

Al Rajhi Bank recorded net income of SAR 8.3 Billion in first Half of 2023

1H 2023 Financial Results Highlights:

- SAR 8.3 billion net income after Zakat during the period, lower by 1.2% YoY
- Market leading return on equity at 19.6%
- Operating income lower by 3.5% on lower net financing and investment income which partially offset by higher fee income from banking services and exchange income
- Operating efficiency remains healthy at 26.7%
- Credit Quality remains strong with NPL ratio and NPL coverage ratio at 0.61% and 225%, respectively
- Cost of risk improved by 22 basis points YoY to 0.25%
- Net financing increased by SAR 59 billion or 11.4% YoY to SAR 579 billion
- Strong funding with 66% of customer deposits being CASA
- Dividends for the period is SAR 1.15 per share, with a payout ratio of 55%
- Capitalization remains strong with Tier 1 of 20.5% and total CAR of 21.7%
- Healthy liquidity position with LCR of 143% and loan to deposit ratio of 81.9%

Riyadh, 24th July 2023 – During the the first half of the current year 2023, Al Rajhi Bank recorded a net income of SAR 8,295 million, lower by 1.2% Year-on-year. This was driven by a lower operating income of 3.5% year-on-year as a result of lower net financing and investment income by 5.4% which is partially offset by a 2.9% improvement in fees and other income. Assets growth was boosted by 25.7% year-on-year growth in investments and 11.4% growth in net financing. Total retail financing grew year-on-year by 4.7% as mortgage recorded a growth of 13.6%. Additionally, corporate financing, net grew by 39.6% and SME financing, net grew by 25.3% 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 19.6% and 2.2%, respectively. The Bank further maintained a strong capital position with a tier 1 ratio of 20.5% and healthy liquidity with LCR of 143%.

Commenting on Al Rajhi Bank's first half 2023 performance, [Mr. Abdullah bin Sulaiman Al Rajhi, Chairman of the Board of Directors](#), said "The bank remained selective across all businesses to achieve its strategic goals while maintaining the strong client relationship and best in class digital solutions. We continue to focus on empowering our clients with financial solutions to cater the

thriving human future through a financial ecosystem that improves our customer experience with unlimited possibilities.”

Al-Rajhi also added: “We are proud that the achieved growth contribute to achieving the goals of the Kingdom's Vision 2030, as mortgage financing increased by 13.6%, financing for corporate increased by 39.6%, financing for SMEs increased by 25.3%, coupled with an increased activities 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 91% 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 10.6% year-on-year in total assets to reach SAR 785 billion. Additionally, ROE and ROA stands at 19.6% and 2.2%, respectively while earning per share has reached SAR 1.97 for the period.”

Performance Highlights

Income Statement Summary

SAR (mn)	1H 23	1H 22	YoY %	2Q 23	1Q 23	QoQ %	2Q 22	YoY %
Net financing & investment income	10,319	10,907	-5.4%	5,194	5,125	+1.3%	5,567	-6.7%
Fees & other income	3,289	3,197	+2.9%	1,634	1,655	-1.3%	1,581	+3.3%
Total operating income	13,608	14,104	-3.5%	6,827	6,781	+0.7%	7,148	-4.5%
Operating expenses	(3,640)	(3,589)	+1.4%	(1,840)	(1,800)	+2.2%	(1,820)	+1.1%
Pre-Provision Profit	9,968	10,515	-5.2%	4,988	4,980	+0.1%	5,328	-6.4%
Total impairment charge	(719)	(1,159)	-37.9%	(360)	(359)	+0.4%	(580)	-37.9%
Net income for the period	9,249	9,357	-1.2%	4,627	4,622	+0.1%	4,747	-2.5%
Zakat	(954)	(965)	-1.2%	(477)	(477)	+0.1%	(489)	-2.4%
Net income for the period after Zakat	8,295	8,392	-1.2%	4,150	4,145	+0.1%	4,258	-2.5%
Earnings per share (SAR)	1.97	2.08	-5.6%	0.98	0.99	-0.5%	1.05	-6.7%
Dividends per share (SAR)	1.15	0.00		0.00	0.0	0.0%	0.0	0.0%
Return on equity	19.59%	23.43%	-3.8%	19.60%	19.58%	+0.0%	23.12%	-3.5%
Return on assets	2.15%	2.55%	-0.4%	2.14%	2.17%	-0.0%	2.51%	-0.4%
Net financing and investment margin	2.98%	3.76%	-0.78%	2.95%	3.00%	-0.05%	3.72%	-0.77%
Cost to income ratio	26.7%	25.4%	+1.3%	26.9%	26.5%	+0.4%	25.5%	+1.5%
Cost of risk	0.25%	0.47%	-0.22%	0.25%	0.25%	-0.00%	0.45%	-0.21%

Total operating income came lower by 3.5% reaching SAR 13,608 million during the quarter, compared to SAR 14,104 for the same period last year. This decline was driven by 5.4% year-on-year lower net financing and investment income due to 78 basis points contraction in the net financing and investment margin to 2.98% resulting from the higher cost of funds. Income growth was aided by 2.9% year-on-year growth in fees and other income, where fee income on banking services and exchange income grew by 1.2% and 8.1% year-on-year, respectively.

