

Al Rajhi Bank Results Presentation

2Q 2023 Earnings Conference Call and Webcast



2Q 2023 Earnings Call

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

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



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

Bank

Build on our core

OF

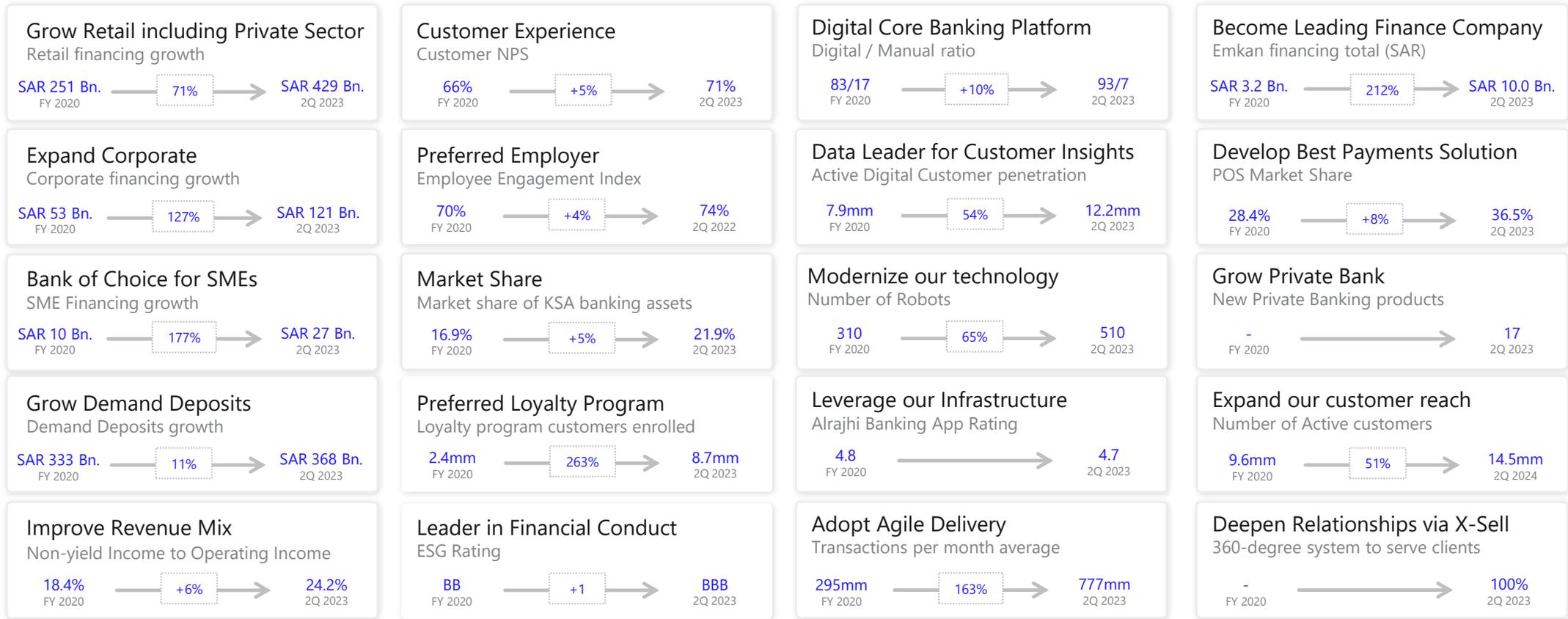
Outperform our competition

The

Transform technology

Future

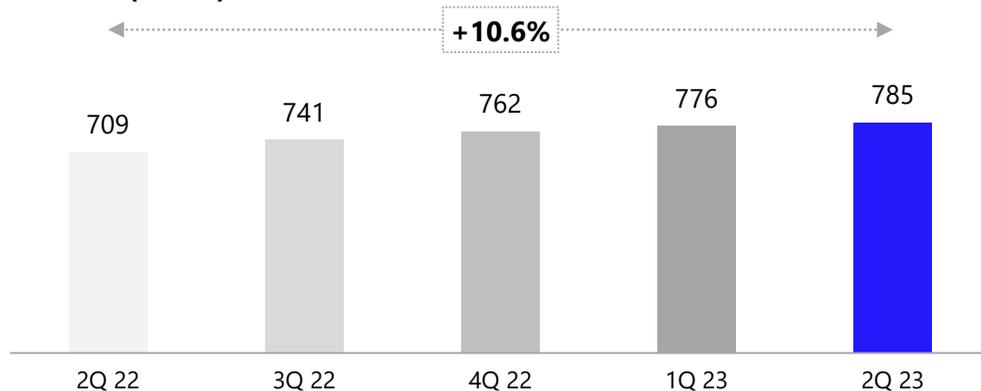
Focus on new client needs



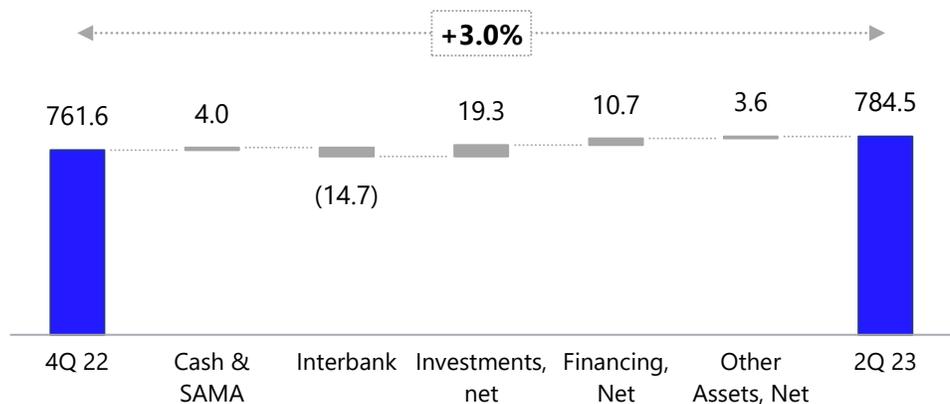
2Q 2023 Financial Highlights

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

Total Assets (SARbn)



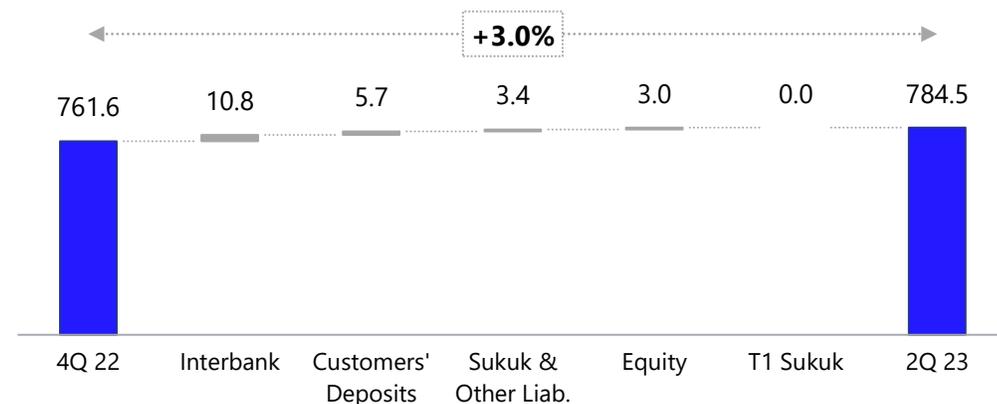
Movement in Assets (SARbn)



SAR (mn)

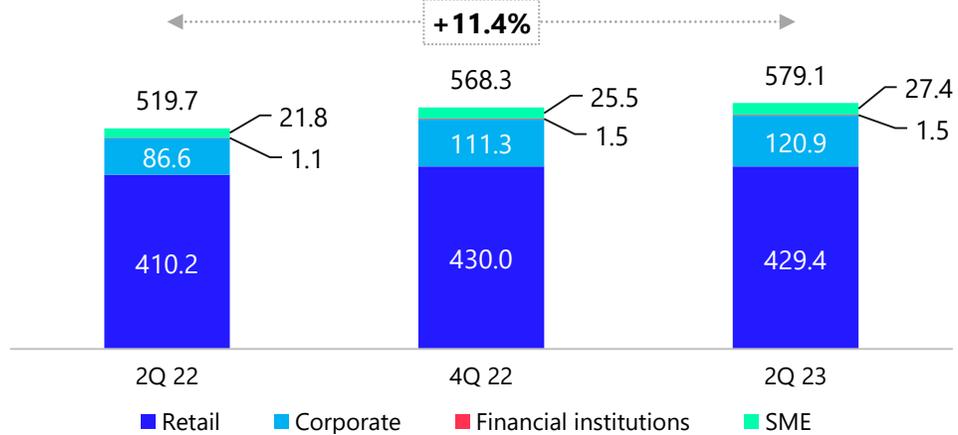
	2Q 23	1Q 23	QoQ	4Q 22	YTD
Cash & balances with SAMA	46,020	45,625	+1%	42,052	+9%
Due from banks & other FI	10,983	13,010	-16%	25,656	-57%
Investments, net	121,420	114,737	+6%	102,146	+19%
Financing, net	579,080	577,011	+0%	568,338	+2%
Other assets, net	27,017	25,814	+5%	23,456	+15%
Total assets	784,520	776,196	+1%	761,649	+3%
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%
Total liabilities	681,333	676,969	+1%	661,424	+3%
Total equity	103,187	99,227	+4%	100,225	+3%

