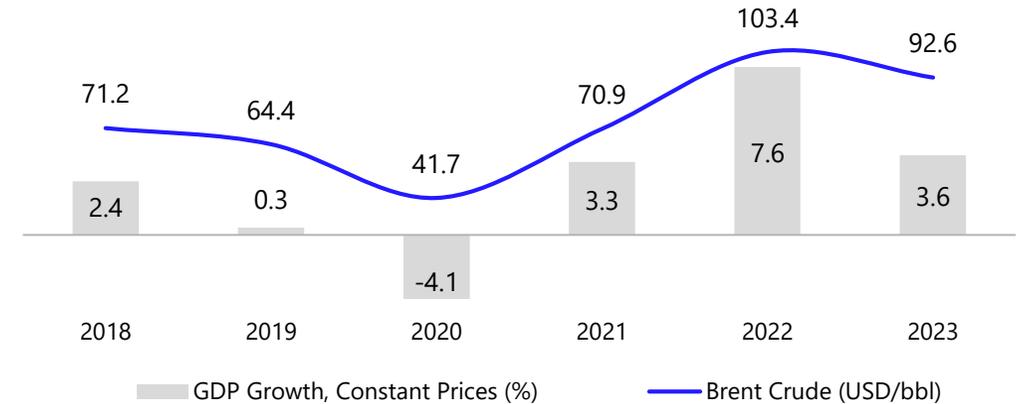
# KSA's Macro-Economic Environment

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## Highlights

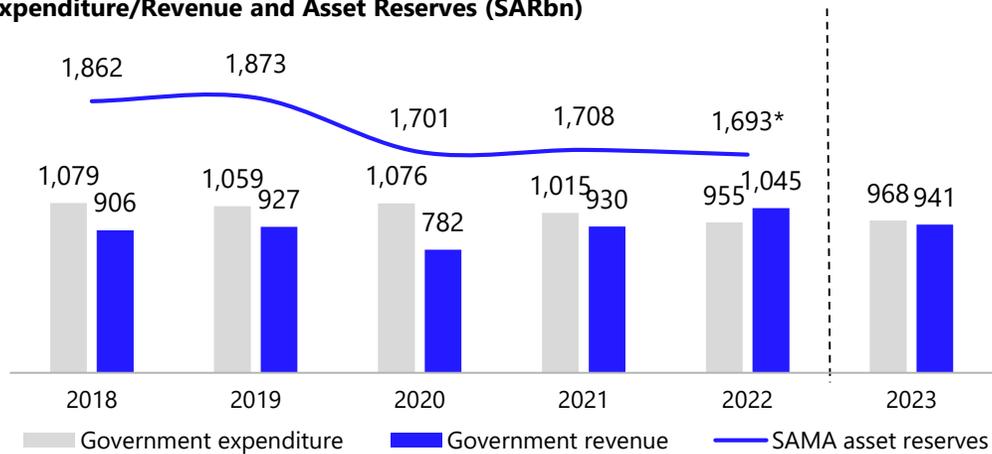
- IMF revised up Saudi's GDP growth forecasts to 7.6% in 2022 compared to 4.8% earlier
- GDP grew by 9.6% in 1Q 2022 driven by higher oil prices and recovery in non-oil activities
- Average inflation estimated to be 2.5% in 2022 and expected to normalize in 2023 to 2.0%

### GDP Growth/Brent Oil Price



Source: IMF, U.S. Energy Information

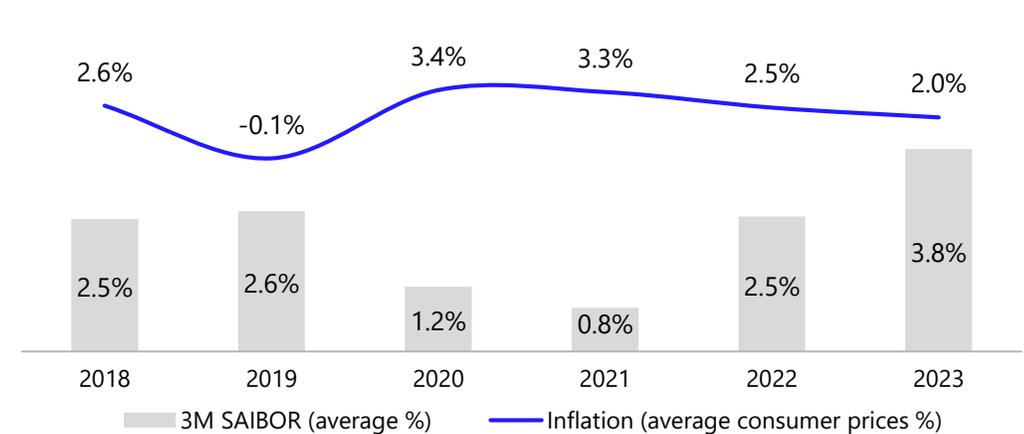
### Expenditure/Revenue and Asset Reserves (SARbn)