Operating expenses totalled SAR 3,640 million during the period, a rise of 1.4% year-on-year, which resulted in the cost to income ratio to reach 26.7%.

The net impairment charge for the first half amounted to SAR 719 million, a decline of 37.9% 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 22 basis points lower year-on-year at 0.25%.

2Q 2023 Earnings Release

Balance Sheet Summary

SAR (mn)	2Q 23	1Q 23	QoQ %	4Q 22	YTD %	2Q 22	YoY %
Cash & balances with SAMA & other central banks	46,020	45,625	+0.9%	42,052	+9.4%	37,714	+22.0%
Due from banks & other FIs, net	10,983	13,010	-15.6%	25,656	-57.2%	29,412	-62.7%
Investments, net	121,420	114,737	+5.8%	102,146	+18.9%	96,618	+25.7%
Financing, net	579,080	577,011	+0.4%	568,338	+1.9%	519,701	+11.4%
Other assets, net	27,017	25,814	+4.7%	23,456	+15.2%	25,833	+4.6%
Total Assets	784,520	776,196	+1.1%	761,649	+3.0%	709,278	+10.6%
Due to banks & other FIs	81,591	88,086	-7.4%	70,839	+15.2%	42,532	+91.8%
Customers' deposits	570,665	556,197	+2.6%	564,925	+1.0%	552,957	+3.2%
Sukuk issued	3,790	0		0		0	
Other liabilities	25,287	32,687	-22.6%	25,660	-1.5%	31,876	-20.7%
Total liabilities	681,333	676,969	+0.6%	661,424	+3.0%	627,365	+8.6%
Total equity	103,187	99,227	+4.0%	100,225	+3.0%	81,913	+26.0%
Risk weighted assets	503,518	504,984	-0.3%	497,973	+1.1%	471,137	+6.9%
Tier 1 Ratio	20.5%	19.7%	+0.8%	20.3%	+0.3%	17.8%	+2.7%
Total capital adequacy ratio	21.7%	20.9%	+0.8%	21.4%	+0.2%	18.9%	+2.7%
Liquidity coverage ratio (LCR)	143%	135%	+7.4%	126%	+17.0%	121%	+21.8%
Basel III leverage ratio	12.6%	12.3%	+0.2%	12.7%	-0.2%	11.6%	+0.9%
Loan to Deposit Ratio	81.9%	87.8%	-5.9%	85.9%	-4.0%	83.8%	-1.9%
Non-performing loan ratio	0.61%	0.60%	+0.01%	0.54%	+0.07%	0.57%	+0.04%
Non-performing loan coverage ratio	225.0%	230.4%	-5.4%	260.2%	-35.2%	293.0%	-67.9%

Total assets reached SAR 785 billion as at 30 June 2023, an increase of 10.6% compared to last year and 1.1% relative to previous quarter, from strong growth in the financing and investments portfolios.

Net financing grew 0.4% during the quarter and 11.4% year-on-year to reach SAR 579 billion. In retail, 4.7% year-on-year financing growth was driven by 13.6% year-on-year growth in mortgage. In non-retail, 36.7% year-on-year financing growth was driven by 39.6% year-on-year growth in corporate and 25.3% year-on-year growth in SME.

The non-performing loans ratio remained almost flat relative to the same period last year at 0.61%, as credit quality remained stable. The non-performing loans coverage ratio stands healthy at 225%. CASA continued to represent a significant proportion at 66% of total deposits as at 30 June 2023.

Al Rajhi Bank continued to maintain its strong capitalization profile with tier 1 and total capital adequacy ratios of 20.5% and 21.7%, respectively. The Bank's liquidity position remained healthy with a liquidity coverage ratio of 143% and loan to deposit ratio of 81.9% as at 30 June 2023.

Additional Information

Auditors' Opinion

Unmodified opinion

Consolidated Financial Statements

The interim condensed consolidated financial statements for the six months ended 30th June 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.

2Q2023 Earnings Call

Conference call for analysts and investors will be held on 1st of August 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>

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