

# Results Presentation

## FY 2019 Earnings Call

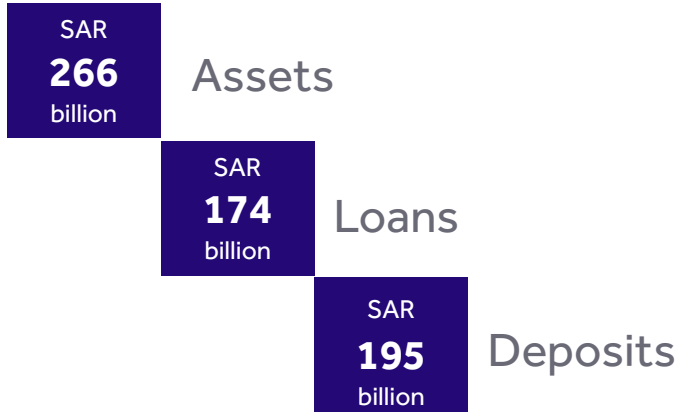
Tareq Al Sadhan, Chief Executive Officer  
Abdullah Al-Oraini, Chief Financial Officer

Riyadh, 3 February 2020

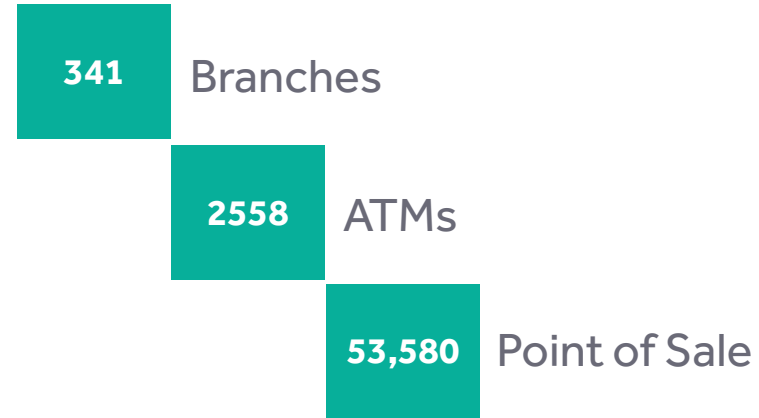
# Riyad Bank is a leading bank in Saudi Arabia

Diverse business model that has succeeded through market cycles

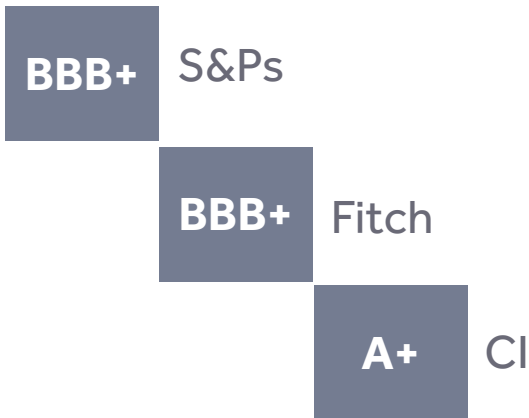
## FY2019 Key Metrics



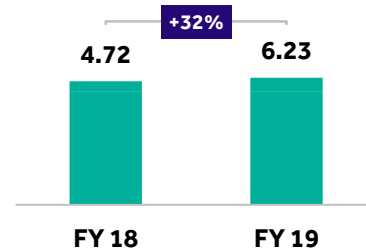
## Third Largest Bank in Saudi Arabia



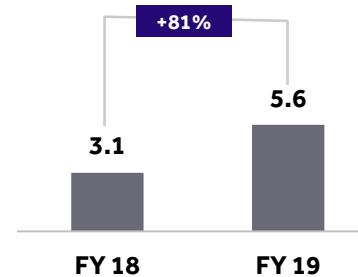
## Ratings



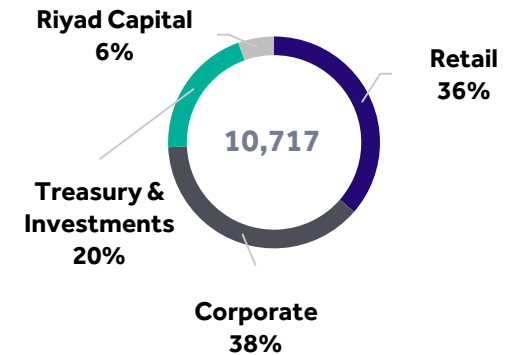
Net Income Before Zakat (SARbn)



Net Income After Zakat (SARbn)



FY 19 Operating Income Mix by Segment (SARmn)



# Riyad Bank delivered a robust financial performance in 2019

Four areas of focus for today's earnings call

1

## Transformation Plan Update

- Retail Sales.
- Corporate Sales.
- Innovation.
- Performance Culture.