Movement in Funding (SARbn)

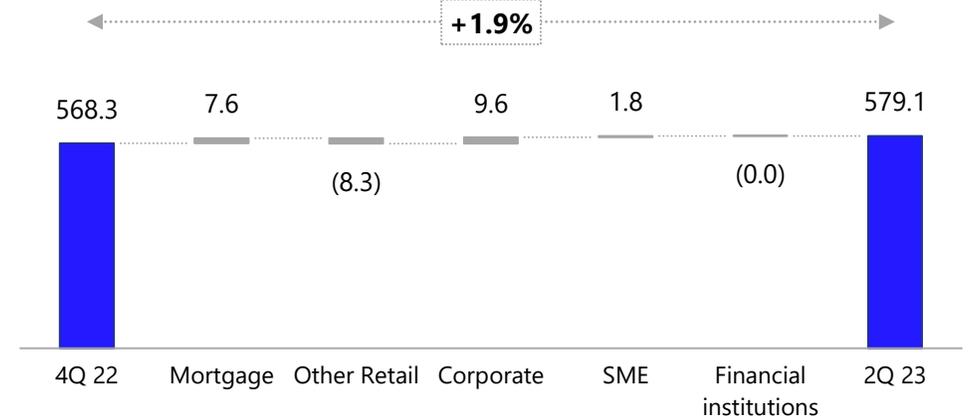


Balance Sheet Trends (2) | Financing growth driven by mortgage and corporate

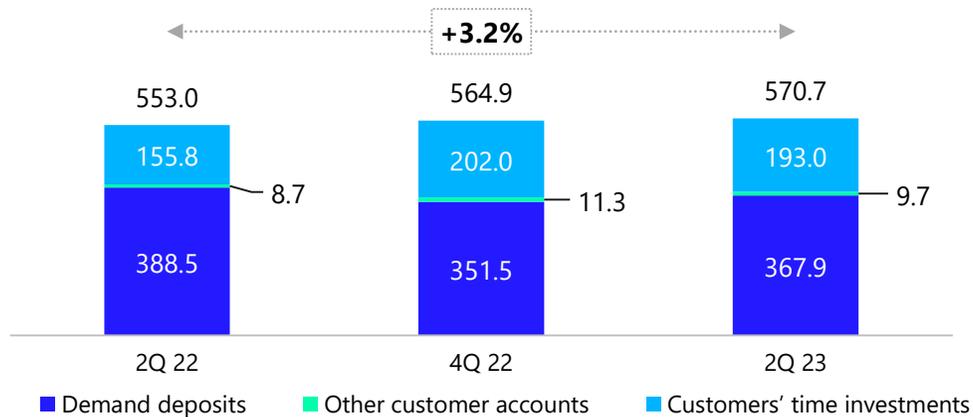
Financing, Net (SARbn)



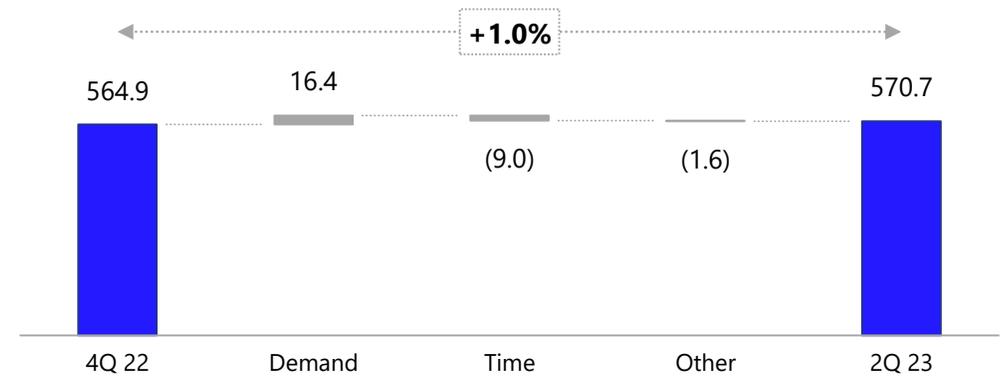
Movement in Financing (SARbn)



Total Customers' Deposits (SARbn)

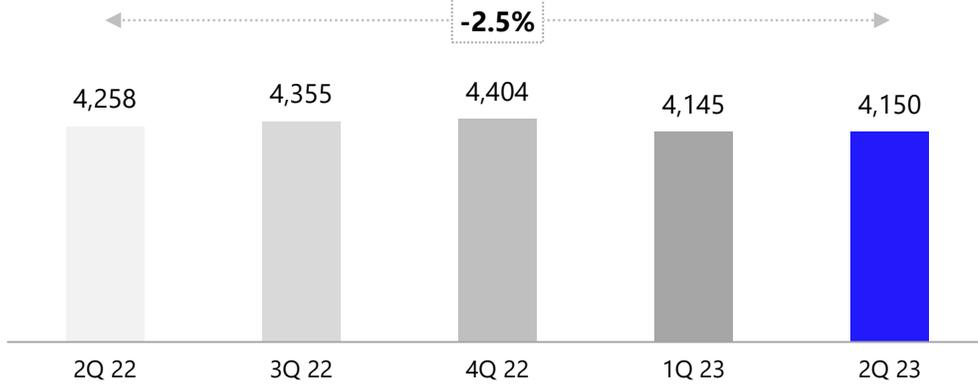


Movement in Total Customers' Deposits (SARbn)



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

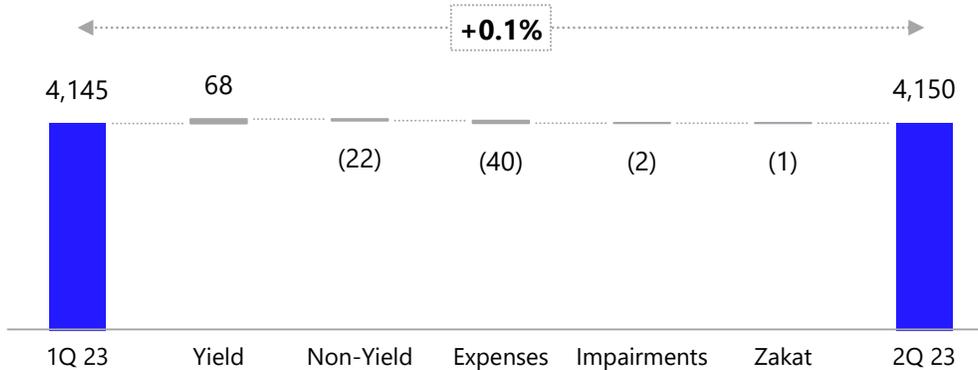
Net Income For The Period After Zakat (SARmn)



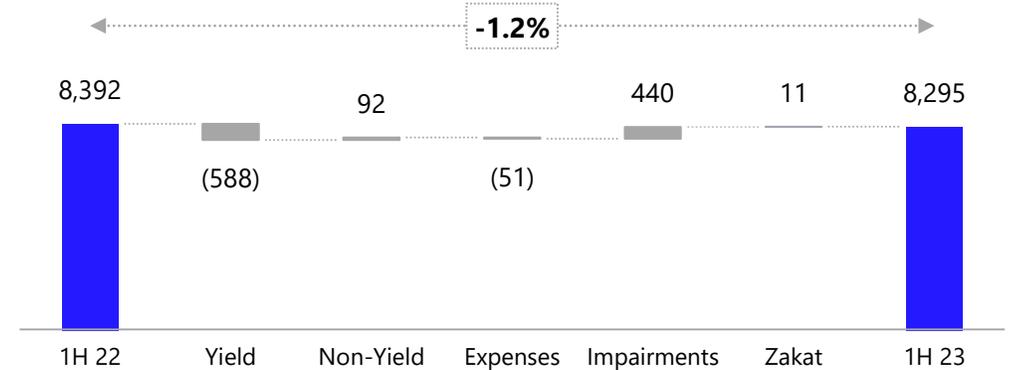
SAR (mn)

	1H 23	1H 22	YoY	2Q 23	2Q 22	YoY
Net financing & investment income	10,319	10,907	-5%	5,194	5,567	-7%
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%
Fees and other income	3,289	3,197	+3%	1,634	1,581	+3%
Total operating income	13,608	14,104	-4%	6,827	7,148	-4%
Operating expenses	-3,640	-3,589	+1%	-1,840	-1,820	+1%
Pre-provision profit	9,968	10,515	-5%	4,988	5,328	-6%
Total impairment charge	-719	-1,159	-38%	-360	-580	-38%
Net income for the period before Zakat	9,249	9,357	-1%	4,627	4,747	-3%
Zakat	-954	-965	-1%	-477	-489	-2%
Net income for the period after Zakat	8,295	8,392	-1%	4,150	4,258	-3%

