

# Al Rajhi Bank Investor Presentation

2Q 2023 Results



# 2Q 2023 Investor Presentation

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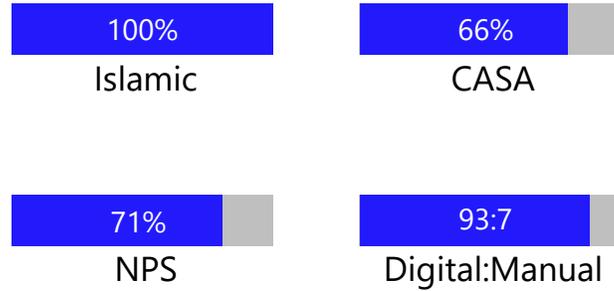
**37** IR Contact Information



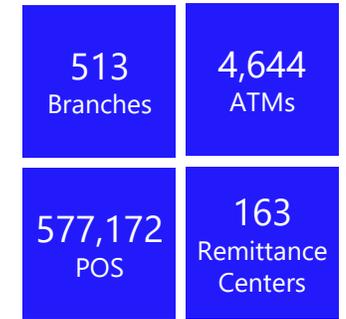
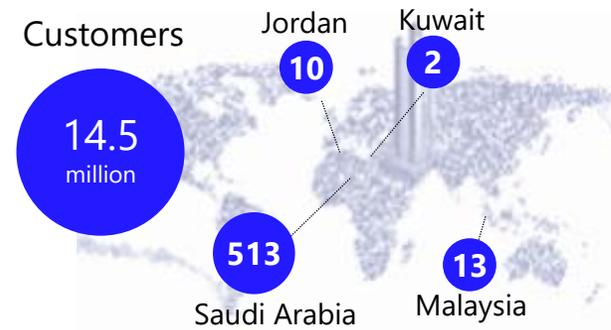
# The World's Leading Islamic Bank

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## At a glance, 2Q 2023



## Presence & Branches, 2Q 2023



Largest network in Saudi Arabia

## 1H 2023 Strategic Highlights

1H23 Avg Trans./mth



Active Digital Customers



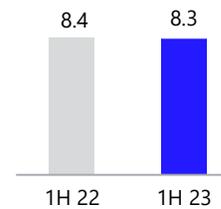
Training Days



Employee Engagement Index



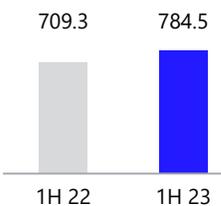
## 1H 2023 Financial Highlights



Group Net Income After Zakat

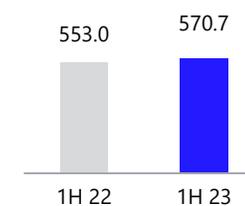
▼ -1%

- 11.4% YoY Net Financing Growth
- 21.7% Total Capital ratio
- 2.23% Cost of Funds



Total Assets

▲ +11%



Customer Deposits

▲ +1%



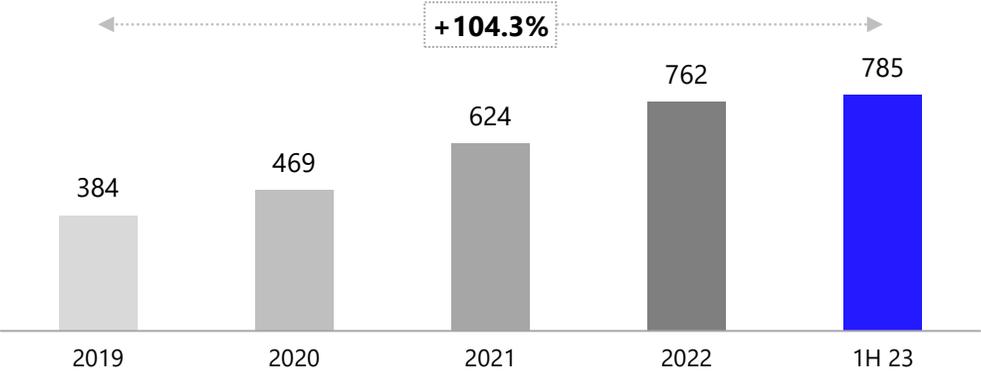
# Top 10 Facts About Al Rajhi Bank

- 1** Largest Islamic Bank worldwide  
(by Assets & Market Cap)
- 2** #1 Retail Bank in Middle East  
(Retail Deposits & Income)
- 3** One of the highest NPB deposit ratios  
(66% Non-profit bearing deposits)
- 4** Bank capitalisation among the highest in GCC  
(21.7% Total Capital ratio)
- 5** #1 NPS in KSA  
(71% as on June 2023)
- 6** #1 Bank in KSA  
(by number of customers)
- 7** #1 Distribution network in Middle East  
(by # of Branches, POS, ATMs, Remittance Centres)
- 8** #1 Banking transactions in KSA  
(777mn per month, average)
- 9** #1 Bank for remittances in Middle East  
(by payment value)
- 10** #1 Bank brand in KSA  
(Brand Power Score)

