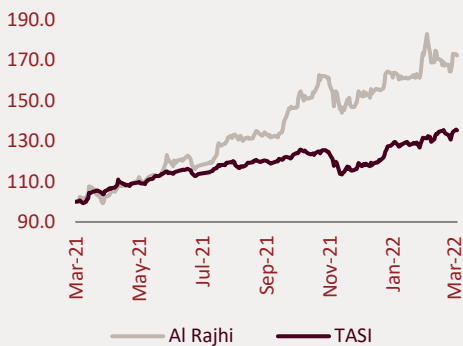


### FY21 Results Update

March 21, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	158.2
Target Price (SAR)	150.0
Upside/Downside (%)	(5.2%)
<i>As of March 21, 2022</i>	
Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	395.5
52-wk High (SAR)	169.8
52-wk Low (SAR)	89.7
Total Outstanding shares (in bn)	2.5
Free Float (%)	90.3%

#### Al Rajhi vs. TASI (Rebased)



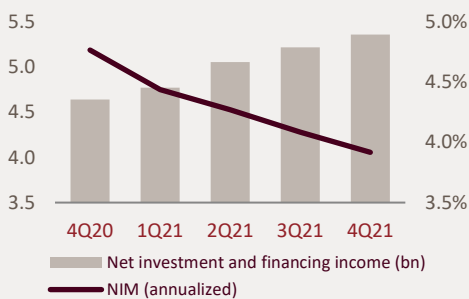
Price Performance (%)	Absolute	Relative
1m	(3.8%)	(5.9%)
6m	29.5%	16.1%
12m	72.3%	37.1%

#### Major Shareholders (%)

General Organization for Social Insurance*	5.86%
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\* IFSAH - Last Update Date 30 June 2021

#### Net Investment and Financing Income (SAR bn) and NIM (annualized)



Source: Bloomberg, Company Financials, Yaqeen Capital;  
Data as of March 21, 2022

#### Growth in mortgages and other retail drives loan book in FY21

Al Rajhi Bank (Al Rajhi)'s net financing and investment income surged 20.6% YoY to SAR 20.4bn, driven by higher financing and investment income, slightly offset by increase in return on customers', banks' and financial institutions' time investments during the year. Fees from banking services and other operating income increased 47.9% YoY and 65.5% YoY, respectively, resulting in a 24.1% YoY rise in total operating income to SAR 25.7bn in FY21. Total operating expenses was up 2.7% YoY to SAR 6.9bn in FY21. Consequently, the bank's cost-to-income ratio improved by 560bps YoY to 26.9% in FY21. Increase in impairment charge and zakat expense was offset by higher topline, as the bank reported a 39.2% YoY rise in net income to SAR 14.7bn in FY21. The bank's net financing assets grew 43.4% YoY to SAR 452.8bn, while customer deposits rose 33.8% YoY to SAR 512.1bn. Consequently, the bank's reported loan-to-deposit ratio (LDR) increased from 82.5% to 88.4% in FY21.

Al Rajhi's loan book advanced sturdily in FY21, supported by a 45.9% YoY increase in retail financing assets to SAR 365.7bn, in addition to a 33.9% YoY rise in corporate financing assets to SAR 87.1bn during the year. Growth in Al Rajhi's loan book was largely driven by continued momentum in mortgage financing, which was up 63% YoY, as well as other retail financing segments in FY21. The bank's liquidity and asset quality position improved during the year. The NPL ratio improved to 0.65% in FY21 from 0.76% in FY20, while the NPL coverage ratio was stable YoY at 305.6% in FY21. Al Rajhi's reported LDR rose to 82% in FY21 from 79% in FY20 but remained well below the regulatory requirement of 90%, indicating healthy liquidity position. The bank's risk weighted assets increased 31.8% YoY to SAR 425.6bn (representing 68.2% of the total assets) and the total tier I and II capital rose 21.7% YoY to SAR 75.0bn, thus maintaining a stable capital position. The bank's NIM was stable YoY at 4.6% in FY21. However, on QoQ basis, NIM continued to contract during 4Q21 amid the low interest rate environment and drop in mortgage financing rates. Nevertheless, with several interest rate hikes expected in 2022, the pressure on NIM is likely to ease. Moreover, credit growth is expected to continue in 2022, supported by government and PIF initiatives and projects. Considering the aforementioned factors, we maintain our "Neutral" rating on the stock.

- Net financing and investment income soared 20.6% YoY to SAR 20.4bn in FY21, driven by a 23.4% YoY rise in financing and investment income to SAR 21.4bn.
- The bank's operating income increased 24.1% YoY to SAR 25.7bn in FY21, led by higher fees from banking services, exchange income, and other operating income.
- Total operating expense rose 2.7% YoY to SAR 6.9bn in FY21 owing to the rise in salary and depreciation expenses. Subsequently, the bank's cost-to-income ratio improved to 26.9% from 32.5% in FY20.
- High topline offset the rise in impairment charge and zakat expense. Consequently, the bank's net income surged 39.2% YoY to SAR 14.7bn in FY21.
- Total assets grew 33.0% YoY to SAR 623.7bn. Net financing was up 43.4% YoY to SAR 452.8bn, while customer deposits increased 33.8% YoY to SAR 512.1bn. Consequently, the bank's reported LDR rose to 82% in FY21 from 79% in FY20.
- Return on equity increased to 23.9% in FY21 from 19.9% in FY20, while reported return on assets inched up to 2.7% in FY21 from 2.6% in FY20.
- Al Rajhi's capital adequacy ratio declined to 17.6% in FY21 from 19.1% in FY20. In addition, its tier I capital ratio narrowed to 16.5% from 18.0% in FY20.

**Valuation:** We revise our target price upward to a fair value of SAR 150.0 per share and maintain our "Neutral" rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Net financing and investment income (SAR bn)	5.4	4.6	15.4%	25.2	20.4	23.6%
Operating income (SAR bn)	6.9	5.8	18.3%	31.2	25.7	21.4%
EPS (SAR)	1.60	1.25	28.5%	7.20	5.90	22.1%
Net Interest Margin (%)	3.9%	4.8%	(0.8%)	4.1%	4.6%	(0.5%)
Cost to income (%)	26.1%	30.4%	(4.3%)	26.7%	26.9%	(0.2%)
RoE (%)	24.5%	22.1%	2.4%	24.6%	24.9%	(0.3%)
Total Assets (SAR bn)	623.7	468.8	33.0%	739.9	623.7	18.6%
Financing, net (SAR bn)	452.8	315.7	43.4%	546.8	452.8	20.8%
Customer Deposits (SAR bn)	512.1	382.6	33.8%	604.7	512.1	18.1%

Source: Company Financials, Yaqeen Capital

## Yaqeen Capital Rating Methodology

Yaqeen Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

**Overweight:** The Target share price exceeds the current share price by  $\geq 10\%$ .

**Neutral:** The Target share price is either more or less than the current share price by  $10\%$ .

**Underweight:** The Target share price is less than the current share price by  $\geq 10\%$ .

**To be Revised:** No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from Yaqeen Capital.

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