

Al Rajhi Bank net income grows 18.7% YoY to SAR 12.7 Billion in the first 9 months of 2022

First 9 months of 2022 Financial Results Highlights:

- **18.7% YoY net income growth after Zakat** on strong top-line growth and improving operating efficiency
- **Return on equity** lower by 0.5 percentage points year-on-year, to 23.08%
- **Operating income growth of 13.0%** on improved net financing and investment income and higher fee income from banking services
- **Operating efficiency** improved by 1.7 percentage points YoY to 25.6%
- **Credit Quality** remains stable with non-performing financing ratio and non-performing financing coverage ratio at 0.55% and 272.3%, respectively
- **Cost of risk** improved by 19 basis points YoY to 0.43%
- **Net financing increased by SAR 105 billion or 23.1%** YTD to SAR 557 billion
- **Strong stable funding with 70%** of customer deposits being non-profit bearing
- **Capitalization** remains strong with Tier 1 of 18.4% and total CAR of 19.6%
- **Healthy liquidity position** with LCR of 121% and loan to deposit ratio of 88.4%

Riyadh, 23th October 2022 – During the first 9 months of the current year 2022, Al Rajhi Bank generated strong operating income growth of 13.0% year-on-year from 10.4% net financing and investment income growth and a 23.3% improvement in fee and other income. Income growth was boosted by 24.1% year-on-year growth in investments and 32.4% growth in net financing. Total retail financing grew year-on-year by 24.8% as mortgage grew by 39.9% along with 11.5% growth in personal financing. Additionally, corporate financing, net grew by 64.7% and SME financing, net grew by 60.4% year-on-year. This strong balance sheet and top-line momentum, in combination with improved operating efficiency and stable credit quality, translated to 18.7% net income growth after Zakat, reaching SAR 12,746 million. The Bank further maintained a strong capital position with a tier 1 ratio of 18.4% and healthy liquidity with LCR of 121%.

Commenting on Al Rajhi Bank's first 9 months of 2022, **Mr. Abdullah bin Sulaiman Al Rajhi, Chairman of the Board of Directors**, said: "Our excellent performance was underpinned by the strong customer relationships that have been further reinforced throughout the recent years. As our clients turn to Al Rajhi Bank to finance their homes, their businesses and their lifestyle, and place their trust in our financial services and digital solutions, we were able to grow the financing

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portfolio in 2022 by 23.1% to SAR 557 billion and grow customers' deposits by 8.5% to SAR 556 billion. The growth in the financing portfolio was across all lines of business driven by the good progress made on "Bank of the Future" strategy implementation. In Retail, financing portfolio registered a growth of 16.3% driven by a 25.5% growth in mortgage financing and 7.2% in personal financing during the period. Moreover, Corporate and SME financing portfolios have witnessed a strong growth recording an increase of 52.0% and 46.9%, respectively. The progress in our strategy execution coupled with improved economic activities resulted in growth of 13.0% and 18.7% in operating income and net income compared to the same period last year, respectively. Additionally, ROE and ROA stands at 23.08% and 2.5%, respectively".

Performance Highlights

Income Statement Summary

SAR (mn)	9M 22	9M 21	YoY %	3Q 22	2Q 22	QoQ %	3Q 21	YoY %
Net financing & investment income	16,594	15,037	+10.4%	5,687	5,567	+2.2%	5,215	+9.1%
Fees & other income	4,717	3,824	+23.3%	1,519	1,581	-3.9%	1,363	+11.5%
Total operating income	21,311	18,862	+13.0%	7,206	7,148	+0.8%	6,578	+9.6%
Operating expenses	(5,450)	(5,136)	+6.1%	(1,861)	(1,820)	+2.2%	(1,754)	+6.1%
Pre-Provision Profit	15,861	13,726	+15.6%	5,345	5,328	+0.3%	4,824	+10.8%
Total impairment charge	(1,649)	(1,755)	-6.0%	(490)	(580)	-15.6%	(594)	-17.5%
Net income for the period	14,212	11,971	+18.7%	4,855	4,747	+2.3%	4,230	+14.8%
Zakat	(1,466)	(1,237)	+18.4%	(501)	(489)	+2.4%	(436)	+14.8%
Net income for the period after Zakat	12,746	10,734	+18.7%	4,355	4,258	+2.3%	3,794	+14.8%
Earnings per share (SAR)	3.16	2.68	+17.7%	1.07	1.05	+2.3%	0.95	+13.2%
Dividends per share (SAR)	0.0	1.4	-100.0%	0.0	0.0	0.0%	0.0	0.0%
Return on equity	23.08%	23.62%	-0.5%	22.44%	23.12%	-0.7%	24.62%	-2.2%
Return on assets	2.50%	2.72%	-0.2%	2.43%	2.51%	-0.1%	2.67%	-0.2%
Net financing and investment margin	3.66%	4.32%	-0.66%	3.49%	3.72%	-0.23%	4.11%	-0.62%
Cost to income ratio	25.6%	27.2%	-1.7%	25.8%	25.5%	+0.4%	26.7%	-0.8%
Cost of risk	0.43%	0.62%	-0.19%	0.36%	0.45%	-0.10%	0.57%	-0.22%

Total operating income reached SAR 21,311 million in the first 9 months of 2022, an increase of 13.0% compared with the same period last year. This improvement was driven by 10.4% year-on-year growth of net financing and investment income due to strong growth in the financing and investment portfolios, and despite a 66 basis points contraction in the net financing and investment margin to 3.66% resulting from the higher cost of funds and escalated competition in the retail and corporate financing. Income growth was further aided by 23.3% year-on-year growth in fee and other income, where fee income on banking services and exchange income grew 22.2% and 51.7% year-on-year, respectively.