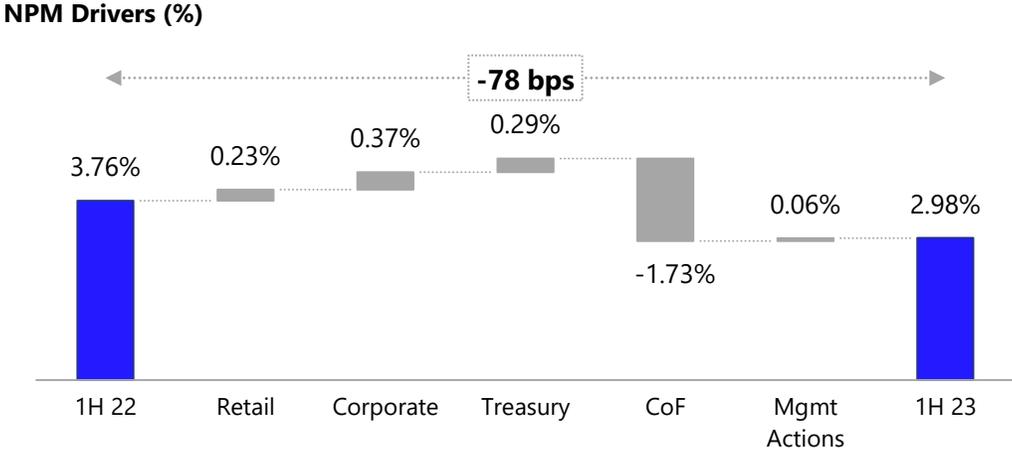
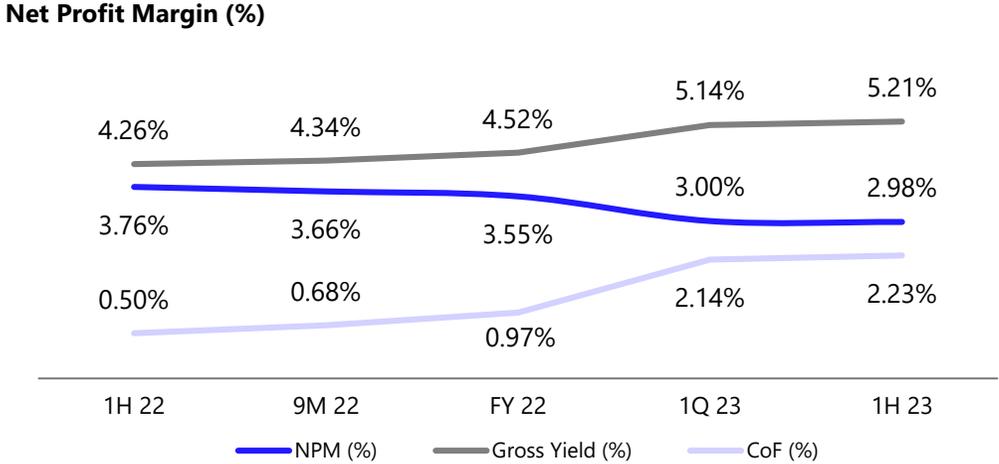
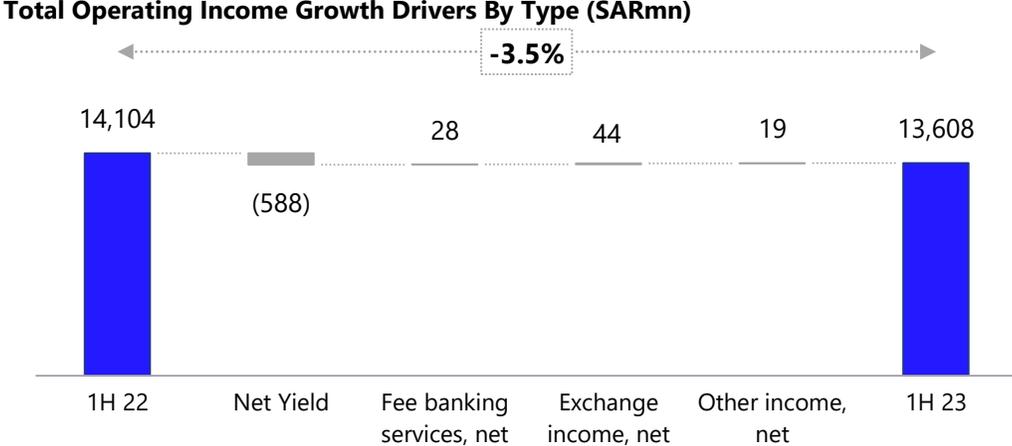
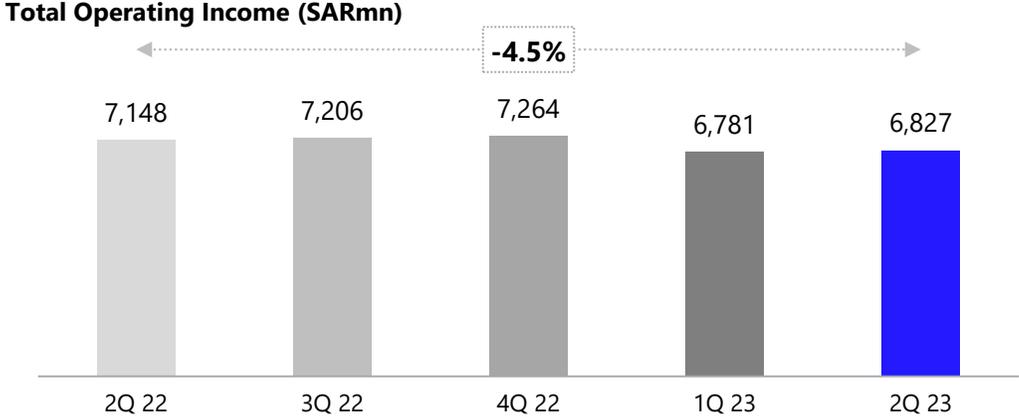
Net Income After Zakat Growth Drivers By Type (SARmn)



Net Income After Zakat Growth Drivers By Type (SARmn)

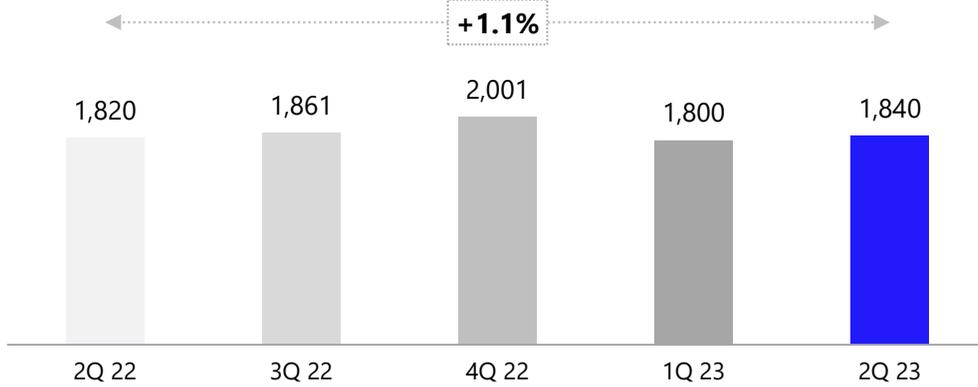


Operating Income Trends | Lower operating income driven by higher cost of funding

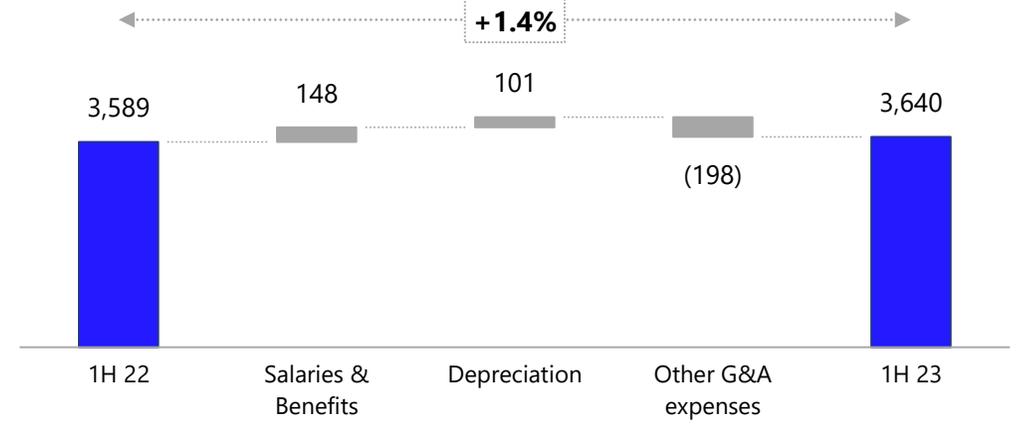


Expenses Trends | Cost efficiencies remains solid

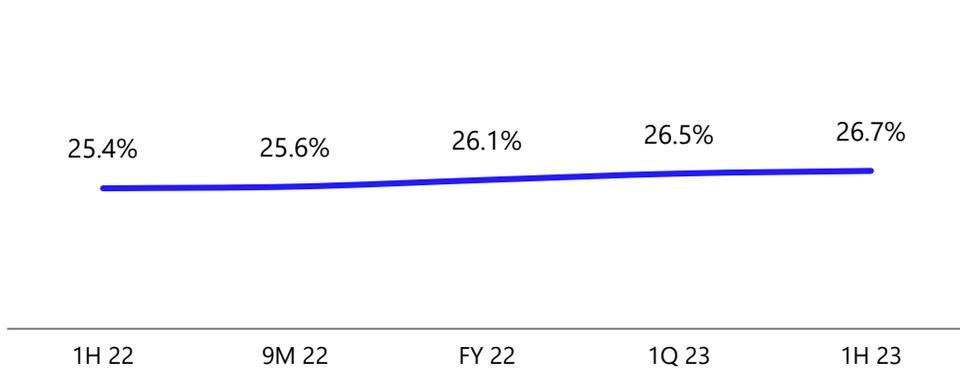
Operating Expenses (SARmn)