2

## Financial Performance

- Net loans grew 15% YoY to SAR 174 billion.
- Total Deposits grew 15% YoY to SAR 195 billion.
- Total Operating Income grew 20% YoY to SAR 10,717 million.
- Efficiency ratio remains within our comfort level at 34.3%.
- Net income grew 32% and 81% YoY before and after Zakat, respectively.

4

## 2019 Re-cap and 2020 Outlook

- We have met and exceeded in various areas on our 2019 guidance .
- Outlook for 2020 is expected to improve on the back of improved business sentiments.

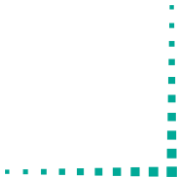
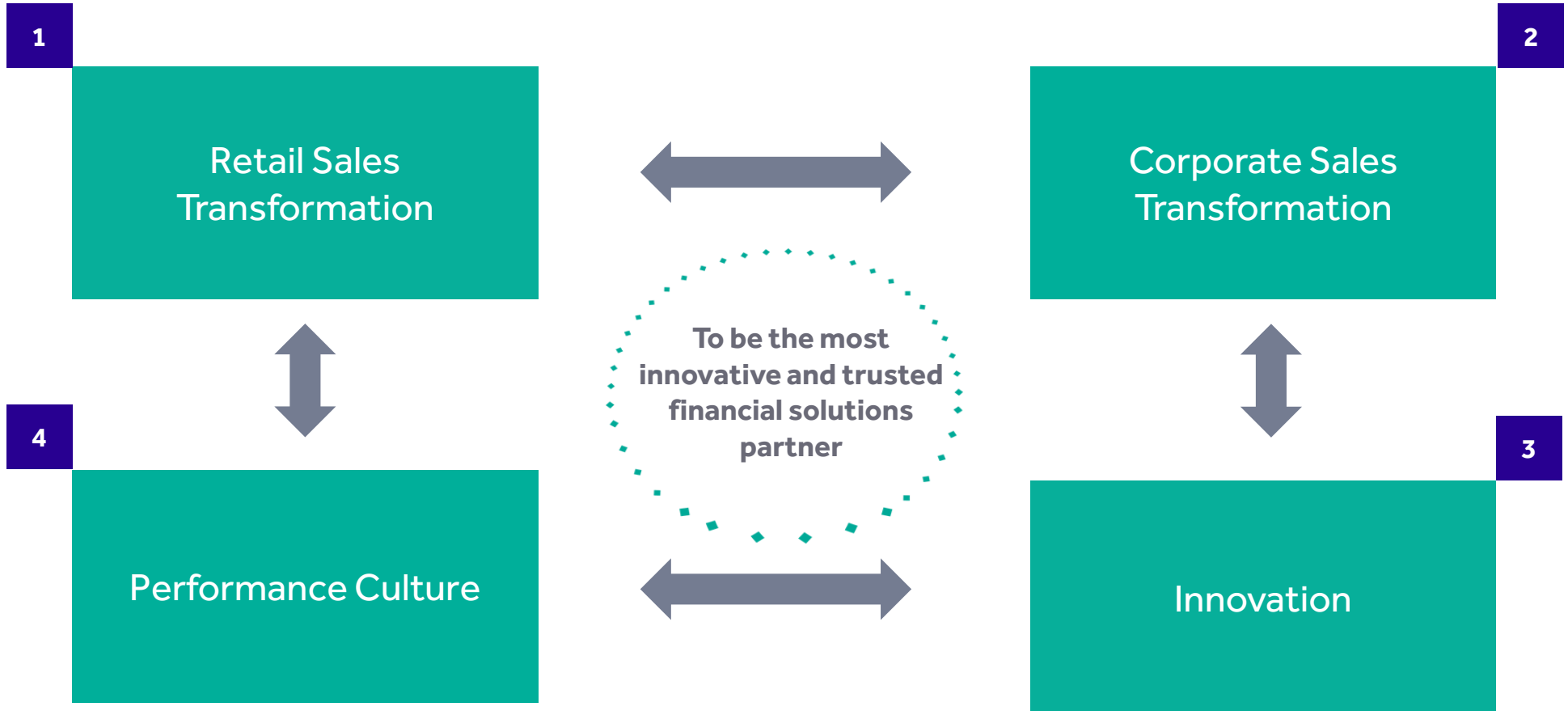
3