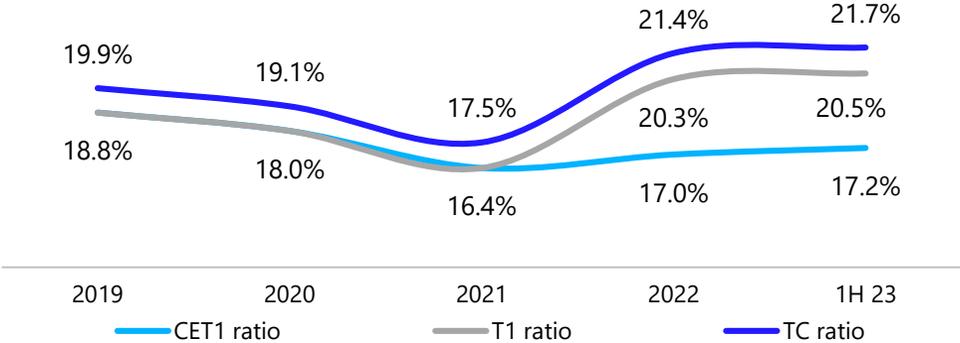


# The World's Leading Islamic Bank | Robust balance sheet with 66% CASA deposits in 2Q 2023

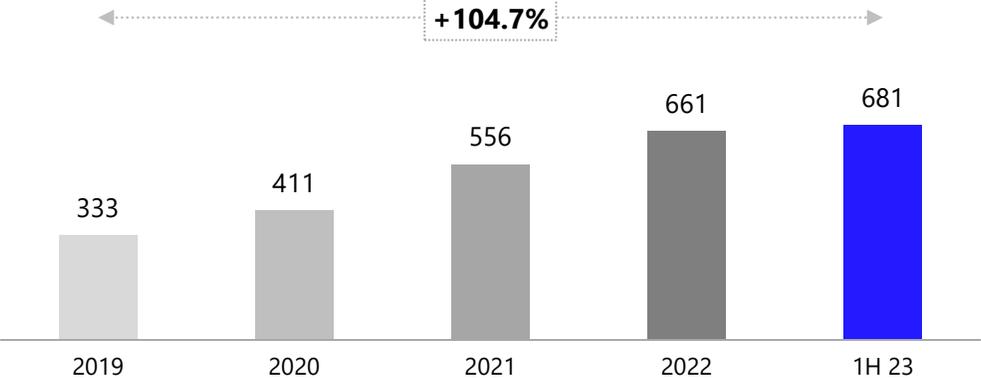
**Total Assets (SARbn)**



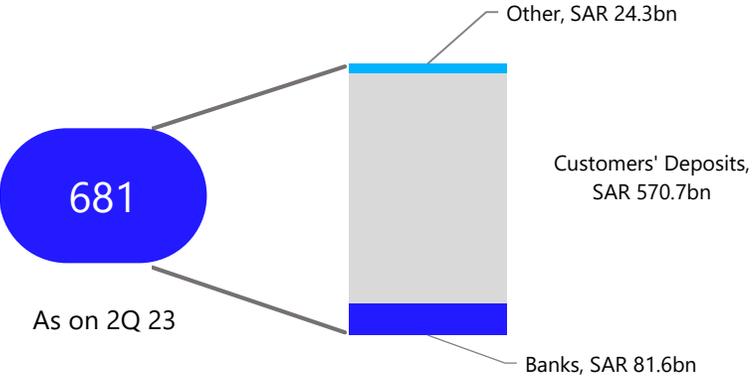
**Capital Ratios (%)**



**Total Liabilities (SARbn)**

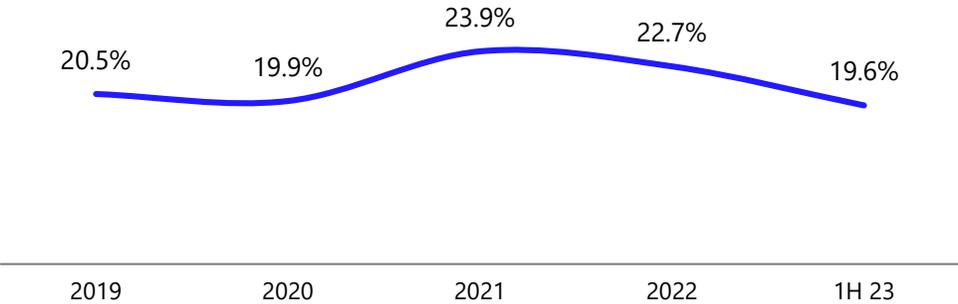


**Total Liabilities Mix By Type (SARbn)**

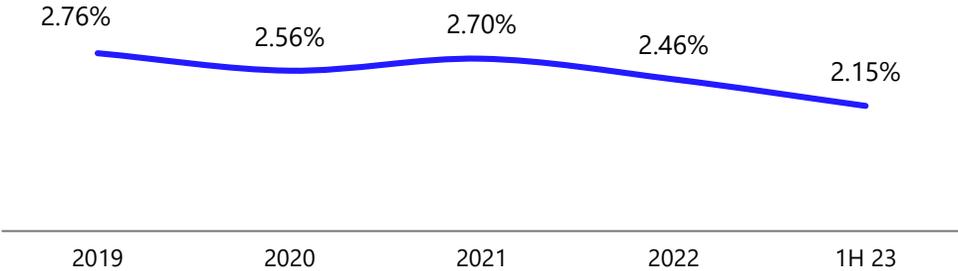


# The World's Leading Islamic Bank | Outstanding foundation and strong returns

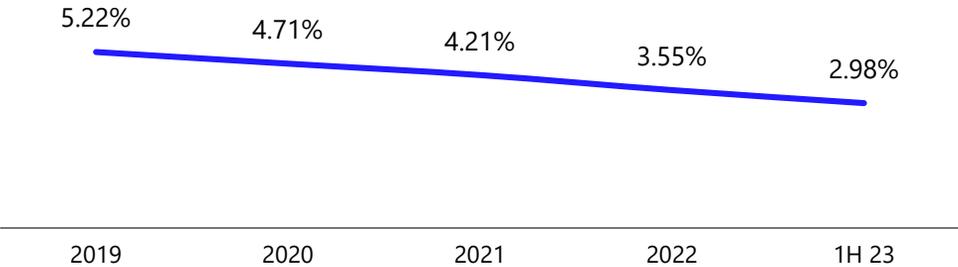
**ROE (%)**



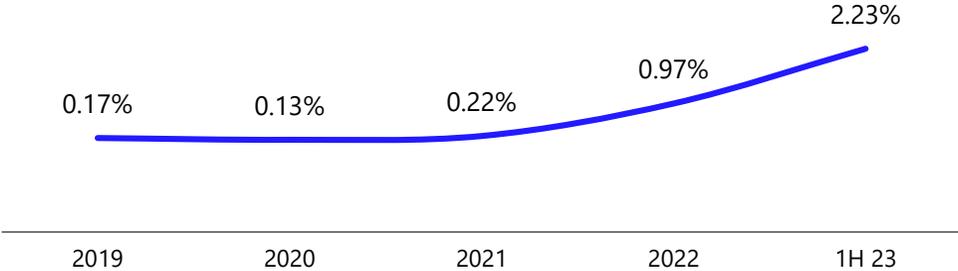
**ROA (%)**



**Net Profit Margin (%)**

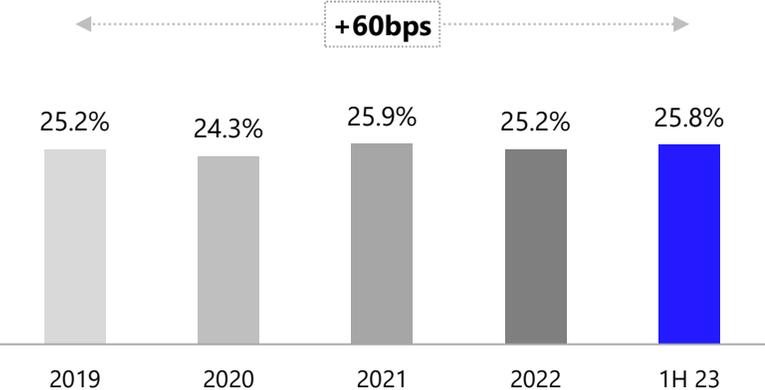


**Cost of Funds (%)**



# What sets Al Rajhi Bank Apart | ARB has the largest retail banking business in the Middle East

Market Share - Demand Deposits

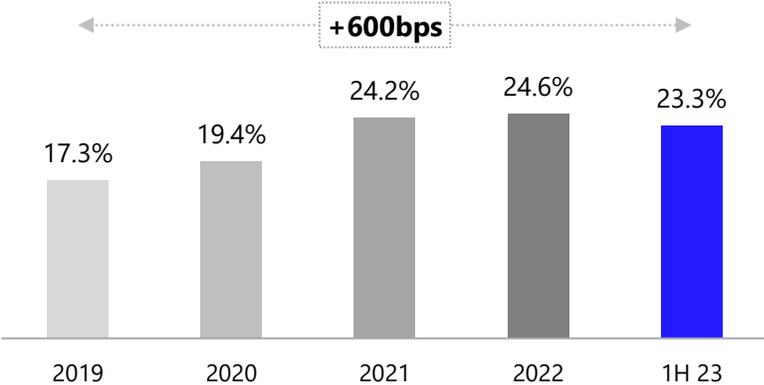


#2 in Saudi Arabia

**14.5**  
**Million**  
**Active Customers**

#1 in Saudi Arabia

Market Share - Deposits



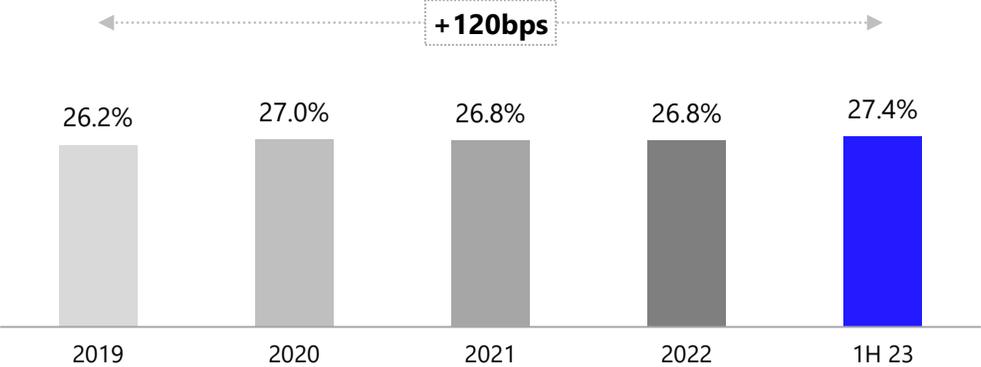
#2 in Saudi Arabia



# Al Rajhi Bank's Leading Network | The Bank has a large distribution network in Saudi Arabia...

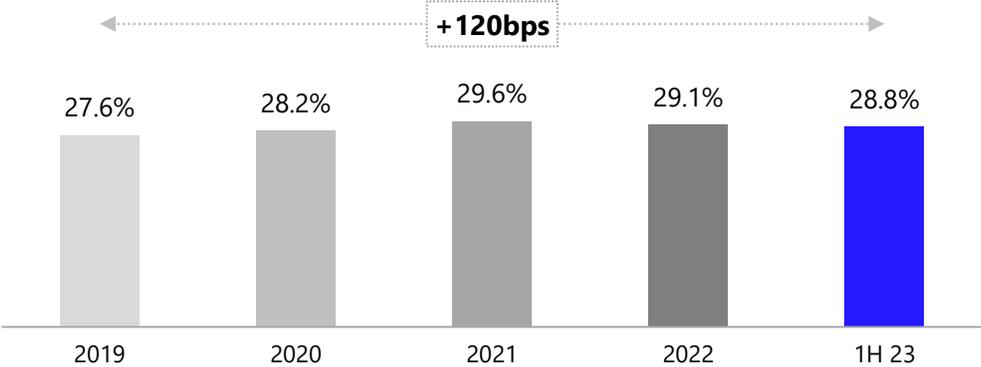
## #1 in Branches

Market Share - Branches



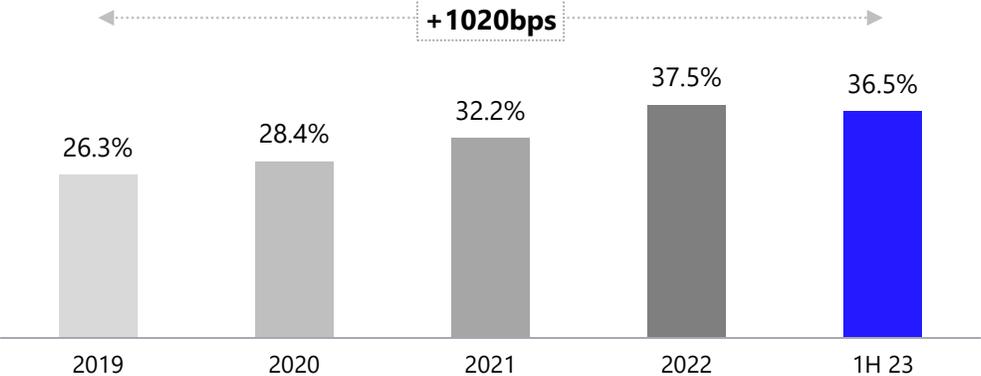
## #1 in ATMs

Market Share - ATMs



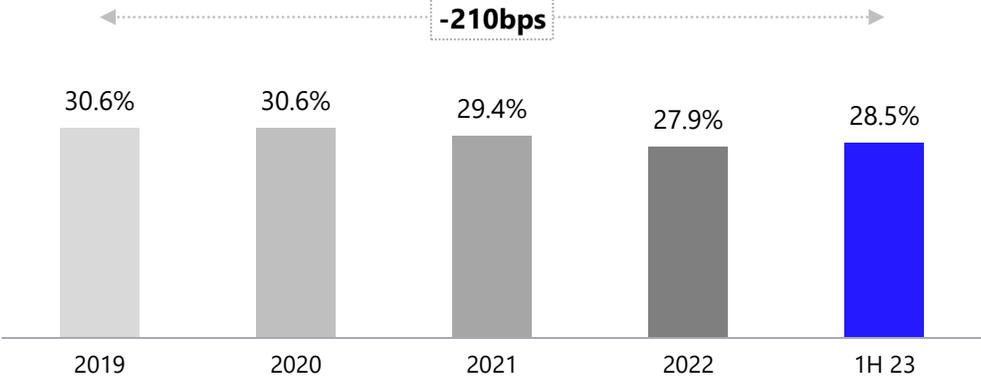
## #1 in POS

Market Share - POS (Terminals)