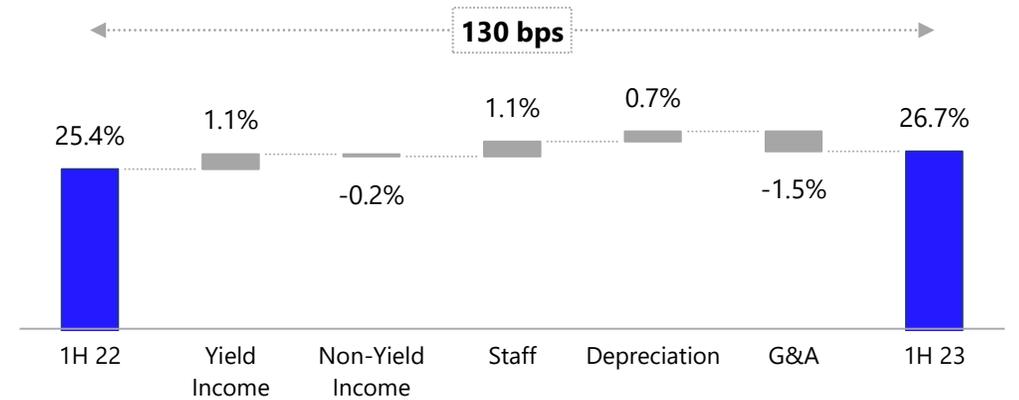
Operating Expenses Growth Drivers By Type (SARmn)



Cost To Income Ratio (%)

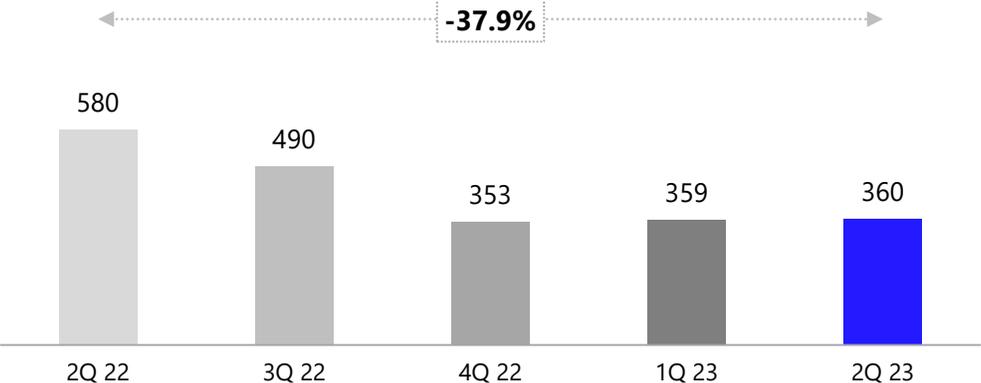


Cost to Income Ratio Drivers (%)

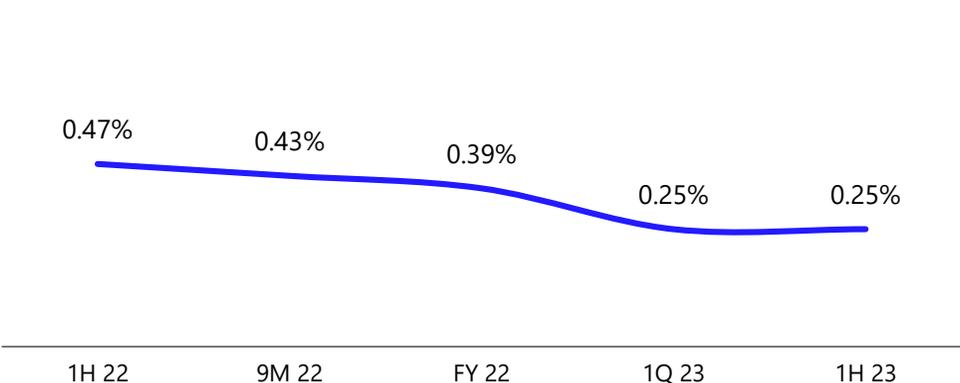


Net Impairment & Cost of Risk | Lower net impairment resulted in cost of risk improvement

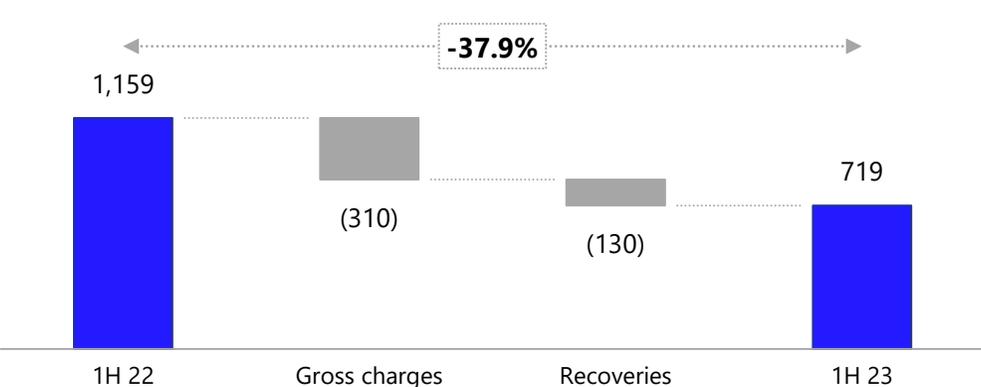
Net Impairment Charges (SARmn)



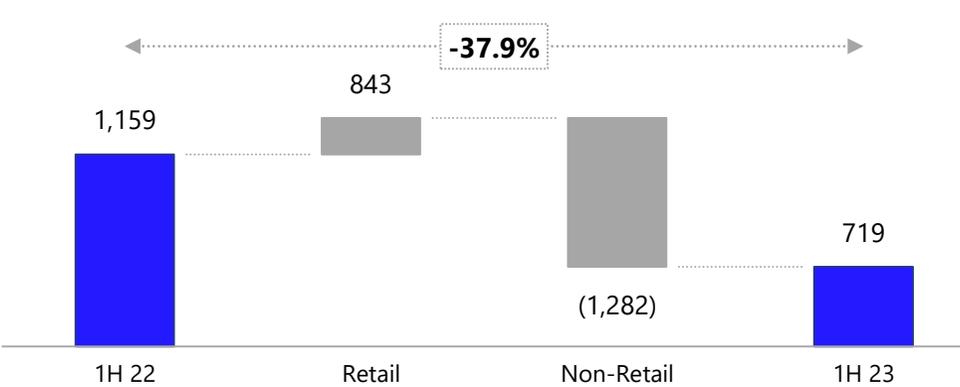
Cost of Risk (%)