## Asset Quality, Capital & Liquidity

- Cost of Risk improved to 0.59 bps for the year 2019 compared to 0.64 bps in 2018.
- Capitalization remained strong with CET1 of 16.3% and total CAR of 18.1%.
- LCR of 155% and LDR (incl. Sukuk) of 88%.

# Four key pillars of Riyad Bank's Transformation

The Bank is making significant progress on its transformation program

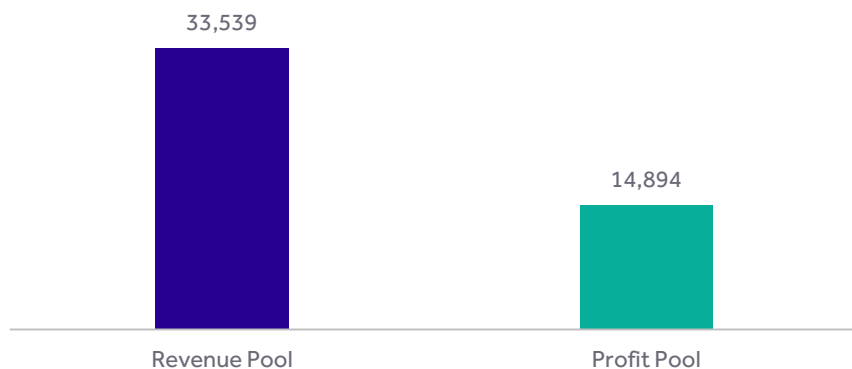


# 1 Retail Sales Transformation

Retail Banking started from a good challenger position. Significant improvement has been achieved with high upside potential

## Market Potential - KSA Retail Banking

9M 2019 Revenue and Profit Pool in SARmn



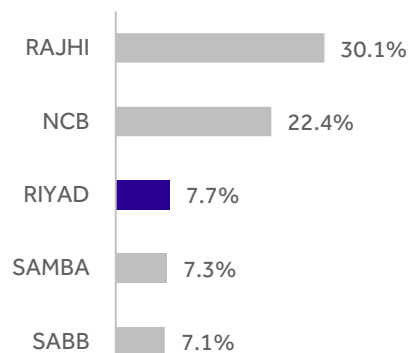
## Retail Sales Transformation Priorities

- Improve sales productivity across existing and new channels.
- Grow private, affluent and SME segments with superior value propositions.
- Strengthen execution capabilities to drive and mirror best practices and innovation trends.
- Most innovative solution provider for digital offerings and payments.

Source: 9M 2019 Financial Statements, Saudi Banks

## Good challenger position

Top 5 Banks - Revenue Share in %



\* Post SABB Alawal merger

## Key Achievements

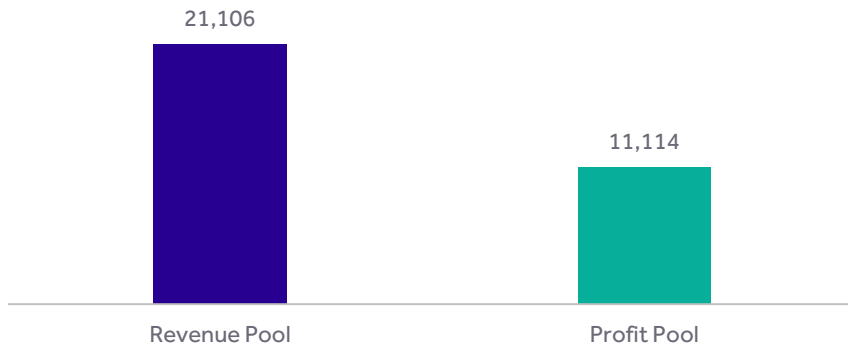
- Strengthen assets product suite with launch of
  - Tahseel Overdraft.
  - Loan against Housing allowance.
  - Auto Financing against average balance.
  - Tawaruq based Home Mortgage products.
- Launched POS financing and Debit Cards for Micro SMEs.
- Mortgage off plan product funded time improved to 30 minutes for selected vendors, whilst Auto Finance TAT reduced to less than 2 days.
- Expanded geographical coverage for mortgage financing to several remote areas in Northern and Southern KSA.
- Introduced Riyad Self Service KIOSKs in major branches Kingdom wide.