## #1 Remittance Centres

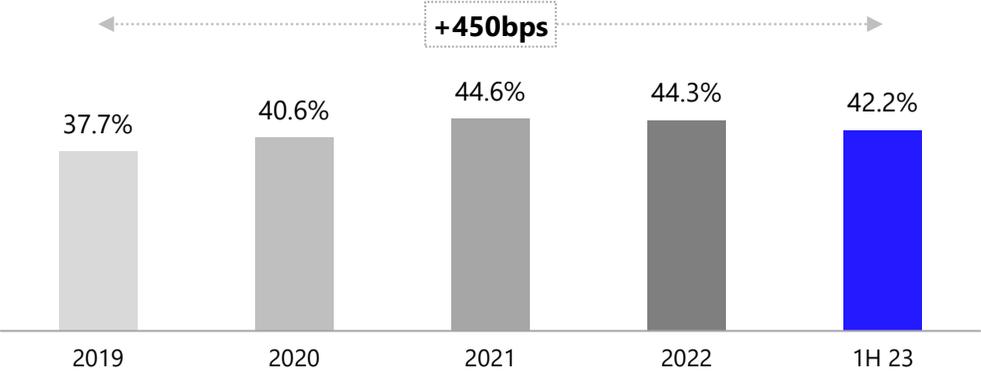
Market Share - Remittance Centers



# Al Rajhi Bank has a unique franchise | We maintain a leading market share across key products

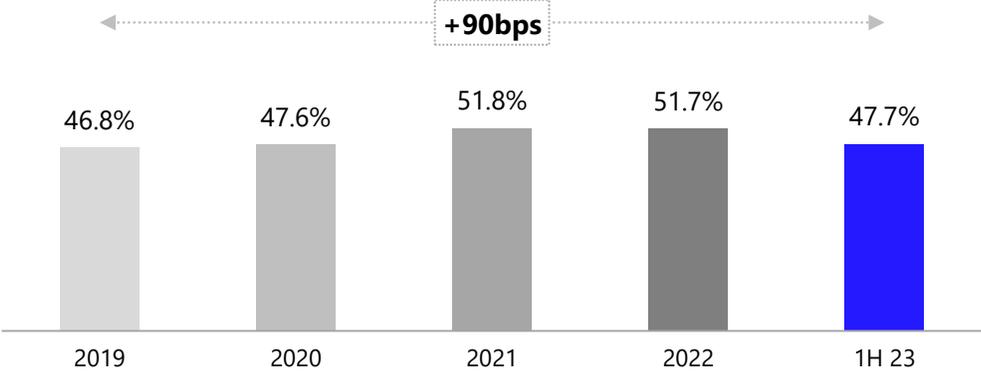
## #1 in Personal Loans

Market Share - Personal Loans



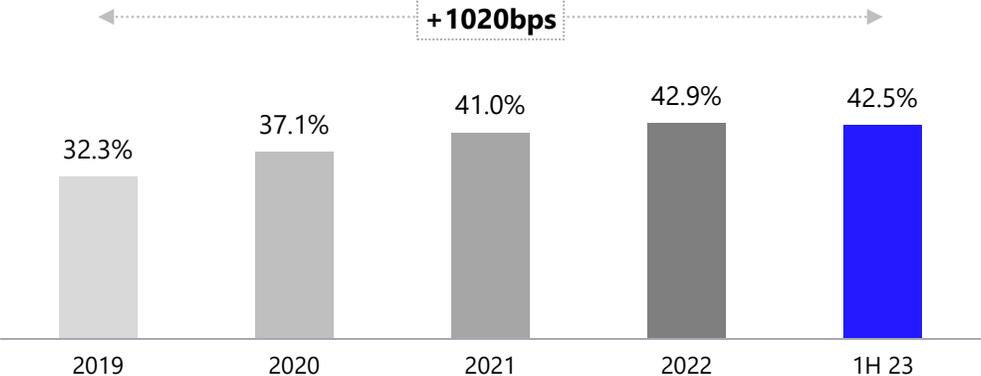
## #1 in Auto Loans

Market Share - Auto Loans



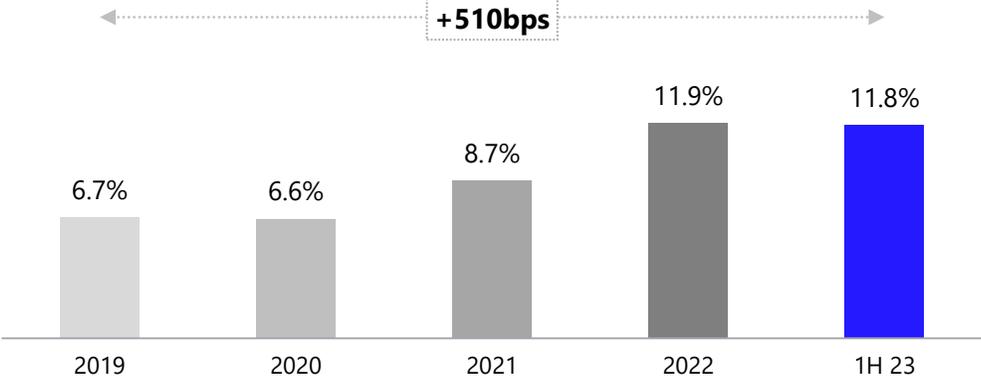
## #1 in Mortgages

Market Share - Mortgages Loans



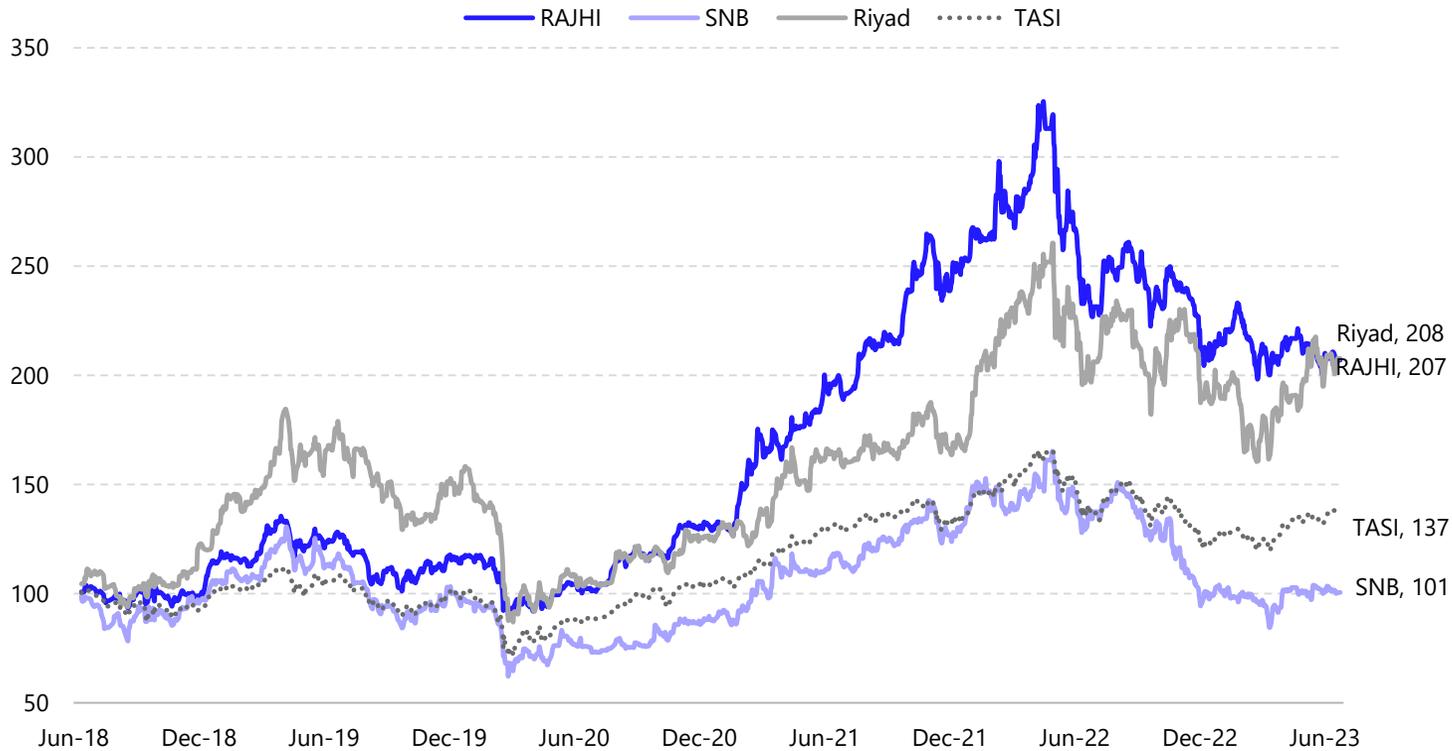
## #3 in Corporate Loans

Market Share - Corporate Loans



# Al Rajhi Bank Market Performance | ARB maintained its momentum and outperform its peer group

- Share Price Performance Top 3 KSA Banks (Daily; Rebased to 100)



30 June 2023

### Key Metrics

Closing Price	SAR 73.0
Market Cap	SAR 292.0 bn
Market Cap / % Industry	31.6%
Market Cap / % Tadawul	2.6%
Shares outstanding	4.0 bn
90D Volatility	18.4
Price / Earnings	17.6 x
Price / Book	3.4 x

Sources: Bloomberg; Tadawul; RAJHI Financials

### Ratings

Moody's	A1
S&P	A-
Fitch	A-

	Al Rajhi Bank	SNB	Riyad Bank	Kuwait Finance House	First Abu Dhabi Bank	Qatar National Bank	Emirates NBD
<b>Rebased to 100</b>	207	101	208	223	112	100	158
<b>As of 30 June 2023</b>	73.0 SAR	36.8 SAR	33.7 SAR	745 KWD	13.6 AED	15.4 QAR	14.9 AED



## 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>954mln</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>8.3bn</b> Net Profit after Zakat	USD <b>1.0 bn</b> Sustainable Sukuk	SAR <b>1,757mln</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



## Awards | Recent international and local recognitions



### The Global Economics

- Most Innovative Digital Bank – Saudi Arabia 2021
- Best New Mobile Banking Application - Saudi Arabia 2021



### Global Finance:

- Best mobile banking app award for corporate in the middle east
- Best in social media marketing & services award for consumer in the middle east



### International Finance Awards:

- Best Mobile Banking Application – Saudi Arabia
- Best Digital Bank – Saudi Arabia
- Most diversified Shari'ah compliant investment company



### World Finance:

- Best Consumer Digital Bank - 2021 - Saudi Arabia
- Best Mobile Banking App - 2021 - Saudi Arabia



### Seamless Awards:

- Digital Banking Experience of the Year



### Saudi Capital Market Awards :

- Best Investor Relations Program (2020) –Saudi Capital Markets Awards (2020)
- Best Investor Relations Program (2021) – Saudi Capital Markets Awards (2021)



### Sakani Program:

- Best Bank Award
- Best Financial Agency in the Real Estate sector
- Best Marketing Offer Award
- Best Sales Representative Award in the Real Estate Sector



### Global Banking and Finance:

- Best Digital Bank KSA 2021



We are building the  
**“Bank of the Future”**

# Bank

**Build** on our core

- Grow Retail including Private Sector
- Expand Corporate
- Bank of Choice for SMEs
- Grow Demand Deposits
- Improve Revenue Mix

# OF

**Outperform** our competition

- Customer Experience
- Preferred Employer
- Market Share
- Preferred Loyalty Program
- Leader in Financial Conduct

# The

**Transform** technology

- Digital Core Banking Platform
- Data Leader for Customer Insights
- Modernize our technology
- Leverage our Infrastructure
- Adopt Agile Delivery

# Future

**Focus** on new client needs

- Become Leading Finance Company
- Develop Best Payments Solution
- Grow Private Bank
- Expand customer reach
- Deepen Relationships via X-Sell



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

## Bank

**Build** on our core

## OF

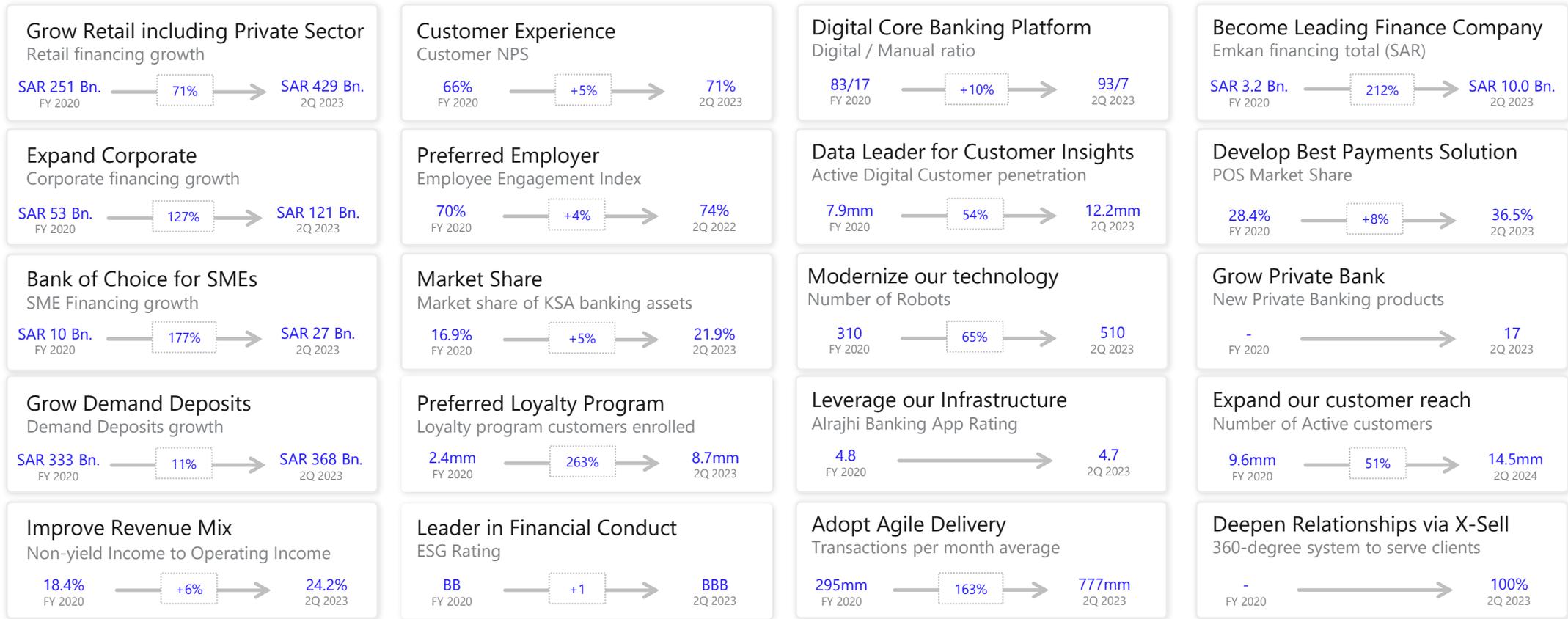
**Outperform** our competition

## The

**Transform** technology

## Future

**Focus** on new client needs



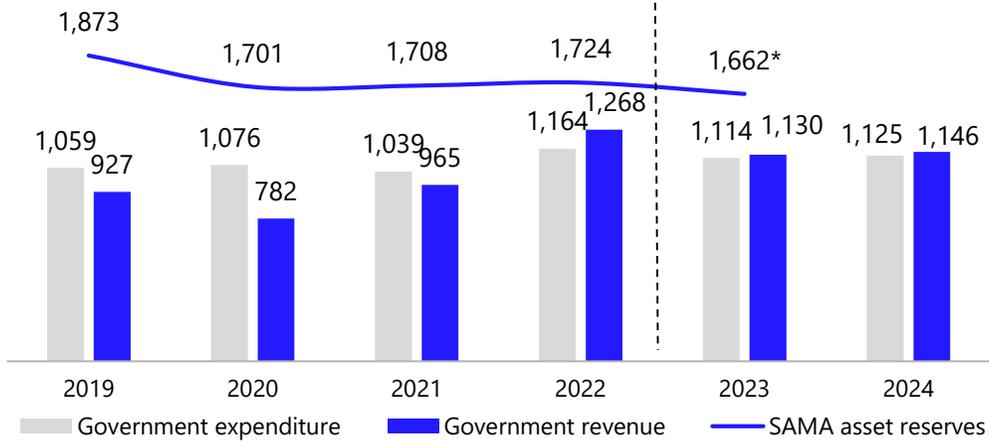
# KSA's Macro-Economic Environment

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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%

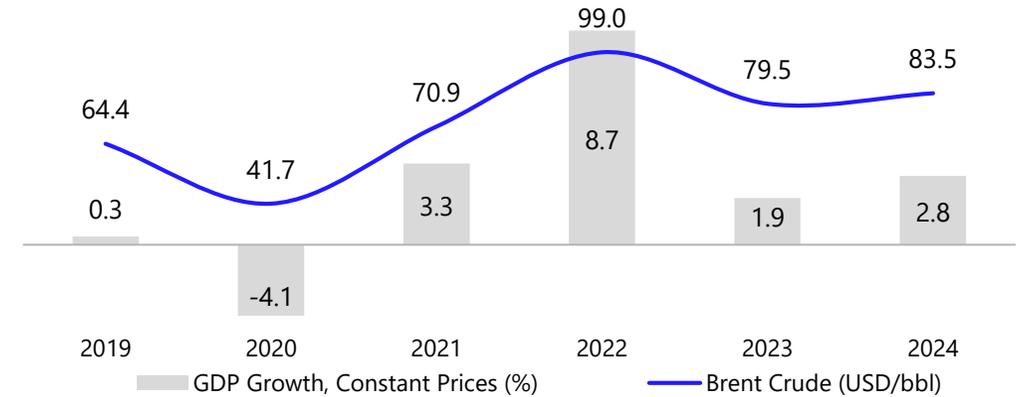
### Expenditure/Revenue and Asset Reserves (SARbn)



