

Al Rajhi Bank recorded net income of SAR 12.5 Billion in first nine months of 2023

9M 2023 Financial Results Highlights:

- SAR 12.5 billion net income after Zakat during the period, lower by 2.3% YoY
- Market leading return on equity at 19.47%
- Operating income lower by 3.9% on lower net financing and investment income which partially offset by higher other operating income and exchange income
- Operating efficiency remains healthy at 26.9%
- Credit Quality remains strong with NPL ratio and NPL coverage ratio at 0.60% and 240%, respectively
- Cost of risk improved by 18 basis points YoY to 0.25%
- Net financing increased by SAR 33 billion or 6.0% YoY to SAR 591 billion
- Strong funding with 67% of customer deposits being CASA
- Capitalization remains strong with Tier 1 of 19.6% and total CAR of 20.8%
- Healthy liquidity position with LCR of 145% and loan to deposit ratio of 81.0%

Riyadh, 23th October 2023 – During the first nine months of the current year 2023, Al Rajhi Bank recorded a net income of SAR 12,451 million, lower by 2.3% Year-on-year. This was driven by a lower operating income of 3.9% year-on-year as a result of lower net financing and investment income by 5.3% which is partially offset by a 0.9% improvement in fee and other income. Assets growth was boosted by 26.4% year-on-year growth in investments and 6.0% growth in net financing. Total retail financing remained flat year-on-year. It is worth to highlight that mortgage recorded a growth of 6.6% year-on-year. Additionally, corporate financing, net grew by 23.9% and SME financing, net grew by 27.2% year-on-year. This balance sheet growth, in combination with healthy operating efficiency and improved credit quality, continued to support the bank's leading return metrics with ROE and ROA at 19.5% and 2.1%, respectively. The Bank further maintained a strong capital position with a tier 1 ratio of 19.6% and healthy liquidity with LCR of 145%.

Commenting on Al Rajhi Bank's first 9 month 2023 performance, [Mr. Abdullah bin Sulaiman Al Rajhi, Chairman of the Board of Directors](#), said "The bank continued its qualitative growth across businesses to achieve its strategic goals while maintaining the leader in customer experience and best in class digital solutions. We kept focusing on empowering both business and individual clients with financial solutions that are customer centric through a financial ecosystem that is suitable to our customer lifestyles with unlimited opportunities."

Al-Rajhi also added: "We are proud that the achieved growth contributes to achieving the goals of the Kingdom's Vision 2030, as financing for corporate increased by 23.9%, financing for SMEs increased by 27.2%, mortgage financing increased by 6.6% coupled with an increased activity in digital banking transactions in both corporate and retail. As a continuation of our focus toward enhancing our digital framework to further integrate our digital financial ecosystem, the bank maintained its pioneering innovation of new digital products and services across alrajhi bank app, alrajhi bank business app and portal. Moreover, the percentage of new accounts opened through the bank's mobile application also increased, to reach 96% of the total accounts opened during the period."

Al-Rajhi concluded his statement: "The progress in our strategy execution coupled with improved economic activities resulted in growth of 8.3% year-on-year in total assets to reach SAR 801 billion. Additionally, ROE and ROA stands at 19.5% and 2.1%, respectively while earning per share has reached SAR 2.96 for the period."

Performance Highlights

Income Statement Summary

SAR (mn)	9M 23	9M 22	YoY %	3Q 23	2Q 23	QoQ %	3Q 22	YoY %
Net financing & investment income	15,720	16,594	-5.3%	5,401	5,194	+4.0%	5,687	-5.0%
Fees & other income	4,761	4,717	+0.9%	1,472	1,634	-9.9%	1,519	-3.1%
Total operating income	20,481	21,311	-3.9%	6,873	6,827	+0.7%	7,206	-4.6%
Operating expenses	(5,500)	(5,450)	+0.9%	(1,860)	(1,840)	+1.1%	(1,861)	-0.1%
Pre-Provision Profit	14,980	15,861	-5.6%	5,012	4,988	+0.5%	5,345	-6.2%
Total impairment charge	(1,099)	(1,649)	-33.4%	(379)	(360)	+5.3%	(490)	-22.6%
Net income for the period	13,882	14,212	-2.3%	4,633	4,627	+0.1%	4,855	-4.6%
Zakat	(1,431)	(1,466)	-2.3%	(478)	(477)	+0.1%	(501)	-4.6%
Net income for the period after Zakat	12,451	12,746	-2.3%	4,155	4,150	+0.1%	4,355	-4.6%
Earnings per share (SAR)	2.96	3.16	-6.4%	0.99	0.98	+1.0%	1.07	-7.8%
Dividends per share (SAR)	0.00	0.00	+0.0%	0.00	0.0	0.0%	0.0	0.0%
Return on equity	19.47%	23.08%	-3.6%	19.25%	19.60%	-0.4%	22.44%	-3.2%
Return on assets	2.14%	2.50%	-0.4%	2.10%	2.14%	-0.0%	2.43%	-0.3%
Net financing and investment margin	2.98%	3.66%	-0.68%	3.00%	2.95%	+0.05%	3.49%	-0.49%
Cost to income ratio	26.9%	25.6%	+1.3%	27.1%	26.9%	+0.1%	25.8%	+1.2%
Cost of risk	0.25%	0.43%	-0.18%	0.26%	0.25%	+0.01%	0.36%	-0.10%

Total operating income came lower by 3.9% reaching SAR 20,481 million during the quarter, compared to SAR 21,311 for the same period last year. This decline was driven by 5.3% year-on-year lower net financing and investment income due to 68 basis points contraction in the net financing and investment margin to 2.98% resulting from the higher cost of funds. It is worth highlighting that 3Q 2023 witnessed the first NIM expansion on a sequential basis recording 5bps increase compared to last quarter. Income growth was aided by 0.9% year-on-year growth in fees and other income, where exchange income and other operating income grew by 7.0% and 46.9% year-on-year, respectively.