## 2 Corporate Sales Transformation

Corporate banking is in a strong starting position and has been delivering strong growth

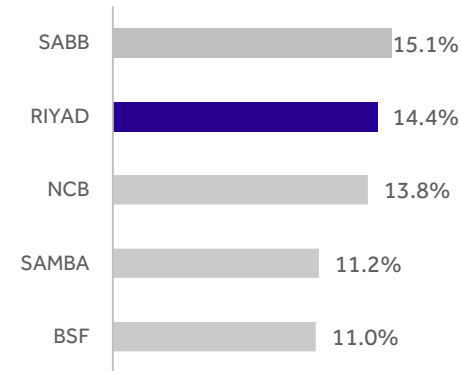
### Market Potential - KSA Corporate Banking

9M 2019 Revenue and Profit Pool in SARmn



### Strong starting position

Top 5 Banks - Revenue Share in %



### Corporate Sales Transformation Priorities

- Double return on capital of the corporate portfolio through institutionalized account planning and streamlining of the Small and medium enterprises (SMEs) / Commercial credit pipeline.
- Enhance effectiveness of the sales force and cross-selling opportunities.
- Align product offering and sales focus with Vision 2030 growth sectors.

Source: 9M 2019 Financial Statements, Saudi Banks

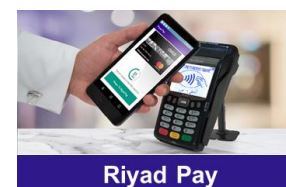
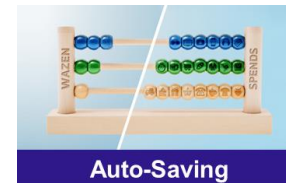
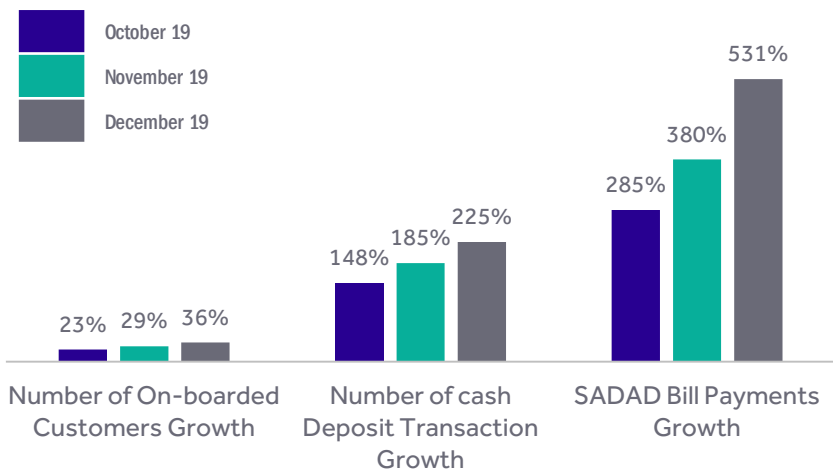
### Key Achievements

- Launched a dedicated office to ensure that Key Performance Indicators of all our business initiatives are aligned with the objectives of the Vision 2030 and its programs.
- 13% increase in new borrowing customers base, further strengthen the ability for future growth.
- 31% growth in Small and medium enterprises (SMEs) Lending helped to increase margins and balance between Risk and Return in the declining Interest Rate environment.
- Participated in signature structured finance transactions during 2019.
- Continued focus on account planning supported to increase ancillary business.

### 3 Innovation

We have been improving our digital capabilities that are delivering a better customer experience

Digital Onboarding Growth % Trend during 4Q 2019



#### Innovation Priorities

- To acquire new-to-bank customers through end-to-end digital onboarding journey.
- To make a LEAP in digital sales & revenue.
- To bring the next generation of support services by leveraging artificial intelligence (AI) and analytics.
- To be the “Beloved Bank” for family, students and micro business.
- To partnership with FinTech & digital startups to bring innovative solutions.