Source: MoF, SAMA

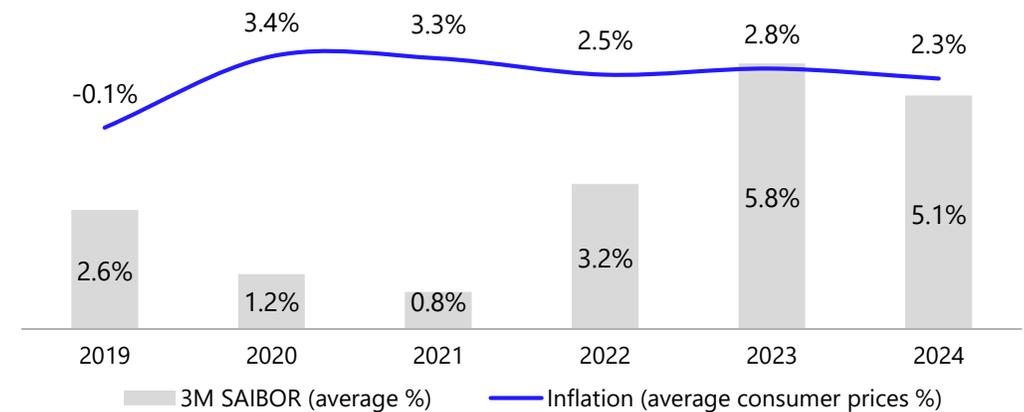
\* June 2023 figure

### GDP Growth/Brent Oil Price



Source: IMF, U.S. Energy Information

### 3M SAIBOR / Inflation



Source: SAMA, IMF, MoF

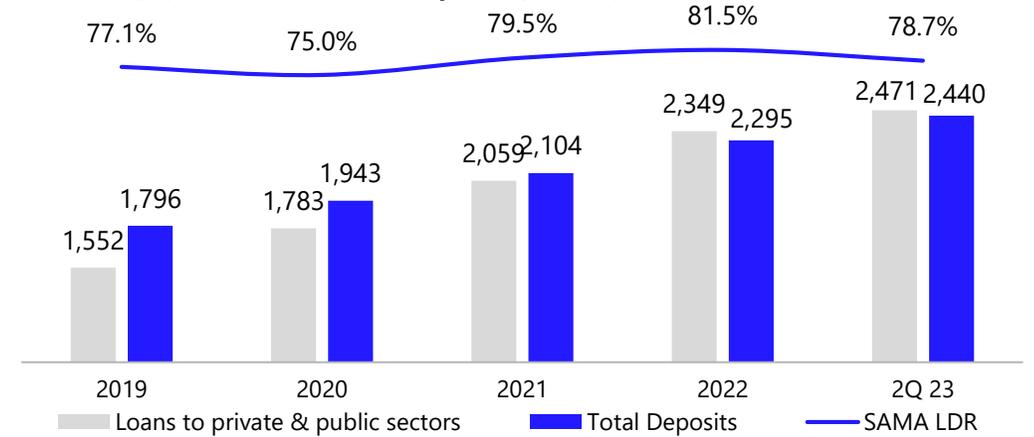


# Banking Sector Highlights | Banking system deposits growth outpaced loans growth in 1H2023

## Recent Developments

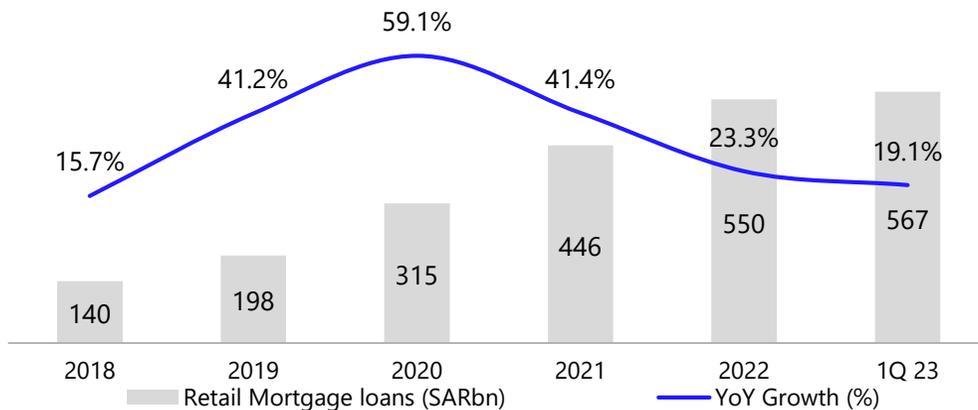
- Deposits growth in the banking system during first half outperformed loans growth
- SRC benchmark rate remains unchanged since the latest change in March 2023
- Consumer spending increased by 8.9% in 1H2023 with continuous migration to cashless payment methods

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



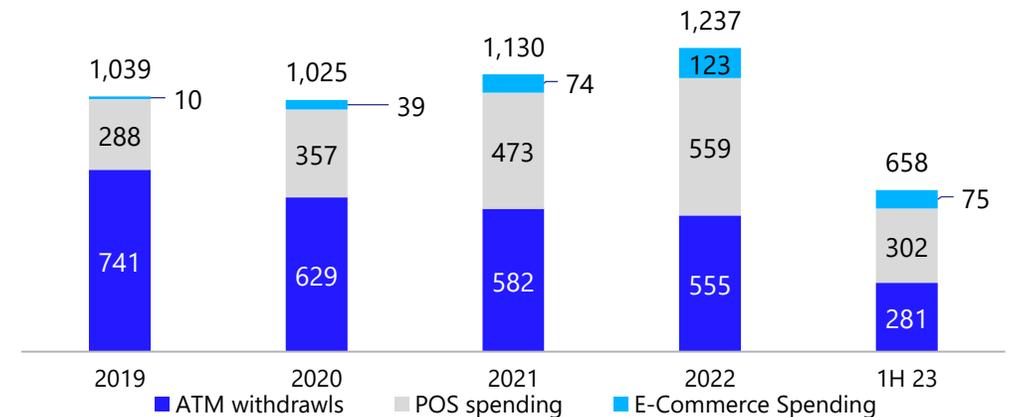
Source: SAMA

Retail Mortgage (SARbn)



Source: SAMA

POS/ATM & E-Commerce (SARbn)



Source: SAMA



# 2Q 2023 Financial Highlights

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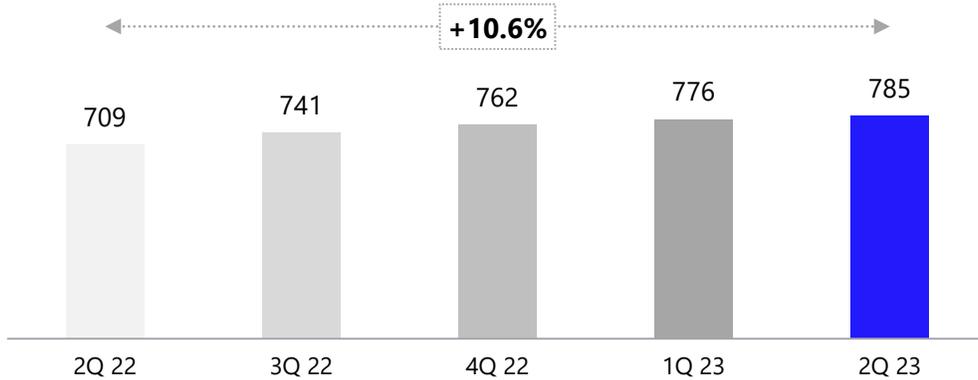
# First Half 2023 Results Summary | Results are in line with expectations

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

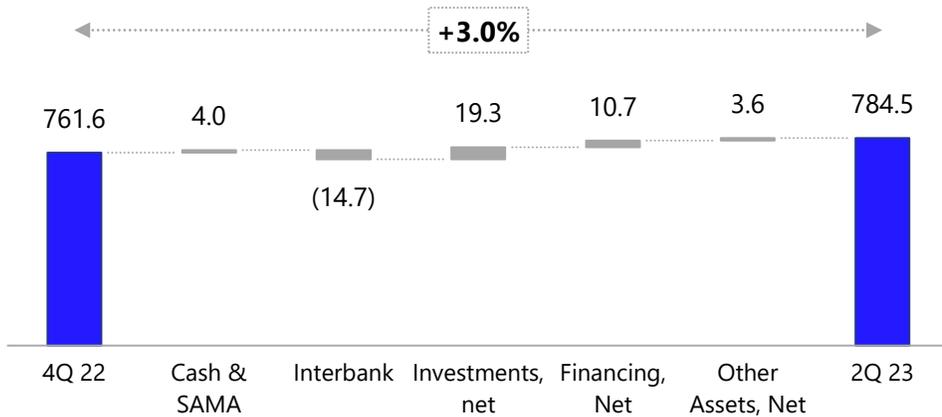


# Balance Sheet Trends (1) | Balance sheet growth of 3% YTD driven by Financing and Investments

## Total Assets (SARbn)



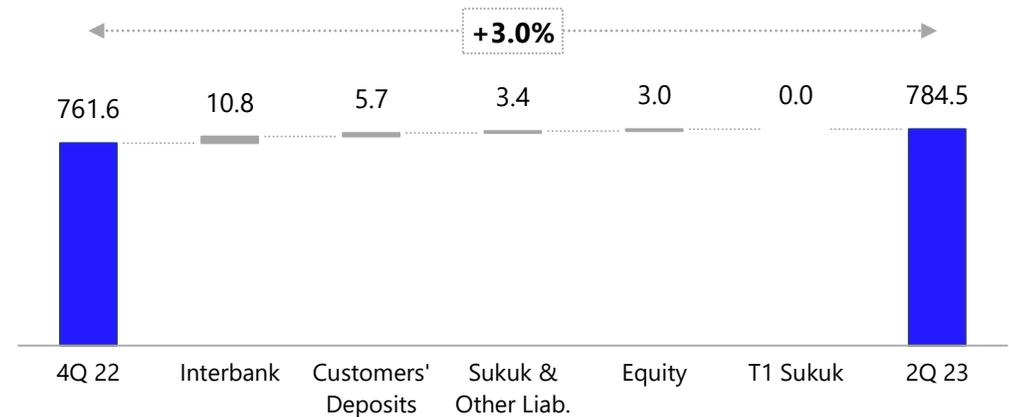
## Movement in Assets (SARbn)



## SAR (mn)

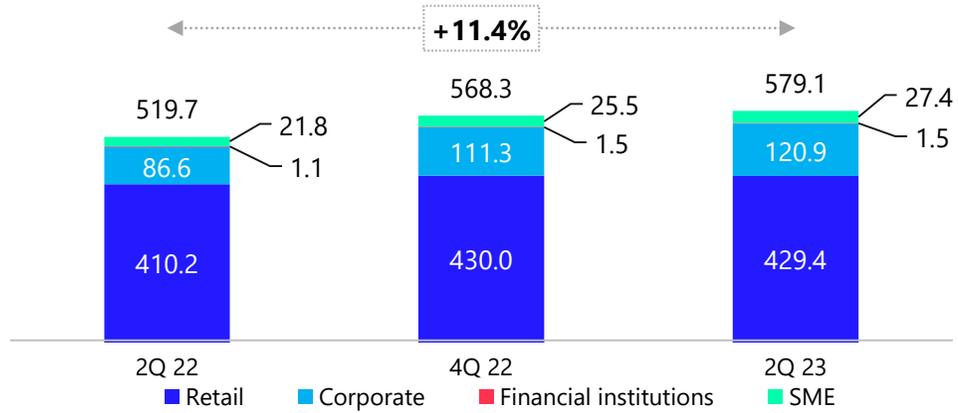
	2Q 23	1Q 23	QoQ	4Q 22	YTD
Cash & balances with SAMA	46,020	45,625	+1%	42,052	+9%
Due from banks & other FI	10,983	13,010	-16%	25,656	-57%
Investments, net	121,420	114,737	+6%	102,146	+19%
Financing, net	579,080	577,011	+0%	568,338	+2%
Other assets, net	27,017	25,814	+5%	23,456	+15%
<b>Total assets</b>	<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)