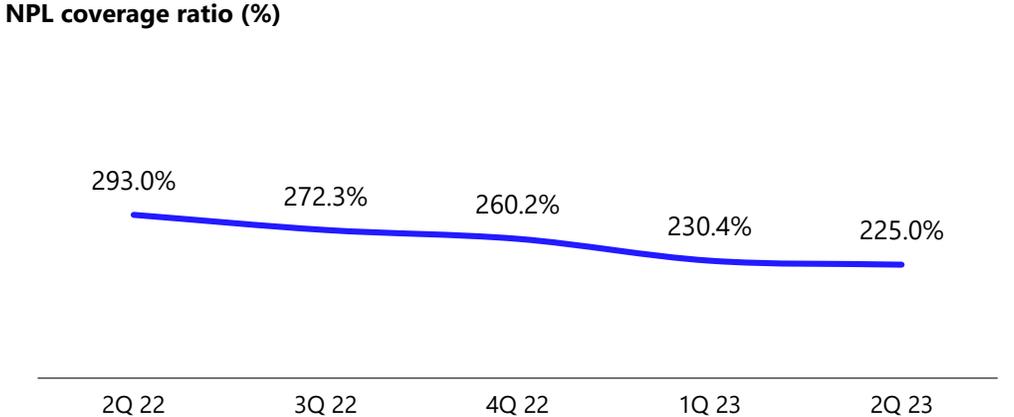
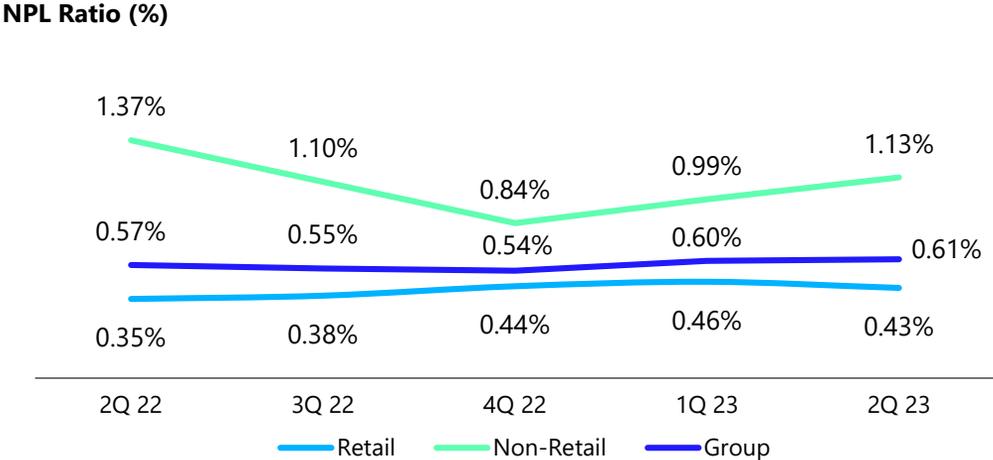
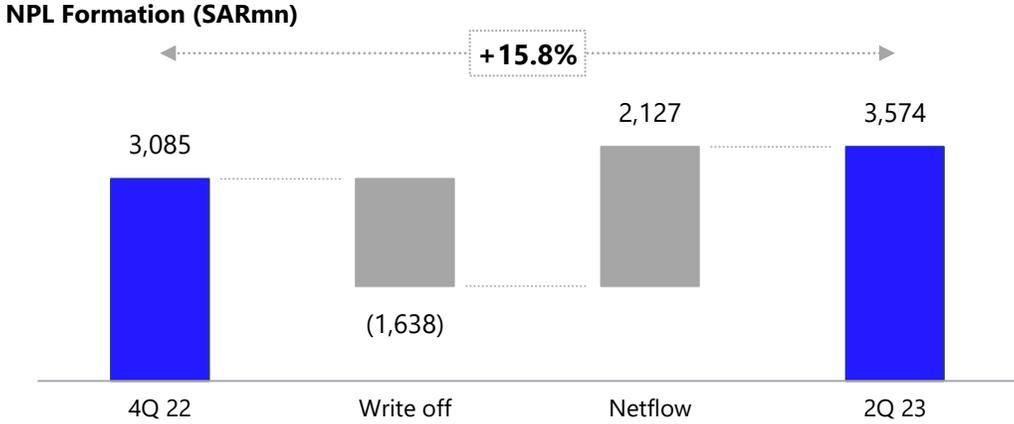
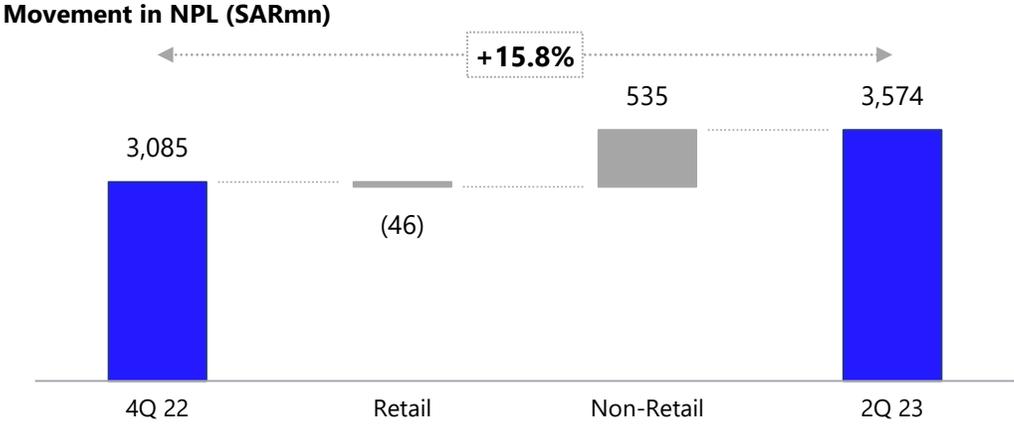
Movement in Net Impairment (SARmn)



Movement in Net Impairment by Group (SARmn)

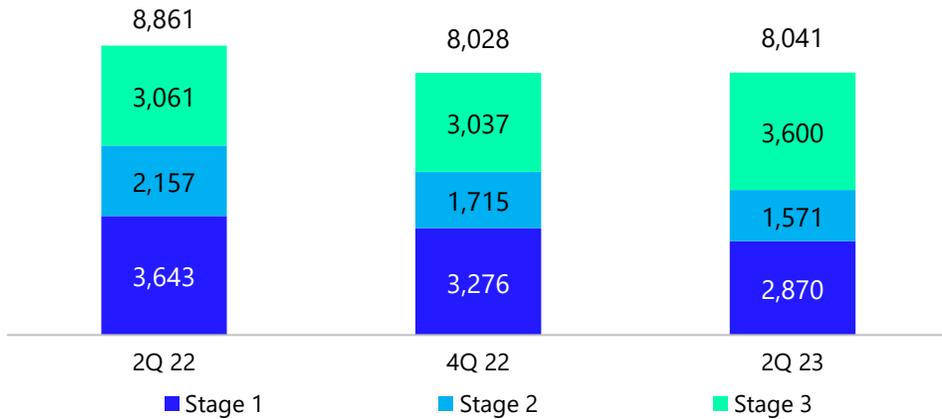


Asset Quality Trends (1) | Asset quality remains healthy with high NPL coverage

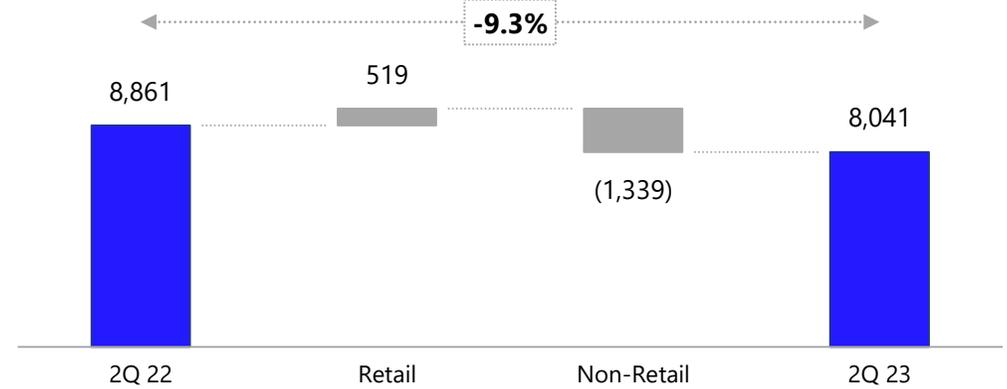


Asset Quality Trends (2) | Healthy stage coverage reflecting prudent risk management

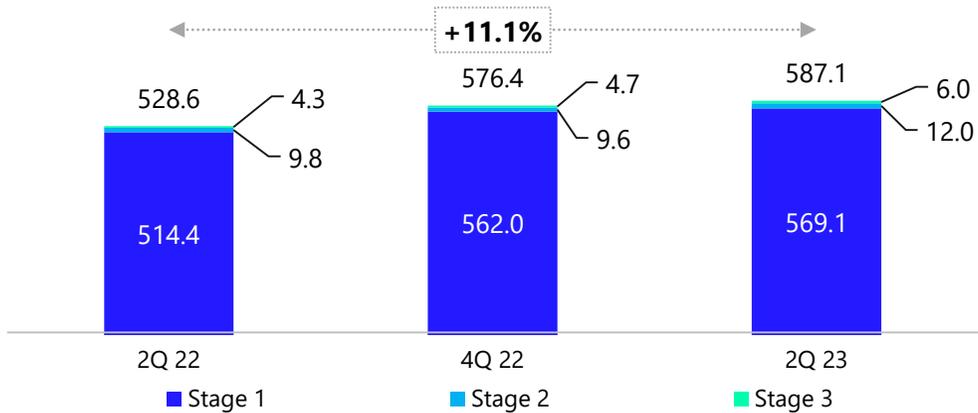
ECL by Stage (SARmn)