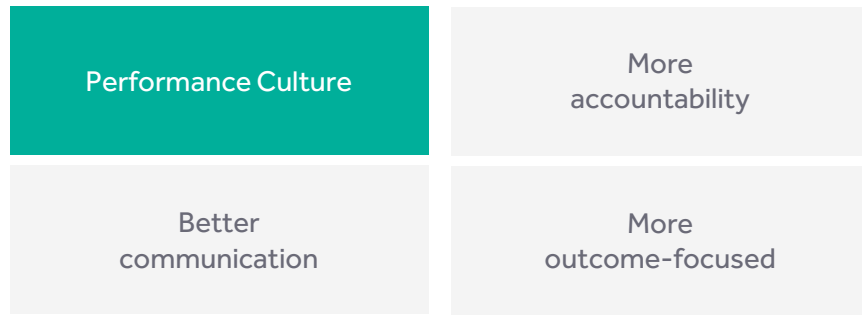
#### Key Achievements

- Digital customer account opening for individuals simplified and launched to the market with results exceeding expectations.
- Launched the Self-Service kiosk to market.
- Implemented debit card related services on Riyad Online with a delivery feature.
- Announced the Riyad 100 MSAR FinTech fund with strong interest from FinTech companies.
- Launched the Digital Partnership program with strong uptake by FinTech companies.

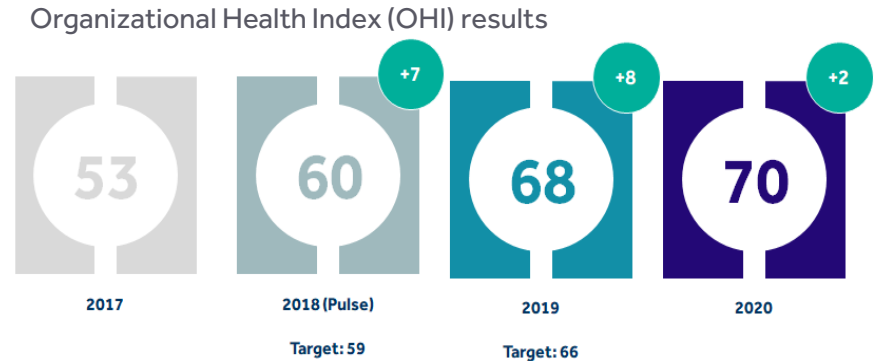
# 4 Performance Culture

We are energising the entire organization to achieve our ambition

Shifting the bank's culture requires closing three gaps



Recent activities to improve performance culture



Riyad Bank's year on year increase of 7 points and 8 points in overall health is above the median improvement of 6 points seen in other organizations over the same period

## Performance Culture Priorities

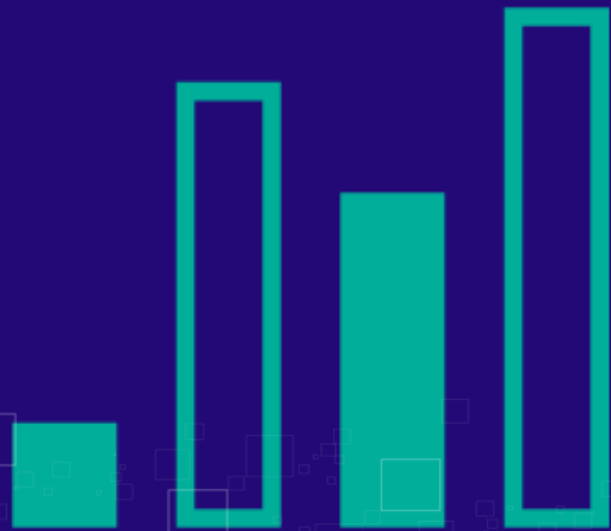
- Leadership Balance: leaders achieving a balance of styles according to the situation to maximize the performance of their teams.
- Customer Focus: creating a customer-centric culture where our external and internal clients are central to everything that we do.
- Accountability: creating a sense of ownership of business outcomes at all levels of the organization.
- Capability: fostering the Bank's human capital to ensure development of talent pipelines.