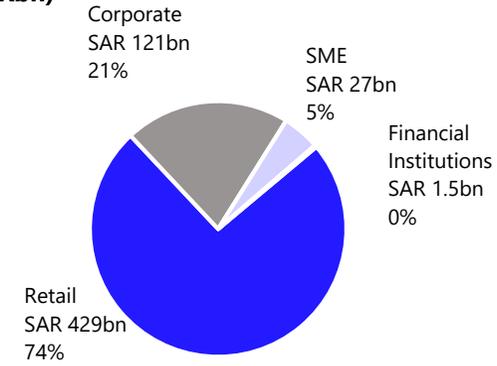


# Balance Sheet Trends (2) | Financing growth driven by Mortgage and Corporate

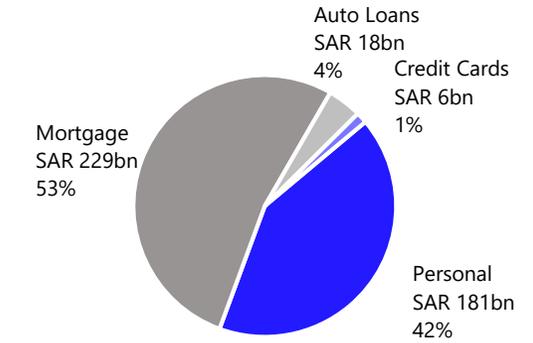
**Financing, Net (SARbn)**



**Financing, Net Mix By Segment (SARbn)**



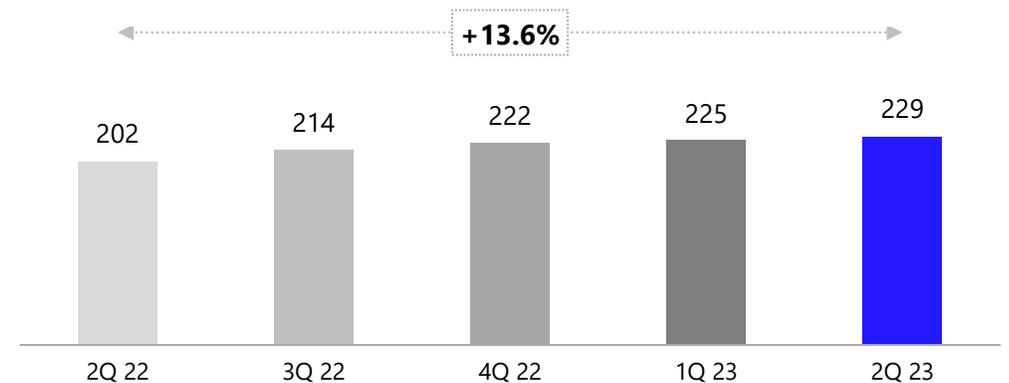
**Retail Financing Mix By Segment (SARbn)**



**Movement in Financing (SARbn)**

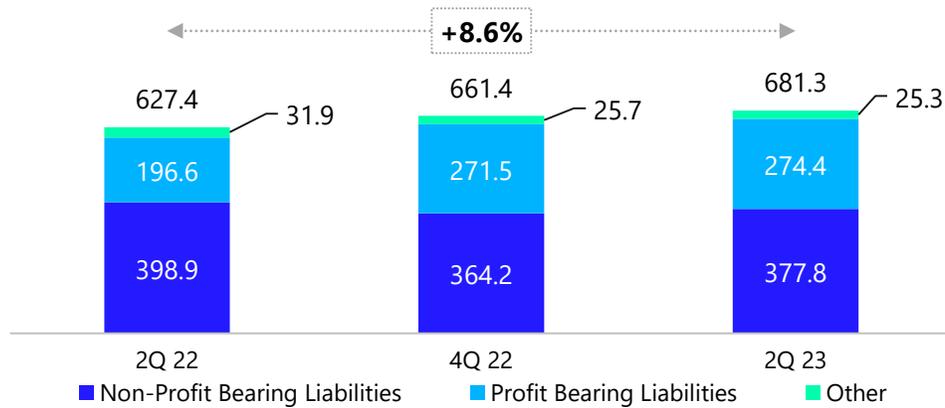


**Mortgage Financing (SARbn)**

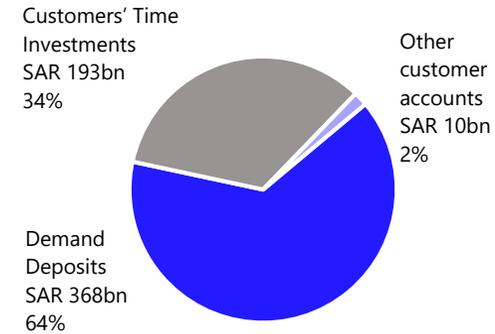


# Balance Sheet Trends (3) | Balance sheet shows improving funding mix

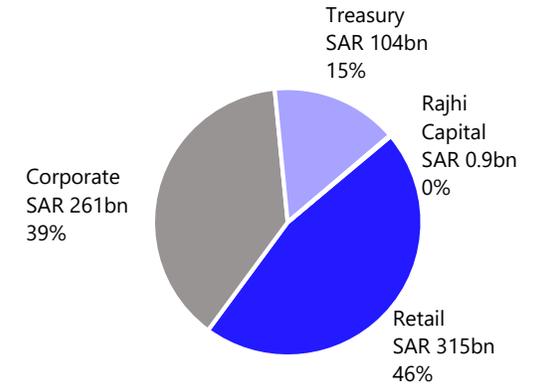
**Total Liabilities (SARbn)**



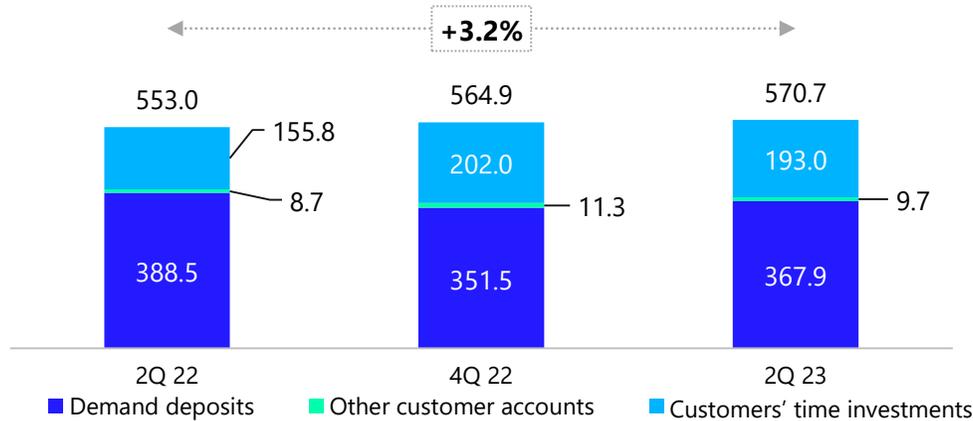
**Total Customers' Deposits Mix By Type (SARbn)**



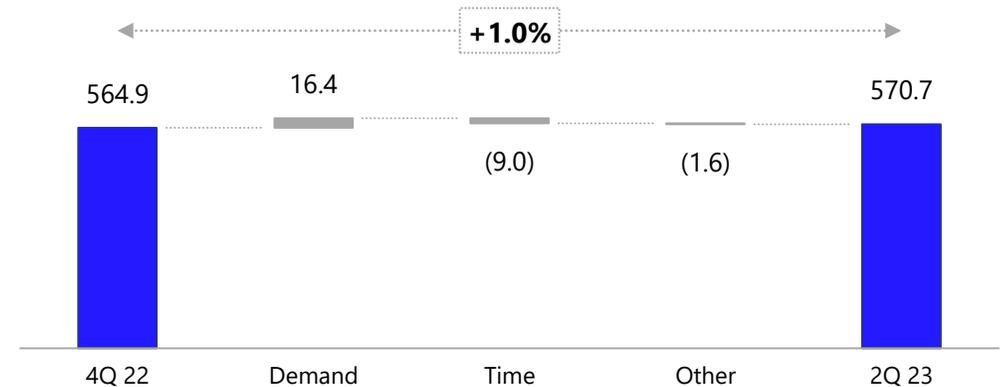
**Total Liabilities Mix By Segment (SARbn)**



**Total Customers' Deposits (SARbn)**

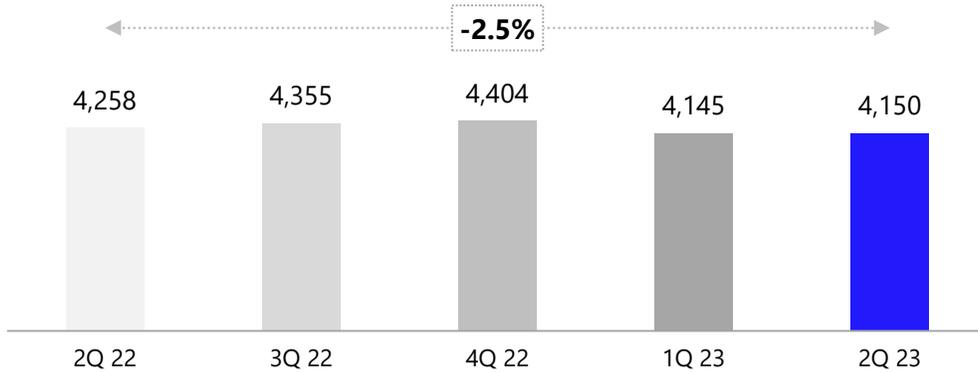


**Movement in Total Customers' Deposits (SARbn)**



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

Net Income For The Period After Zakat (SARmn)



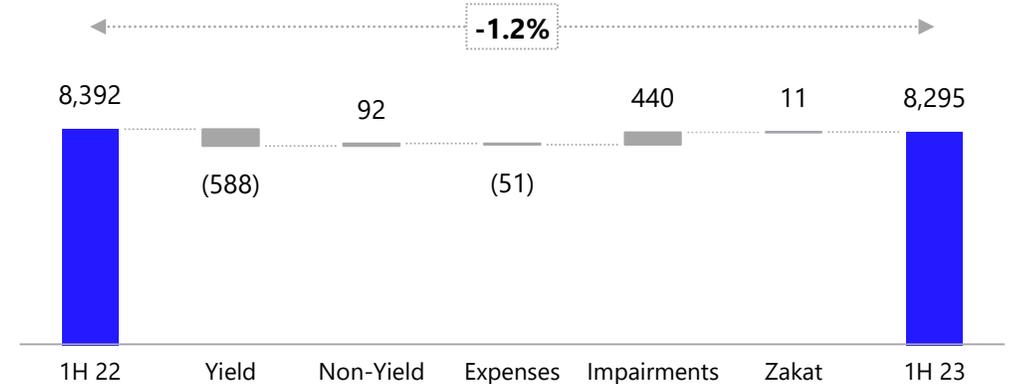
SAR (mn)

	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)

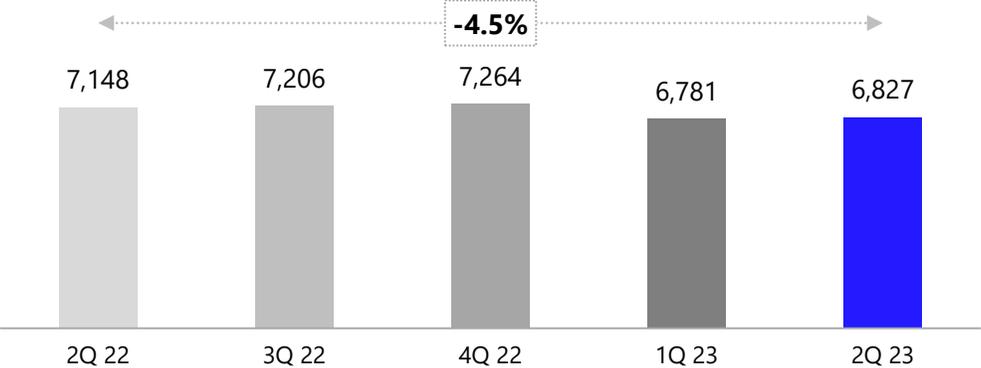


Net Income After Zakat Growth Drivers By Type (SARmn)