Total operating income for the third quarter of 2022 amounted to SAR 7,206 million, an increase of 9.6% year-on-year and 0.8% relative to the previous quarter. This growth was similarly driven

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by improvements across both net financing and investment income and fee income from banking services.

Operating expenses totalled SAR 5,450 million for the first 9 months, a rise of 6.1% year-on-year, supporting 13.0% operating income growth. These positive "jaws" were enabled through efficiencies gained in the Bank's digital platforms and cost optimization initiatives which resulted in an improvement in the cost to income ratio of 1.7 percentage points year-on-year to 25.6%. Additionally, operating expenses for the third quarter of 2022 increased by 6.1% compared with the third quarter of 2021.

The net impairment charge for the first 9 months of 2022 amounted to SAR 1,649 million, a decline of 6.0% compared to last year driven by stable asset quality, improved economic outlook and good recoveries. The cost of risk for the first 9 months was 19 basis points lower year-on-year at 0.43%.

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Balance Sheet Summary

SAR (mn)	3Q 22	2Q 22	QoQ %	4Q 21	YTD %	3Q 21	YoY %
Cash & balances with SAMA & other central banks	43,995	37,714	+16.7%	40,363	+9.0%	34,420	+27.8%
Due from banks & other FIs, net	14,744	29,412	-49.9%	26,065	-43.4%	27,518	-46.4%
Investments, net	101,808	96,618	+5.4%	84,433	+20.6%	82,048	+24.1%
Financing, net	557,498	519,701	+7.3%	452,831	+23.1%	420,954	+32.4%
Other assets, net	22,583	26,334	-14.2%	19,979	+13.0%	17,717	+27.5%
Total Assets	740,627	709,779	+4.3%	623,672	+18.8%	582,657	+27.1%
Due to banks & other FIs	71,828	42,532	+68.9%	17,952	+300.1%	14,733	+387.5%
Customers' deposits	555,767	552,957	+0.5%	512,072	+8.5%	478,331	+16.2%
Other liabilities	26,930	32,377	-16.8%	26,339	+2.2%	25,984	+3.6%
Total liabilities	654,525	627,866	+4.2%	556,363	+17.6%	519,048	+26.1%
Total equity	86,101	81,913	+5.1%	67,309	+27.9%	63,609	+35.4%
Risk weighted assets	479,225	471,137	+1.7%	425,629	+12.6%	395,766	+21.1%
Tier 1 Ratio	18.4%	17.9%	+0.5%	16.5%	+1.9%	16.8%	+1.6%
Total capital adequacy ratio	19.6%	19.0%	+0.5%	17.6%	+1.9%	17.9%	+1.6%
Liquidity coverage ratio (LCR)	121%	121%	+0.2%	121%	+0.2%	125%	-3.8%
Basel III leverage ratio	11.6%	11.6%	+0.0%	11.0%	+0.6%	11.2%	+0.4%
Loan to Deposit Ratio	88.4%	83.8%	+4.6%	82.3%	+6.2%	82.7%	+5.8%
Non-performing loan ratio	0.55%	0.57%	-0.02%	0.65%	-0.10%	0.67%	-0.12%
Non-performing loan coverage ratio	272.3%	293.0%	-20.7%	305.6%	-33.3%	307.5%	-35.2%

Total assets reached SAR 741 billion as at 30 September 2022, an increase of 27.1% compared to same period last year and 4.3% relative to previous quarter, from strong growth in the financing and investments portfolios.

Net financing grew 7.3% during the quarter and 32.4% year-on-year to reach SAR 557 billion, where strong growth was registered across all lines of business. In retail, 24.8% year-on-year financing growth was driven by 39.9% year-on-year growth in residential financing. In non-retail, 64.7% year-on-year financing growth was driven by 64.7% year-on-year growth in corporate and 60.4% year-on-year growth in SME.

The non-performing financing ratio decreased marginally by 12 basis points relative to the same period last year to 0.55%, as credit quality remained stable during the quarter. The non-performing financing coverage ratio stands at 272.3%. Non-profit bearing deposits continued to represent a significant proportion of total deposits of 70% as at 30 September 2022.

Al Rajhi Bank continued to maintain its strong capitalization profile with tier 1 and total capital adequacy ratios of 18.4% and 19.6%, respectively. The Bank's liquidity position remained healthy with a liquidity coverage ratio of 121% and loan to deposit ratio of 88.4% as at 30 September 2022.

Additional Information

Auditors' Opinion

Unmodified opinion

Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements for the nine months ended 30th September 2022 will be available through the following link on Al Rajhi Bank website (<https://www.alrajhibank.com.sa/en/About-alrajhi-bank/Investor-Relations>) and investor relations App.

3Q2022 Earnings Call

Conference call for analysts and investors will be held on 27th October 2022 at 4:00pm KSA time. The earnings call presentation will be available on Al Rajhi Bank website (<https://www.alrajhibank.com.sa/en/About-alrajhi-bank/Investor-Relations>) and investor relations App.

Financial Materials

Al Rajhi Bank's financial statements, earnings release, earnings presentation, earnings call transcript, investor presentation, factsheet and analyst data supplement are available to the public on the IR website:

<https://www.alrajhibank.com.sa/en/About-alrajhi-bank/Investor-Relations>

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