Source: MoF, SAMA

\* Mar 2022 figure

### 3M SAIBOR / Inflation



Source: SAMA, IMF, MoF

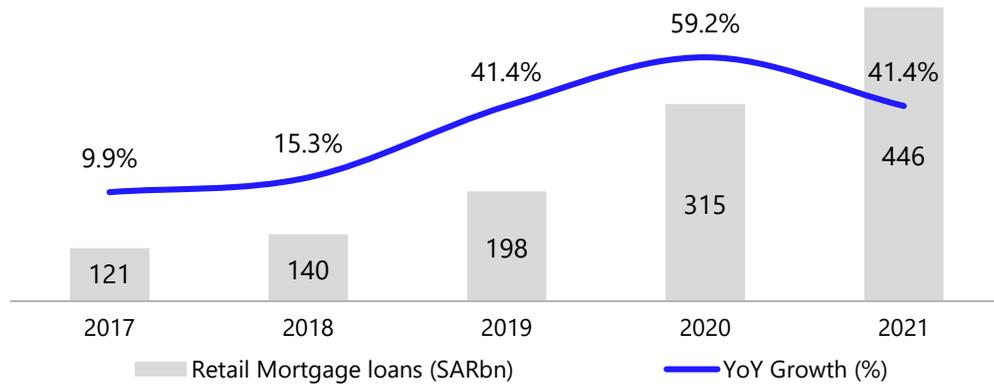


# Banking Sector Highlights | Banking system loans growth was broad based

## Recent Developments

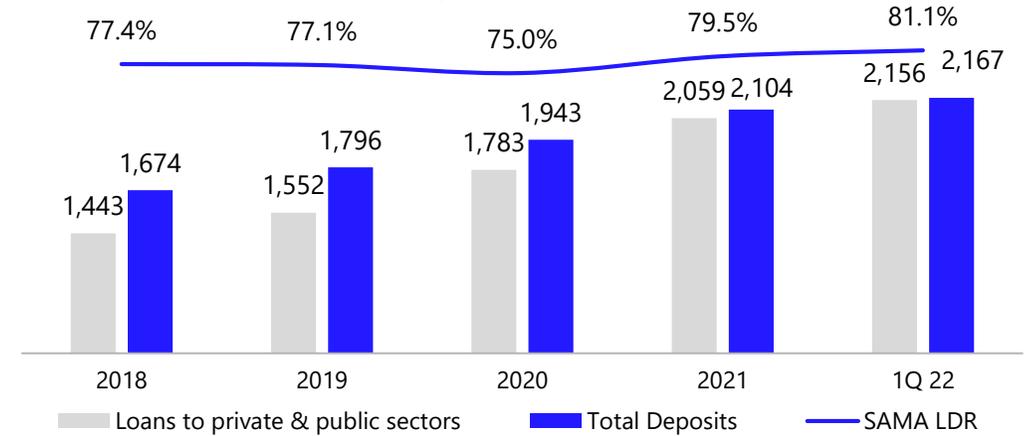
- Broad-based loan growth in the banking system during the first three months of 2022
- SRC has revised up the mortgage subsidies cap rate on 14th April 2022
- Consumer spending increased by 9.2% YoY with continuous migration to cashless payment methods

### Retail Mortgage (SARbn)



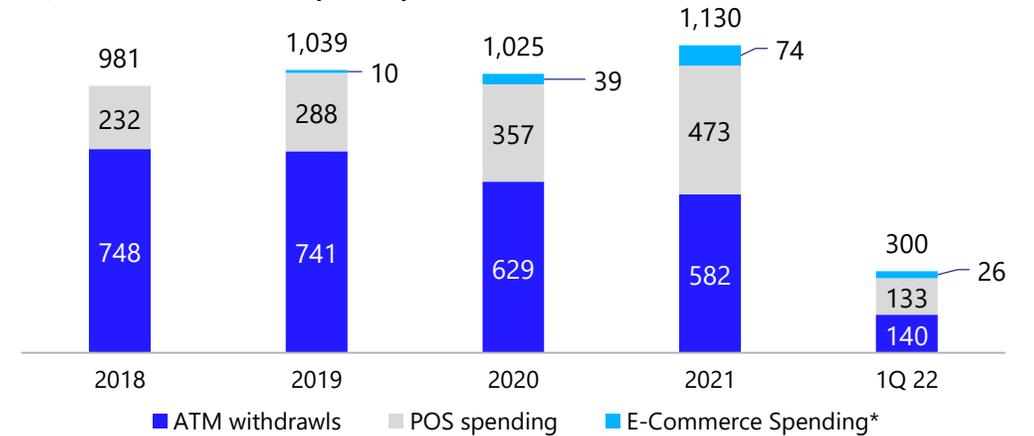
Source: SAMA

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



Source: SAMA

### POS/ATM & E-Commerce (SARbn)



Source: SAMA

\* E-Commerce started in 2019



# IR Contact Information

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## Additional Information | Contact investor relations for more information

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Visit our website ([here](#)) for more Investor disclosures:

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

### Upcoming Events in 2Q 2022

Arqaam Capital Virtual MENA Conference	May 16 <sup>th</sup> – 18 <sup>th</sup>
Saudi Exchange Conference 2022	June 6 <sup>th</sup> – 7 <sup>th</sup>



Alrajhi Mobile App



Alrajhi Business App



Alrajhi IR App



Alrajhi Tadawul Mobile App



Emkan App



urpay App



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