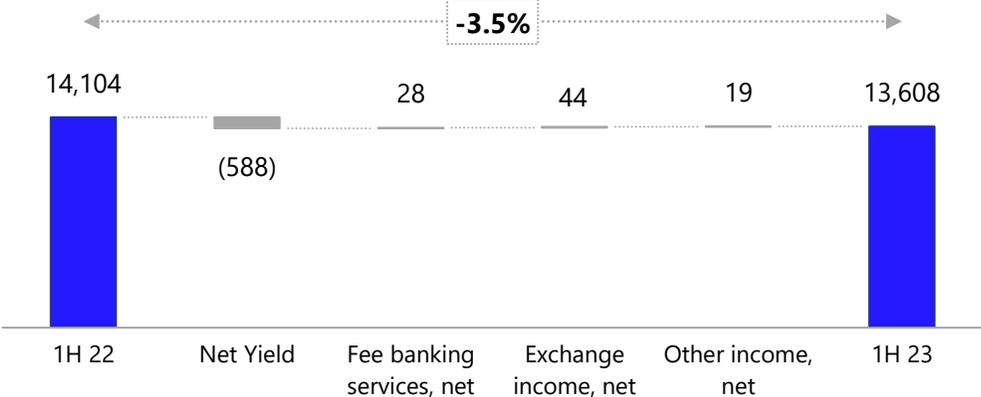


# Operating Income Trends | Lower operating income driven by higher cost of funding

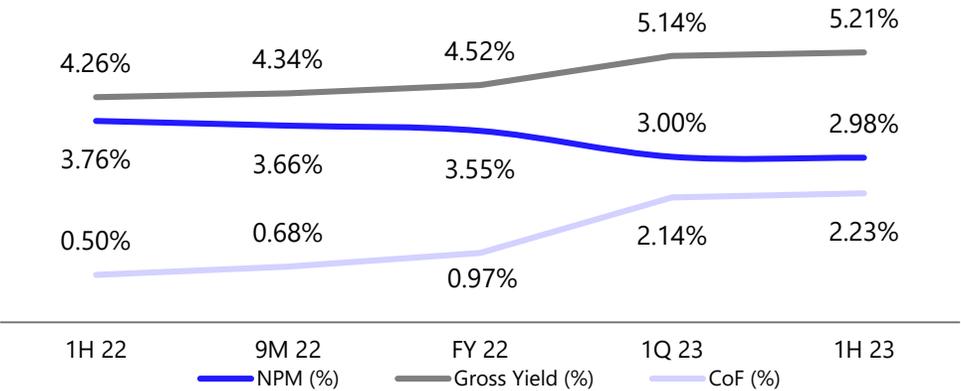
**Total Operating Income (SARmn)**



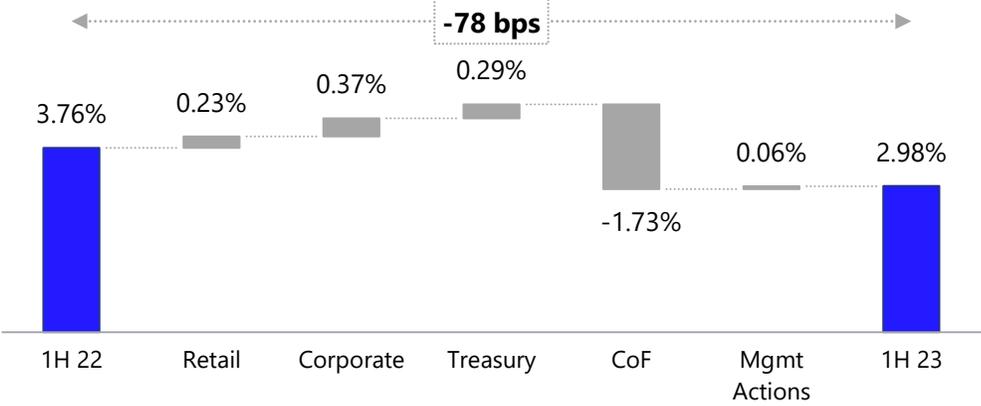
**Total Operating Income Growth Drivers By Type (SARmn)**



**Net Profit Margin (%)**

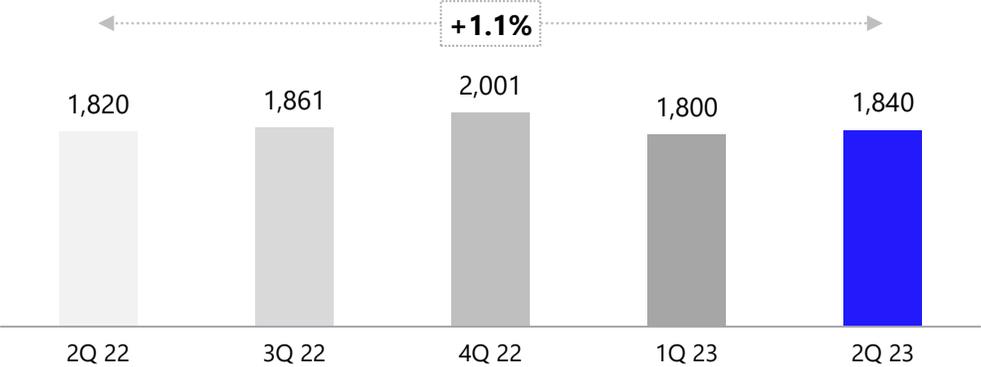


**NPM Drivers (%)**

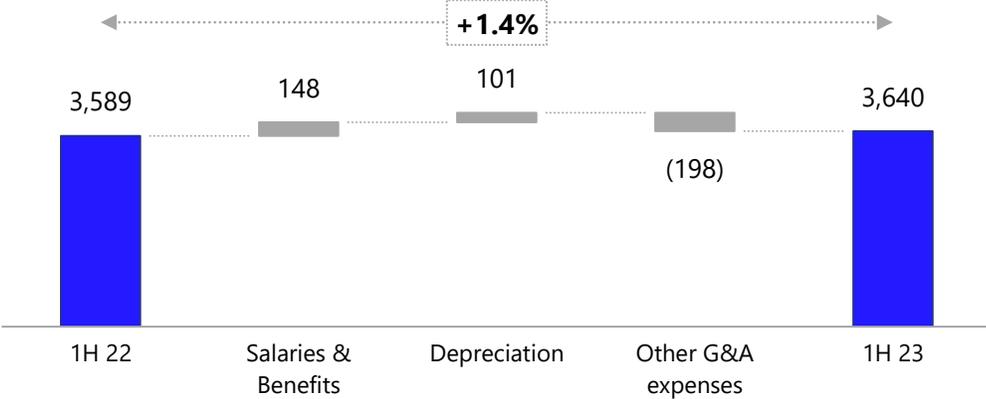


# Expenses Trends | Cost efficiencies remains solid

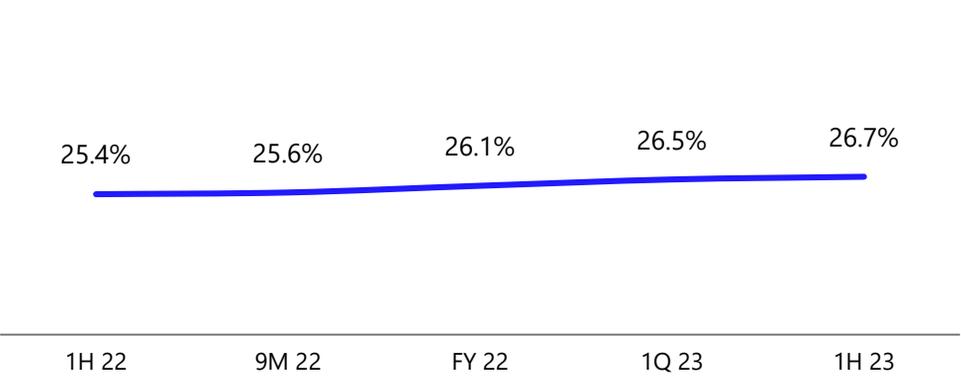
Operating Expenses (SARmn)



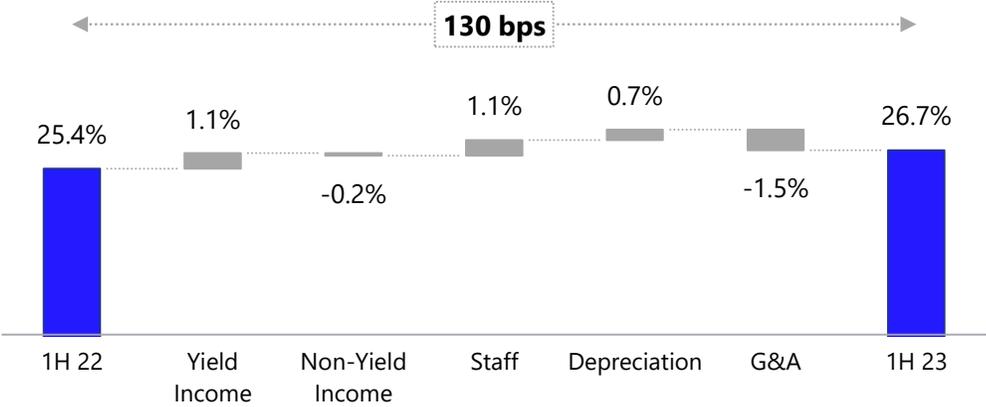
Operating Expenses Growth Drivers By Type (SARmn)



Cost To Income Ratio (%)

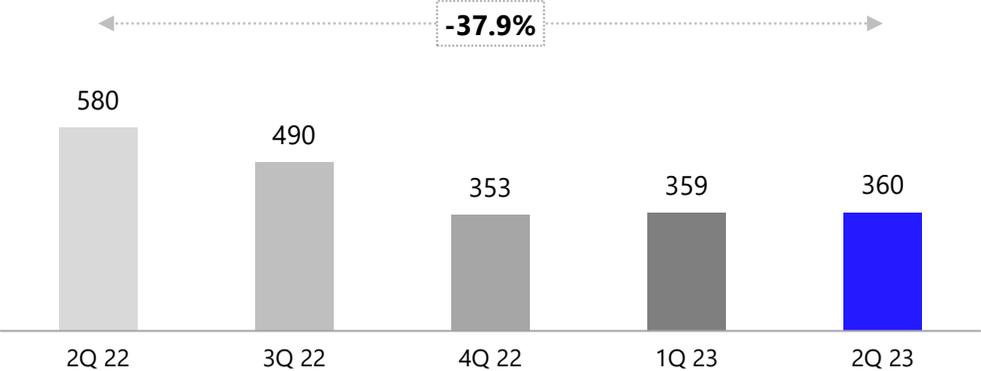


Cost to Income Ratio Drivers (%)