## Key Achievements

- Conduct Divisional and bank performance calibration sessions to reduce bias and subjectivity in the performance management process and to ensure consistency and fairness to all employees in Riyadbank.
- Designing & Implementation of a Future Leaders Development & Coaching Program to ensure that the next generation of leaders are ready to assume senior roles in the future.
- Implementation of Individual Development Plans for executive managers and critical position incumbents.



# FY 2019 Financial Results Overview

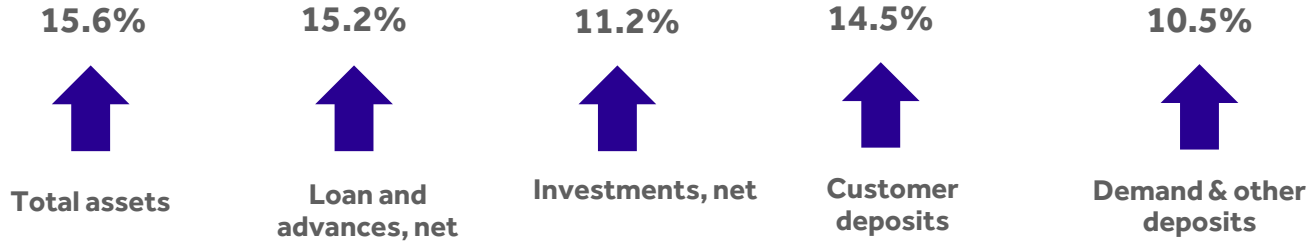


Public

# FY 2019 Key Highlights

2019 Vs 2018

## Balance Sheet



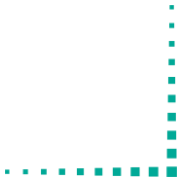
## Income Statement



- Net income after Zakat grew 81.2% due to impact of Zakat settlement in Q4 2019.
- Cost of Risk in the current year improved to 59 bps from 64 bps in the previous year.

## Asset Quality

- NPL ratio 0.88% and NPL coverage at 177.3%.
- Capital position: T1 ratio of 16.3 % and Total Capital Ratios of 18.1%.
- Strong liquidity with Loans to Deposit Ratio (including Sukuk) of 88%.
- Leverage Ratio of 12.2%.



# Financial Highlights – Balance Sheet

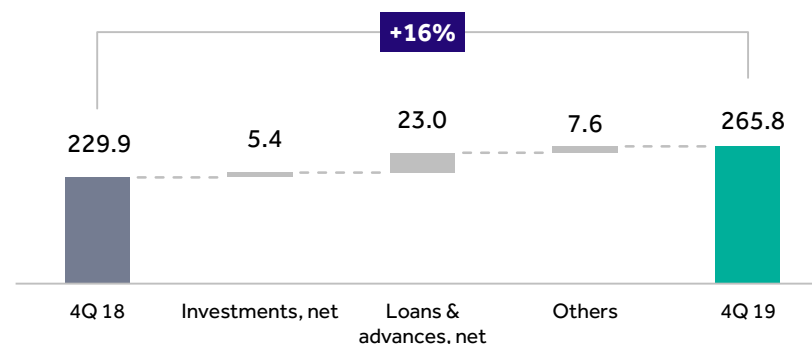
Strong balance sheet growth from improved economic environment and focused execution of our transformation initiatives

## Highlights

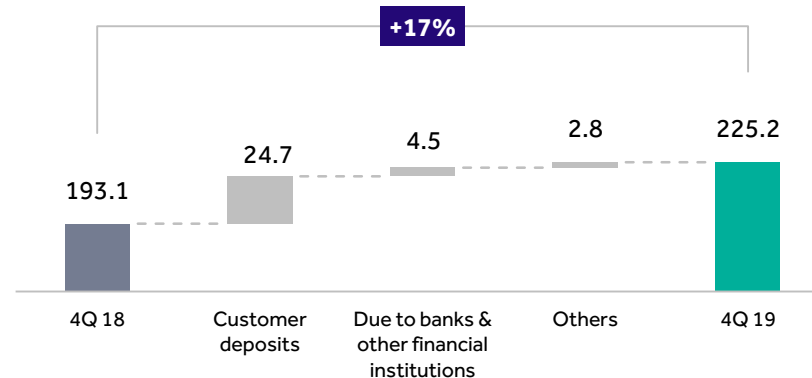
- Total assets increased by 16% YoY in 2019 principally from a 15% increase in net loans and advances.
- The 15% loan growth during FY 2019 comprised both commercial (+11%) and consumer loans (+24%) expansion, reflecting an improved business performance.
- Deposits increased by 15% in 2019 YTD from both demand and other deposits (+11%) and time deposits (+21%).