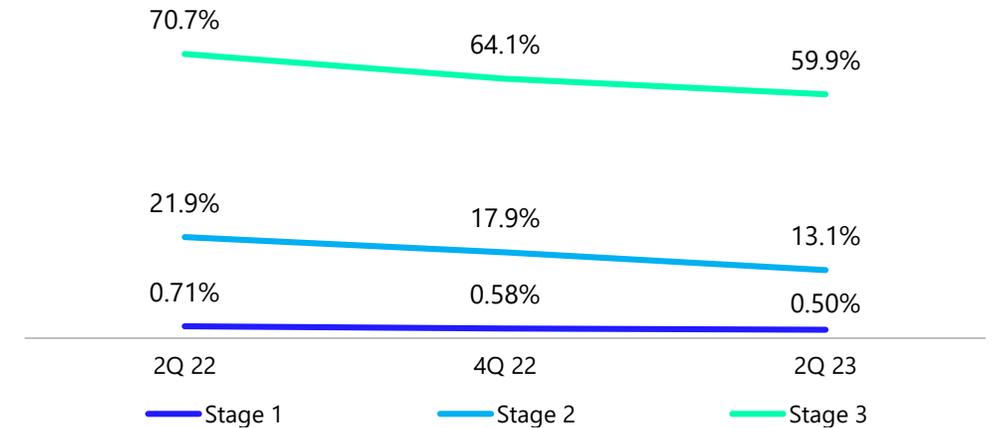
Movement in ECL by Group (SARmn)



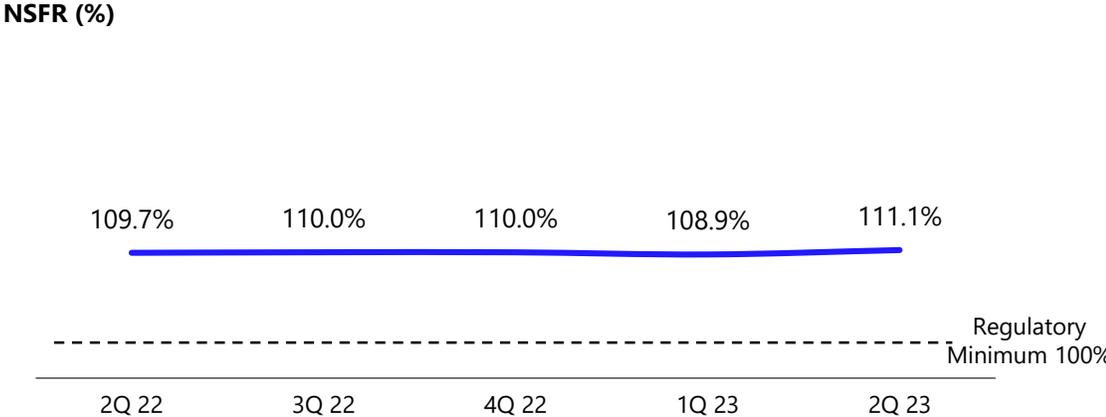
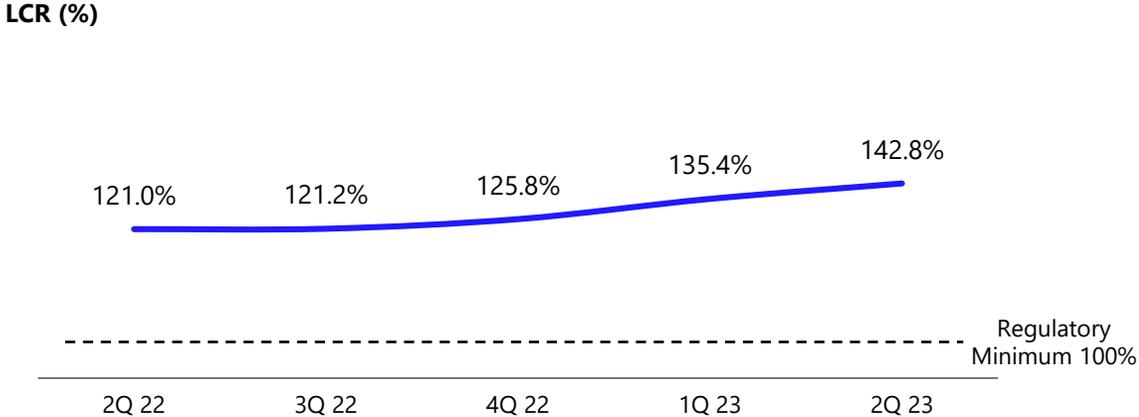
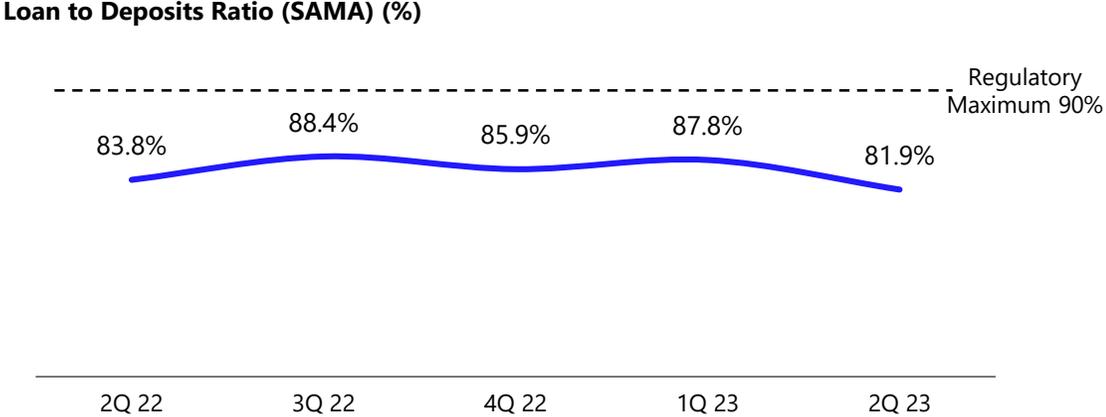
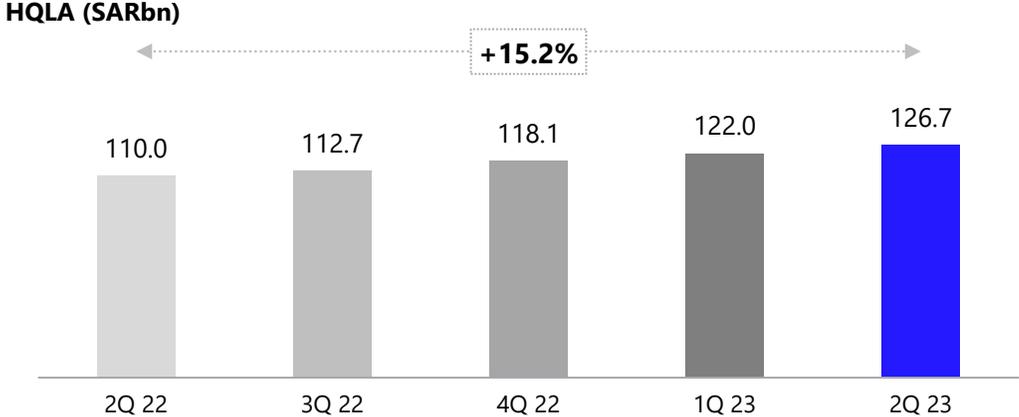
Gross Loans by Stage (SARbn)



ECL Coverage (%)