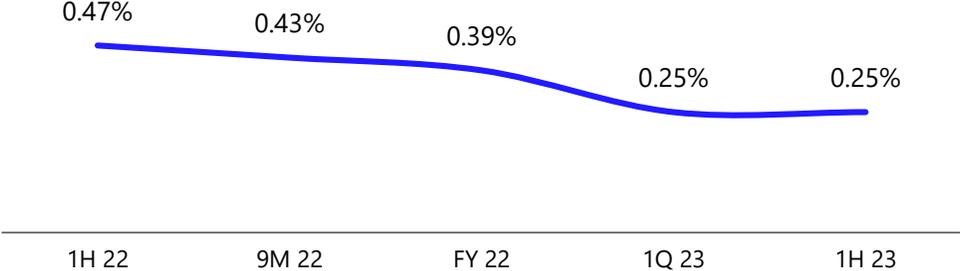


# Net Impairment & Cost of Risk | Lower net impairment resulted in cost of risk improvement

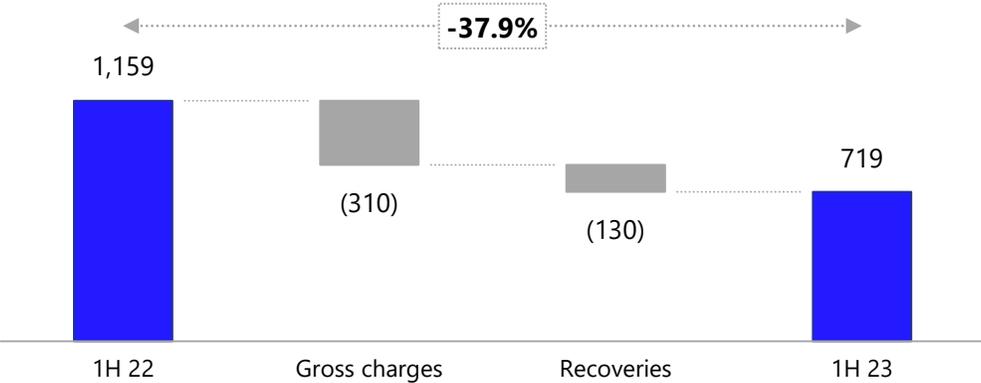
**Net Impairment Charges (SARmn)**



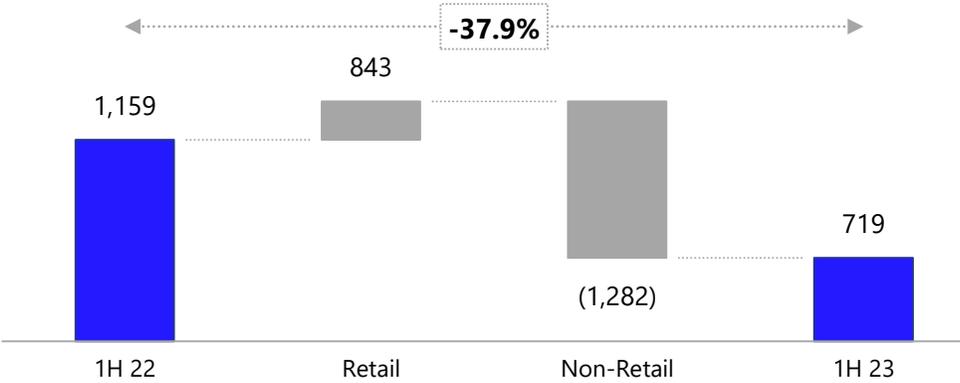
**Cost of Risk (%)**



**Movement in Net Impairment (SARmn)**

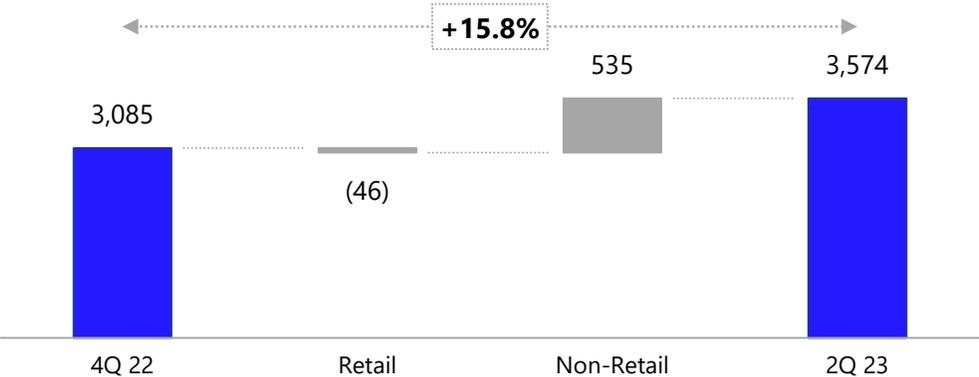


**Movement in Net Impairment by Group (SARmn)**

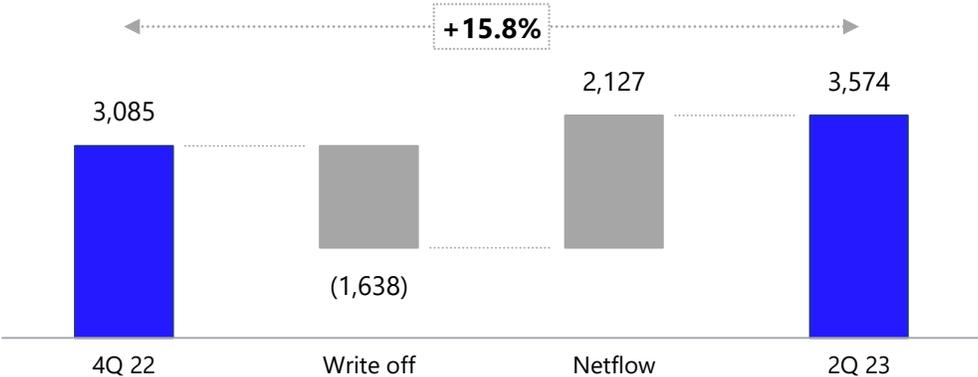


# Asset Quality Trends (1) | Asset quality remains healthy with high NPL coverage

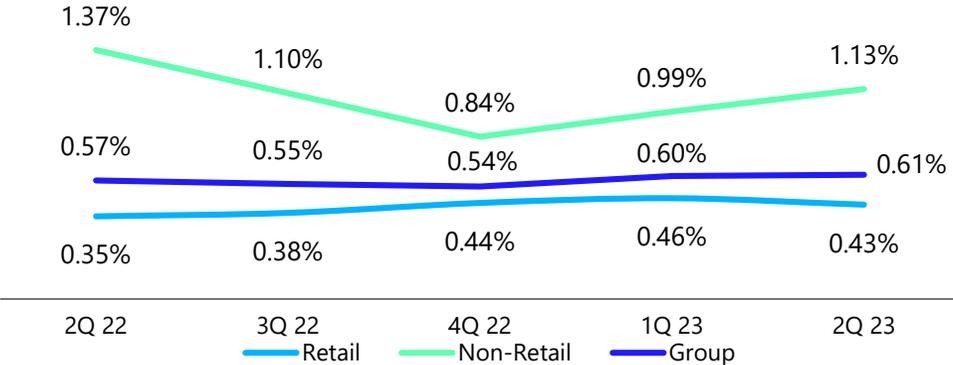
**Movement in NPL (SARmn)**



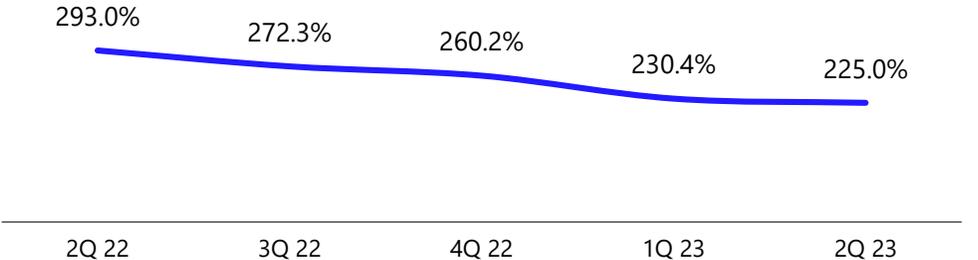
**NPL Formation (SARmn)**



**NPL Ratio (%)**

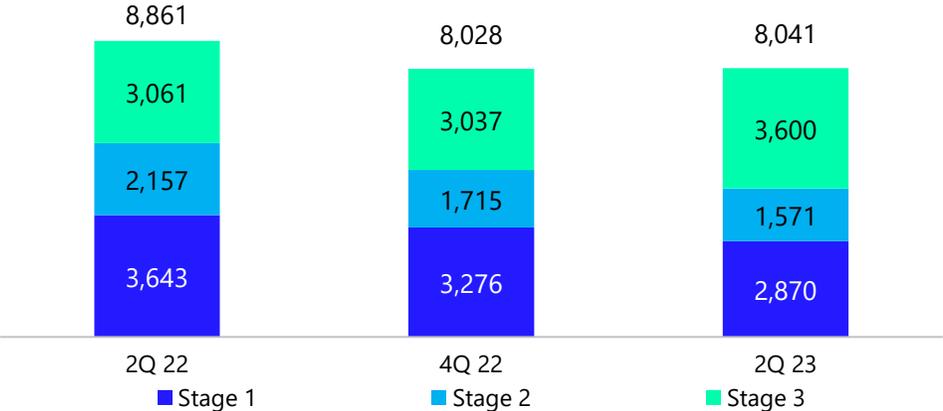


**NPL coverage ratio (%)**

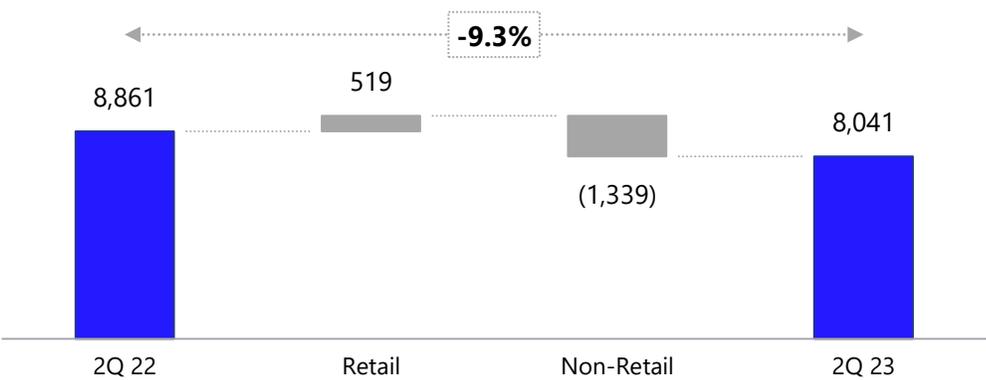


# Asset Quality Trends (2) | Healthy stage coverage reflecting prudent risk management

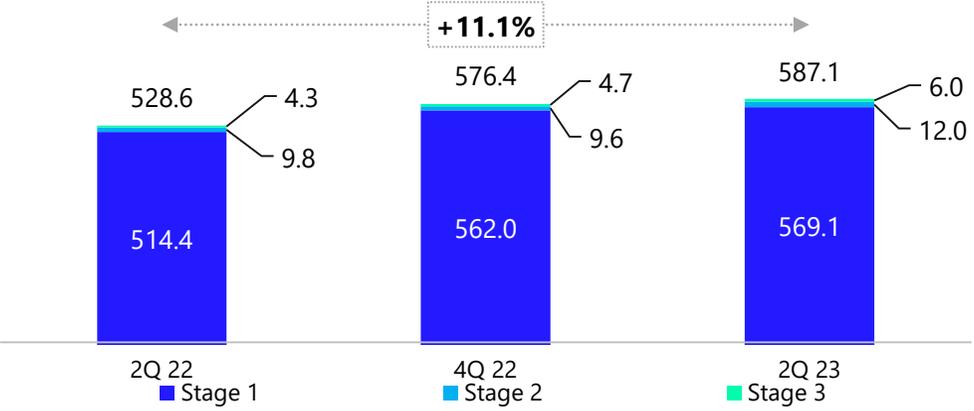
**ECL by Stage (SARmn)**



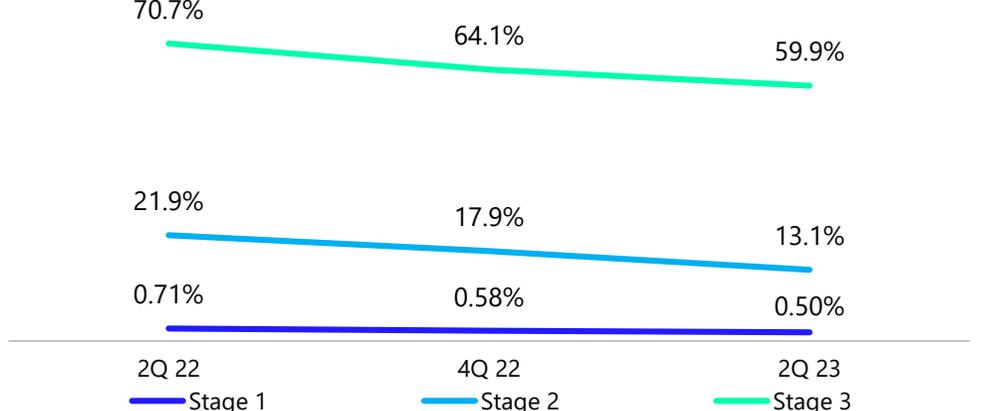
**Movement in ECL by Group (SARmn)**



**Gross Loans by Stage (SARbn)**

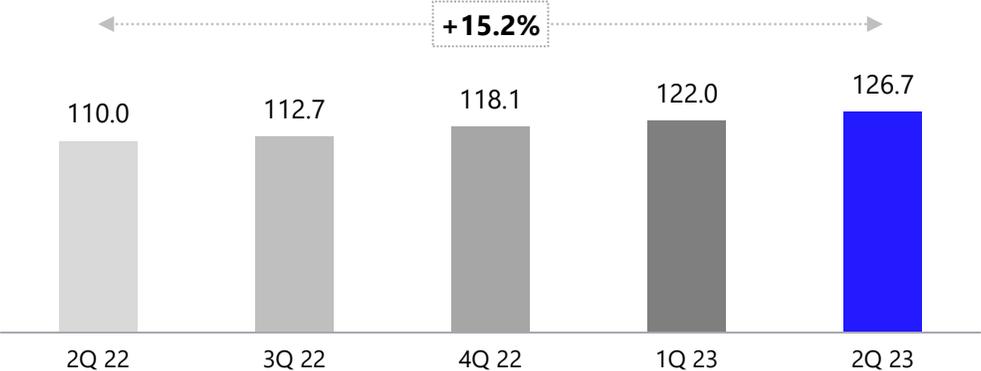


**ECL Coverage (%)**

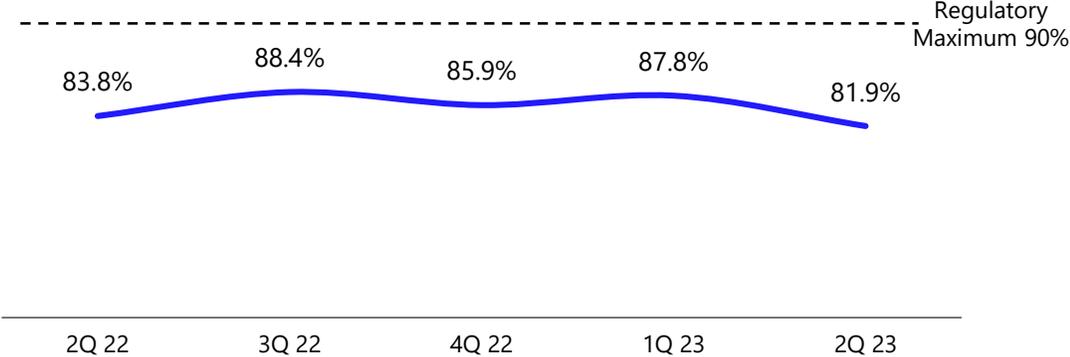