Operating expenses totaled SAR 5,500 million during the period, a rise of 0.92% year-on-year, which resulted in the cost to income ratio to reach 26.9%.

The net impairment charge for the first nine months amounted to SAR 1,099 million, a decline of 33.4% compared to the same period last year driven by stable asset quality, improved economic outlook and good recoveries. The cost of risk for the period was 18 basis points lower year-on-year at 0.25%.

3Q 2023 Earnings Release

Balance Sheet Summary

SAR (Mn)	3Q 23	2Q 23	QoQ %	4Q 22	YTD %	3Q 22	YoY %
Cash & balances with SAMA & other central banks	43,838	46,020	-4.7%	42,052	+4.2%	43,995	-0.4%
Due from banks & other FIs, net	8,128	10,983	-26.0%	25,656	-68.3%	14,744	-44.9%
Investments, net	128,700	121,420	+6.0%	102,146	+26.0%	101,808	+26.4%
Financing, net	590,826	579,080	+2.0%	568,338	+4.0%	557,498	+6.0%
Other assets, net	29,991	27,017	+11.0%	23,456	+27.9%	21,918	+36.8%
Total Assets	801,483	784,520	+2.2%	761,649	+5.2%	739,962	+8.3%
Due to banks & other FIs	100,126	81,591	+22.7%	70,839	+41.3%	71,828	+39.4%
Customers' deposits	565,719	570,665	-0.9%	564,925	+0.1%	555,767	+1.8%
Sukuk issued	3,834	3,790	+1.2%	0	+0.0%	0	+0.0%
Other liabilities	29,525	25,287	+16.8%	25,660	+15.1%	26,265	+12.4%
Total liabilities	699,204	681,333	+2.6%	661,424	+5.7%	653,860	+6.9%
Total equity	102,280	103,187	-0.9%	100,225	+2.0%	86,101	+18.8%
Risk weighted assets	519,382	503,518	+3.2%	497,973	+4.3%	479,225	+8.4%
Tier 1 Ratio	19.6%	20.5%	-0.9%	20.3%	-0.6%	18.3%	+1.4%
Total capital adequacy ratio	20.8%	21.7%	-0.9%	21.4%	-0.6%	19.4%	+1.4%
Liquidity coverage ratio (LCR)	145%	143%	+1.9%	126%	+18.9%	121%	+23.5%
Basel III leverage ratio	12.1%	12.6%	-0.4%	12.7%	-0.6%	11.5%	+0.6%
Loan to Deposit Ratio	81.0%	81.9%	-0.9%	85.9%	-4.9%	88.4%	-7.4%
Non-performing loan ratio	0.60%	0.69%	-0.09%	0.62%	-0.02%	0.64%	-0.04%
Non-performing loan coverage ratio	239.9%	209.6%	+30.3%	237.8%	+2.1%	248.4%	-8.5%

Total assets reached SAR 801 billion as at 30 September 2023, an increase of 8.3% compared to last year and 2.2% relative to previous quarter, from strong growth in the financing and investments portfolios.

Net financing grew 2.0% during the quarter and 6.0% year-on-year to reach SAR 591 billion. Retail financing growth remained flat despite 6.6% year-on-year growth in mortgage. In non-retail, 25.1% year-on-year financing growth was driven by 23.9% year-on-year growth in corporate and 27.2% year-on-year growth in SME.

The non-performing loans ratio improved relative to the same period last year at 0.60%, as credit quality remained stable. The non-performing loans coverage ratio stands healthy at 240%. CASA continued to represent a significant proportion at 67% of total deposits as at 30 September 2023.

Al Rajhi Bank continued to maintain its strong capitalization profile with tier 1 and total capital adequacy ratios of 19.6% and 20.8%, respectively. The Bank's liquidity position remained healthy with a liquidity coverage ratio of 145% and loan to deposit ratio of 81.0% as at 30 September 2023.

Additional Information

Auditors' Opinion

Unmodified opinion

Consolidated Financial Statements

The interim condensed consolidated financial statements for the nine months ended 30th September 2023 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.

3Q2023 Earnings Call

Conference call for analysts and investors will be held on 26th of October 2023 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 investor relations website:

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

Contact Investor Relations

Investors Relations

Email: IR@alrajhibank.com.sa

Mr. Rayan Alshuaibi
Telephone: +966 (11) 828 1972
E-mail: alshuaibirs@alrajhibank.com.sa

Mr. Safwan Alsulaimani
Telephone: +966 (11) 834 6626
E-mail: AlsulaimaniSA@alrajhibank.com.sa

Mr. Abdulrahman Alyami
Telephone: +966 (11) 828 3586
E-mail: AlyamiAH@alrajhibank.com.sa

Mr. Mohammed Alqahtani
Telephone: +966 (11) 828 1921
E-mail: AlqahtaniM-M@alrajhibank.com.sa



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