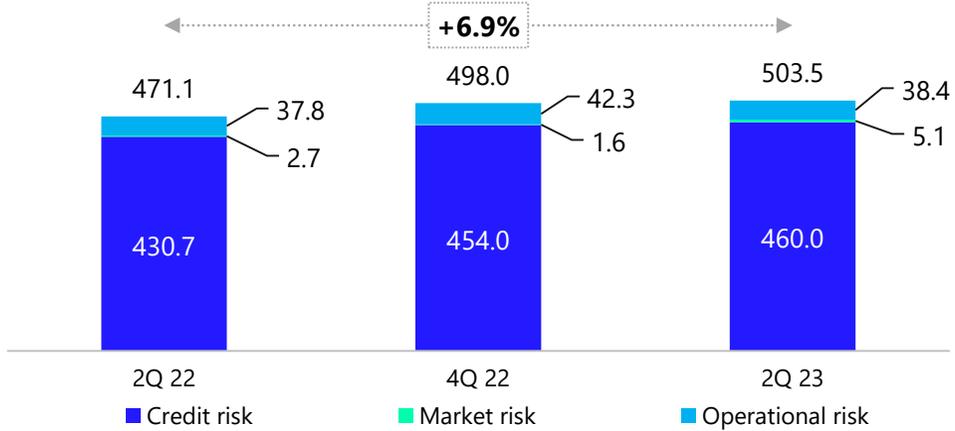


Liquidity Trends | Liquidity remains comfortably within regulatory requirements

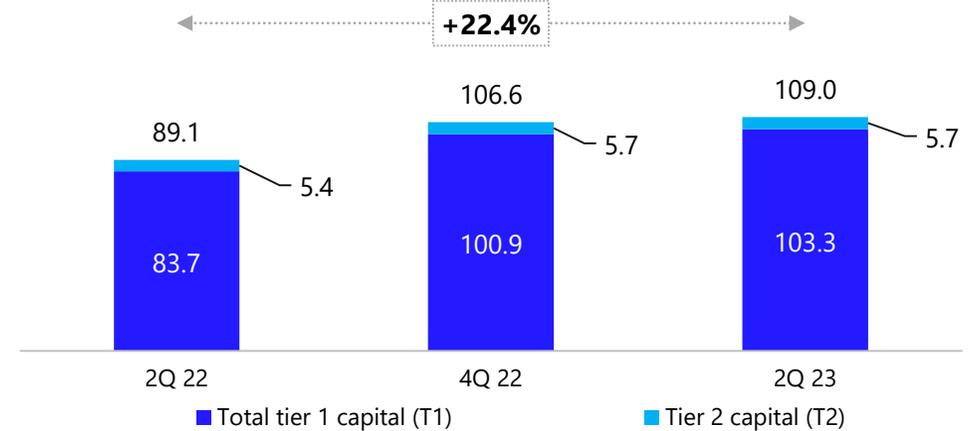


Capitalization Trends | Capital position well above regulatory minima

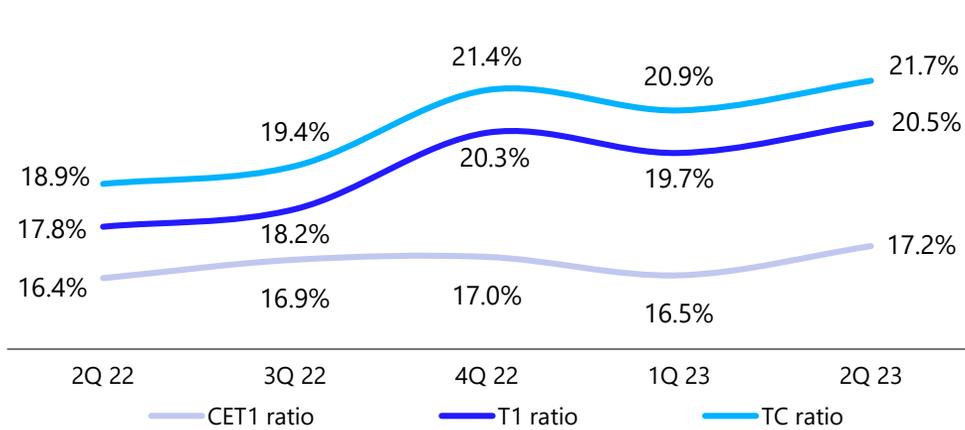
RWA (SARbn)



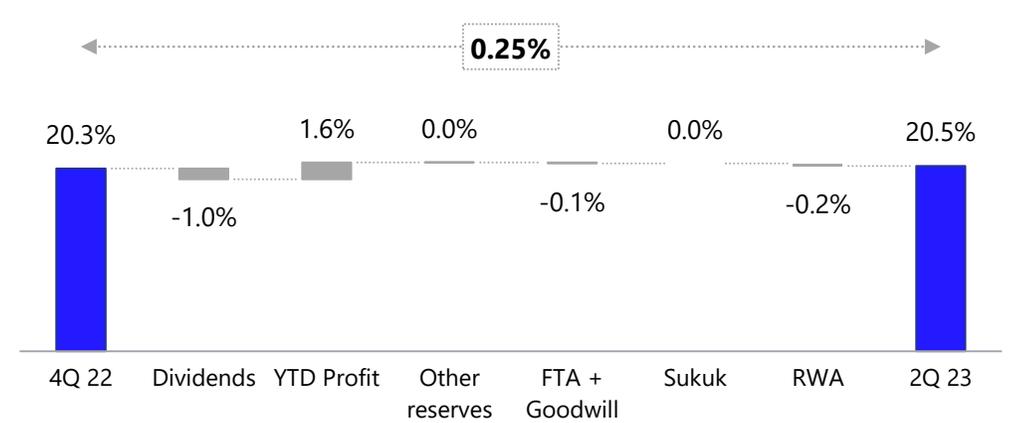
Total Capital (SARbn)



Capital Ratios (%)

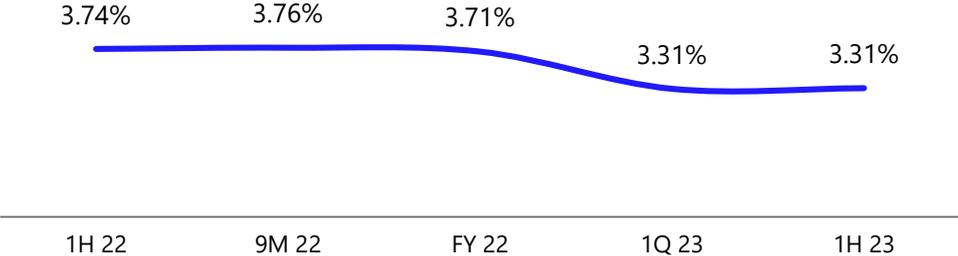


Tier 1 Drivers (%)

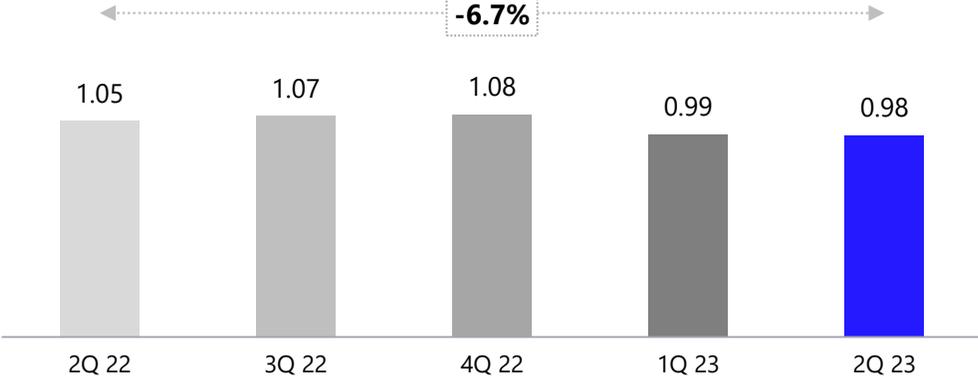


Return Metrics | Al Rajhi Bank's returns remain industry-leading

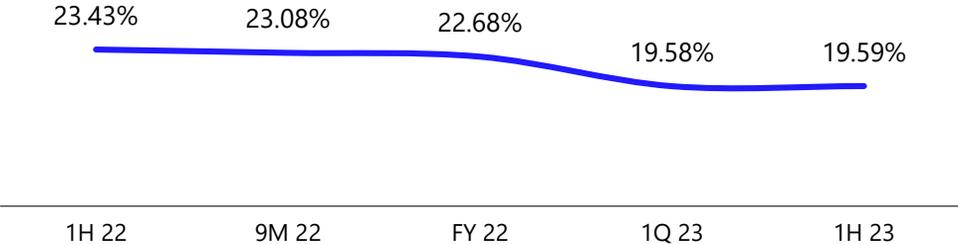
Return on RWA (%)



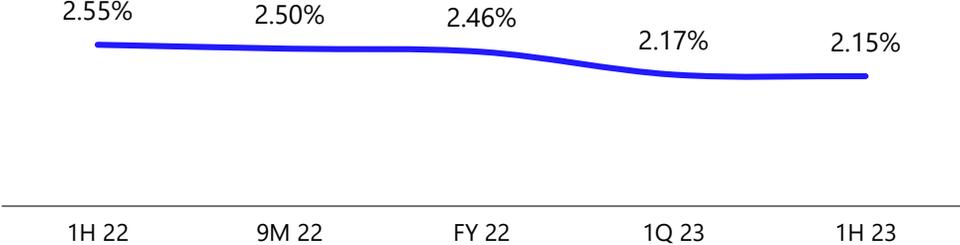
Earnings per Share (SAR)



Return on Equity (%)



Return on Assets (%)



FY 2023 Guidance

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
Balance Sheet	Financing	Mid single digit	+1.9%	— Mid single digit
Profitability	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%
Asset Quality	Cost of risk	0.30% - 0.40%	0.25%	↑ 0.20% - 0.30%
Capital	Tier 1 ratio	Above 20%	20.5%	— Above 20%