# Liquidity Trends | Liquidity remains comfortably within regulatory requirements

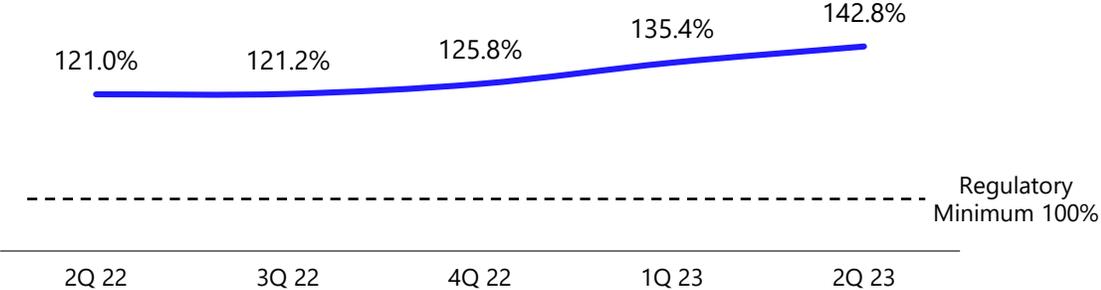
**HQLA (SARbn)**



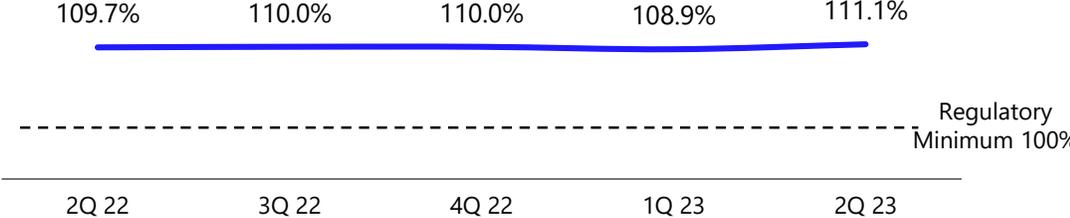
**Loan to Deposits Ratio (SAMA) (%)**



**LCR (%)**

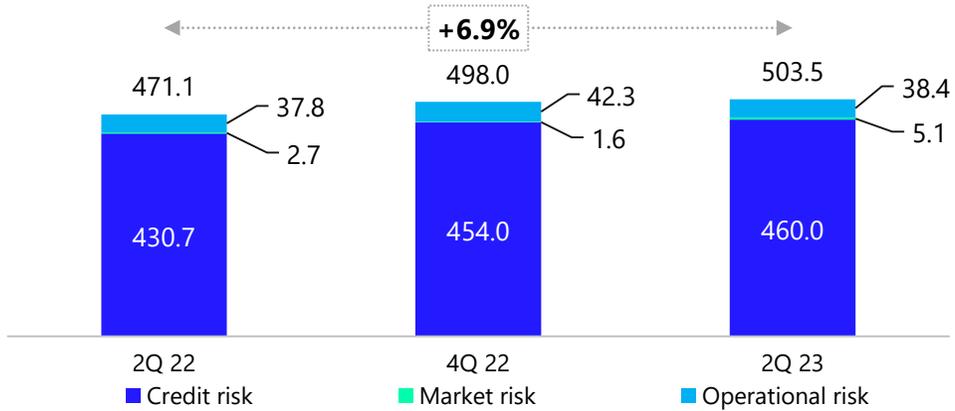


**NSFR (%)**

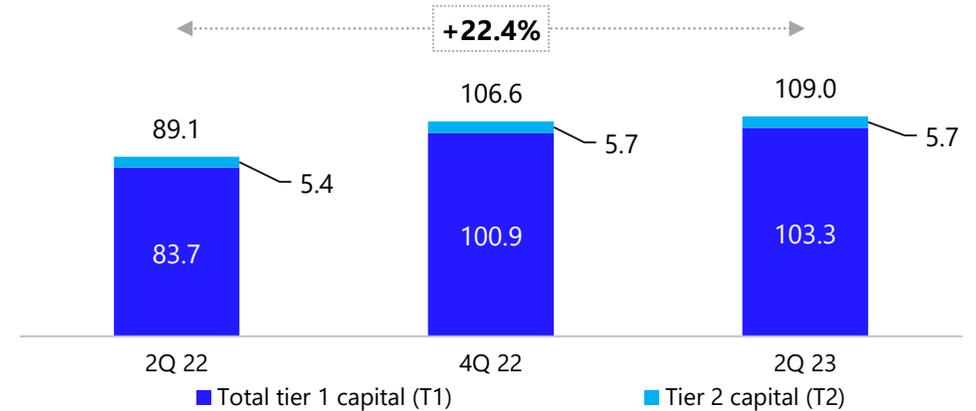


# Capitalization Trends | Capital position well above regulatory minima

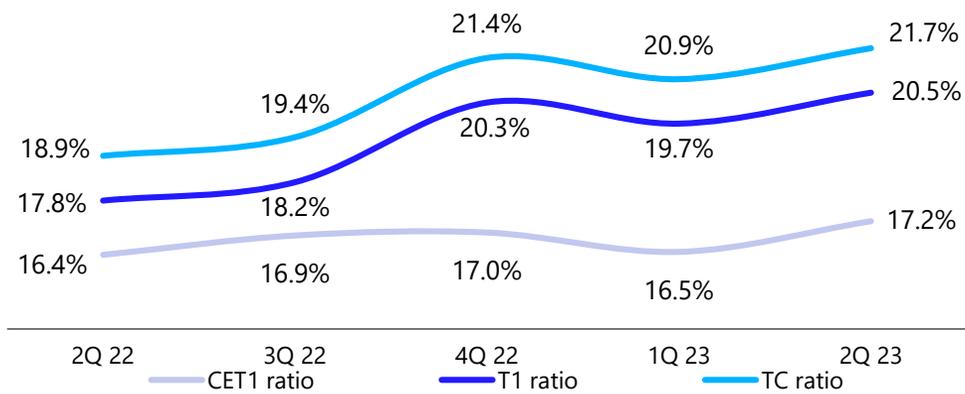
**RWA (SARbn)**



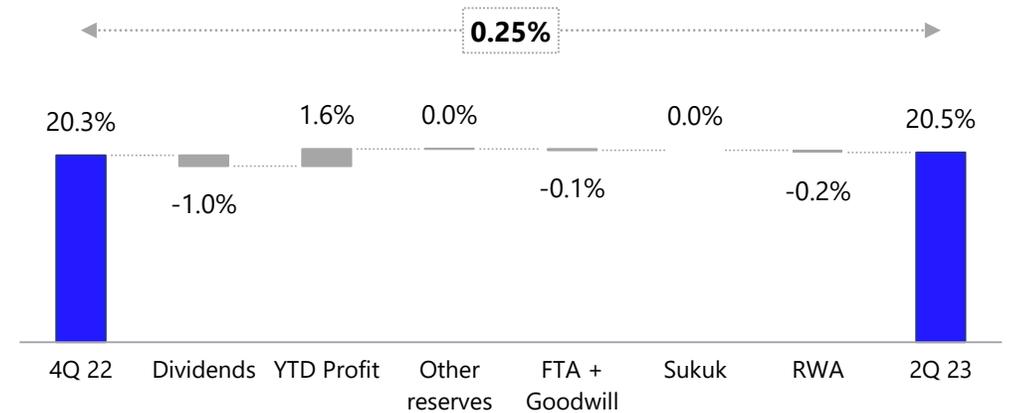
**Total Capital (SARbn)**



**Capital Ratios (%)**

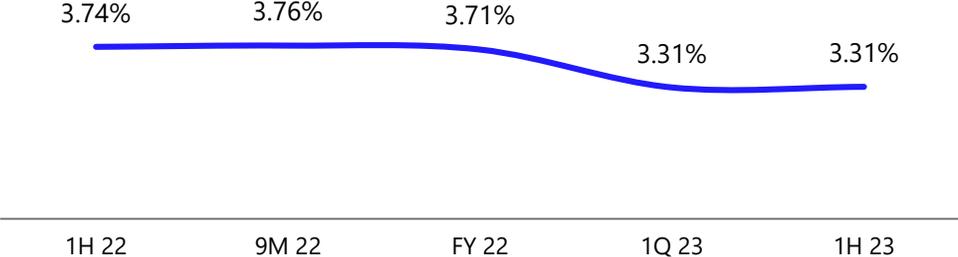


**Tier 1 Drivers (%)**

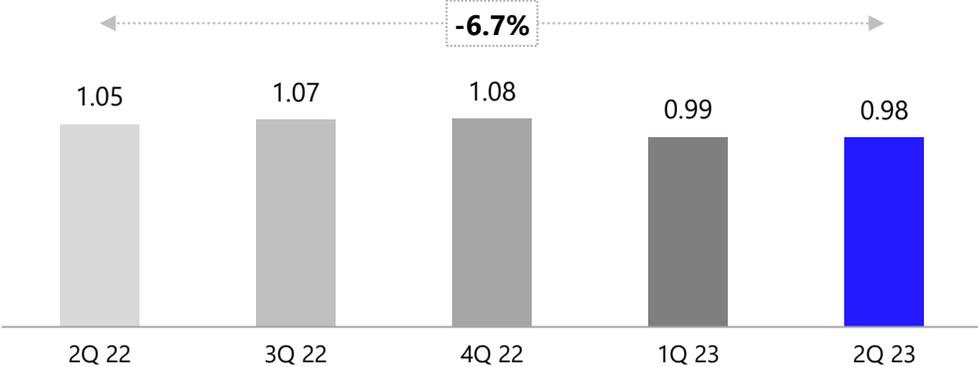


# Return Metrics | Al Rajhi Bank's returns remain industry-leading

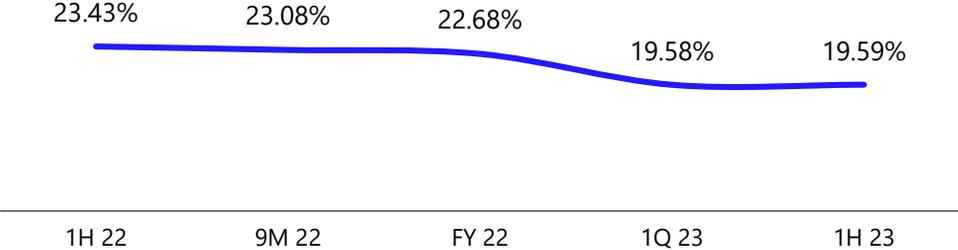
**Return on RWA (%)**



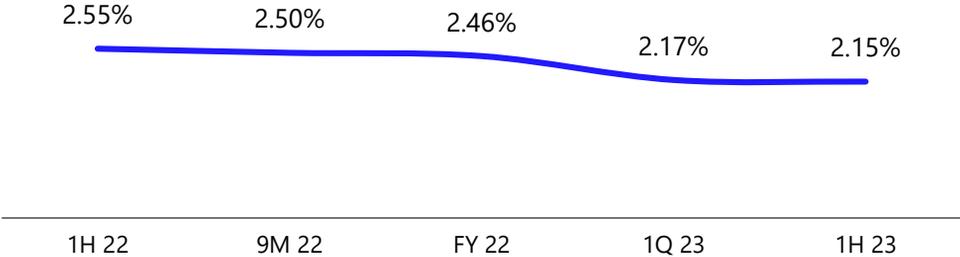
**Earnings per Share (SAR)**



**Return on Equity (%)**



**Return on Assets (%)**



# FY 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%



# 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:

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- Financial Statements
- Investor Presentation
- Factsheet
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- Earnings Release



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