Q & A

ESG Highlights

ESG Highlights | 2Q 2023

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

■ 2Q 2023 figures

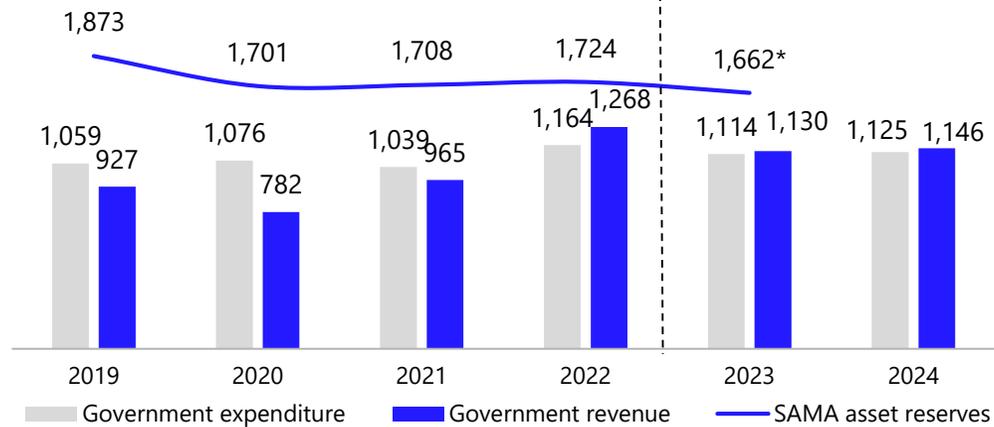


KSA's Macro-Economic Environment

Highlights

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

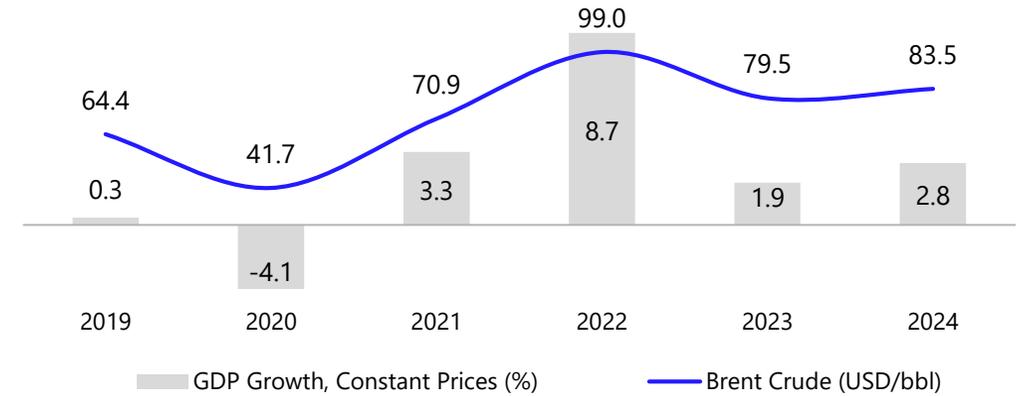
Expenditure/Revenue and Asset Reserves (SARbn)



Source: MoF, SAMA

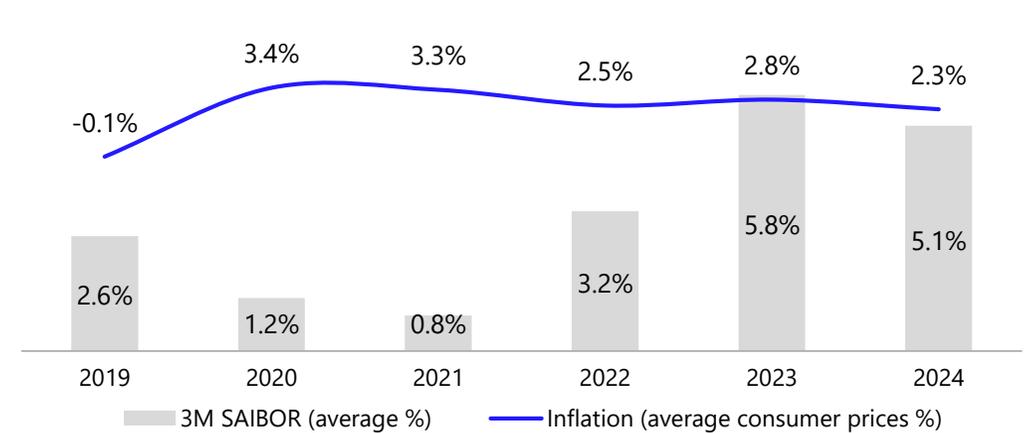
* June 2023 figure

GDP Growth/Brent Oil Price



Source: IMF, U.S. Energy Information

3M SAIBOR / Inflation



Source: SAMA, IMF, MoF

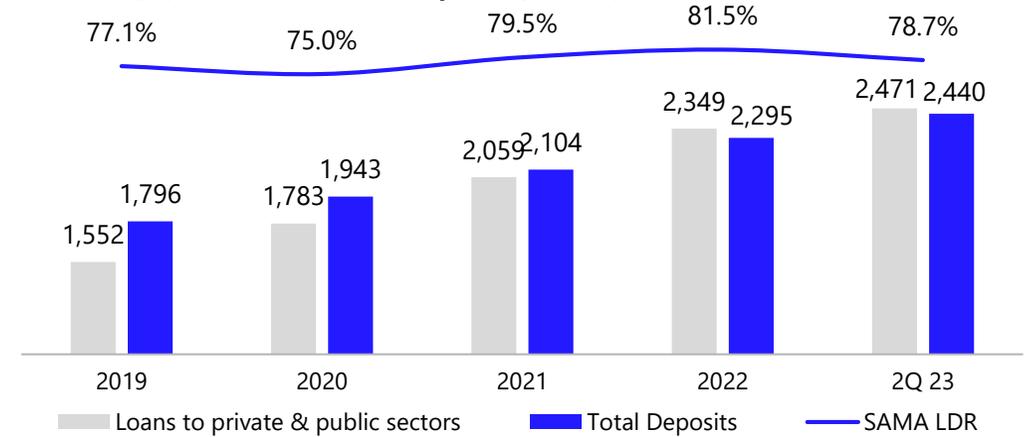


Banking Sector Highlights | Banking system deposits growth outpaced loans growth in 1H2023

Recent Developments

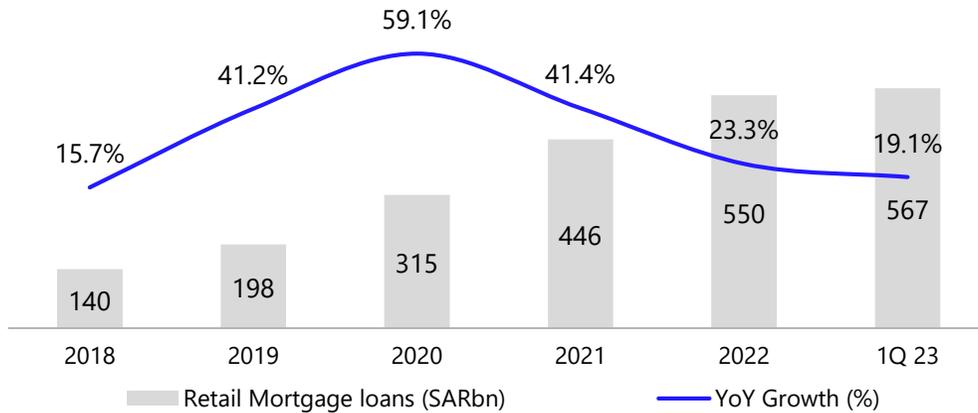
- Deposits growth in the banking system during first half outperformed loans growth
- SRC benchmark rate remains unchanged since the latest change in March 2023
- Consumer spending increased by 8.9% in 1H2023 with continuous migration to cashless payment methods

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



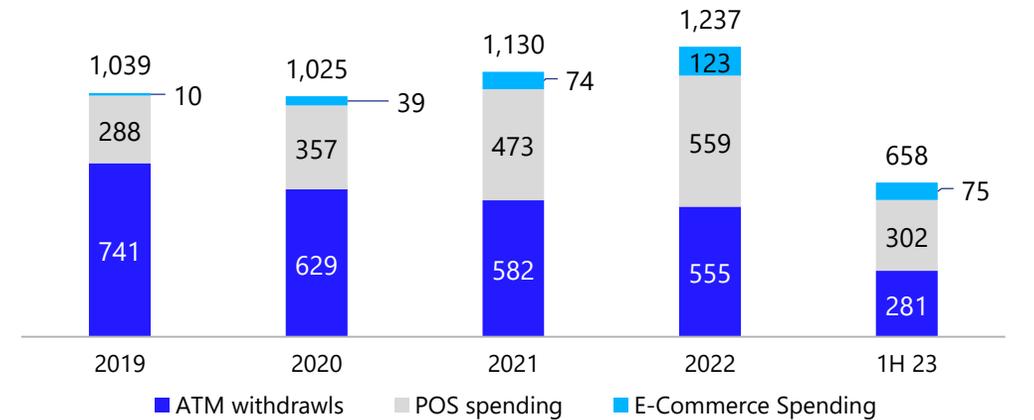
Source: SAMA

Retail Mortgage (SARbn)



Source: SAMA

POS/ATM & E-Commerce (SARbn)



Source: SAMA



IR Contact Information

Additional Information | Contact investor relations for more information

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Alrajhi Mobile App



Alrajhi Business App



Alrajhi IR App



Alrajhi Tadawul Mobile App



Emkan App



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



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