SAR (mn)	4Q 2019	3Q 2019	QoQ % change	4Q 2018	YTD % change
Cash and balances with SAMA and financial institutions	33,924	26,803	+27%	27,352	+24%
Investments, net	53,361	51,314	+4%	47,993	+11%
Loans and advances, net	173,982	166,275	+5%	151,025	+15%
<b>Total assets</b>	<b>265,789</b>	<b>250,573</b>	<b>+6%</b>	<b>229,900</b>	<b>+16%</b>
Customer deposits	194,518	177,672	+9%	169,822	+15%
Debt securities in issue	4,003	4,043	-1%	4,004	-0%
<b>Total liabilities</b>	<b>225,217</b>	<b>211,331</b>	<b>+7%</b>	<b>193,125</b>	<b>+17%</b>
<b>Total shareholders' equity</b>	<b>40,571</b>	<b>39,242</b>	<b>+3%</b>	<b>36,774</b>	<b>+10%</b>
Risk weighted assets	249,556	244,074	+2%	227,915	+9%
Tier 1 ratio	16.3%	16.1%	+1%	16.1%	+1%
Loans to deposits ratio (incl. Sukuk)	87.6%	91.5%	-4%	86.9%	+1%

## Total Assets Growth Drivers (SARbn)



## Total Liabilities Growth Drivers (SARbn)



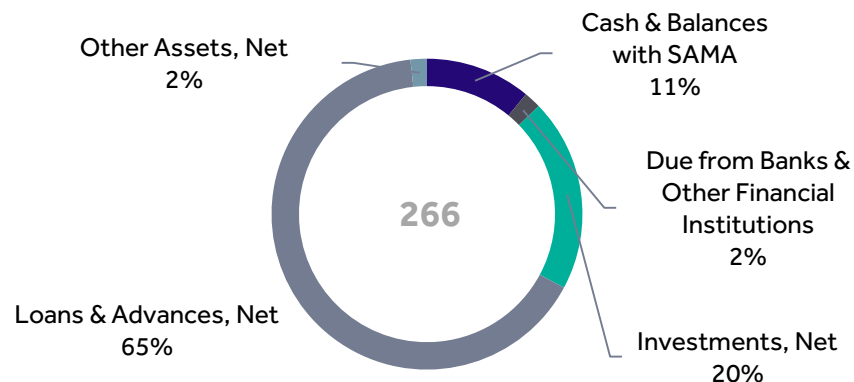
# Assets & Lending

Strong loan growth reflecting improved economic activities and focused execution of our transformation initiatives

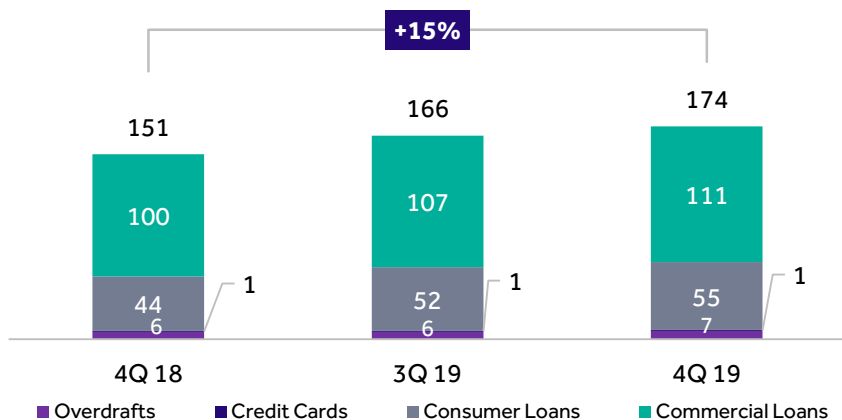
## Highlights

- Total assets increased by 16% YoY principally from a 15% increase in net loans and advances.
- Total loans increased by 15% YoY comprised of increase in commercial and consumer loans by 11% and 25%, respectively.

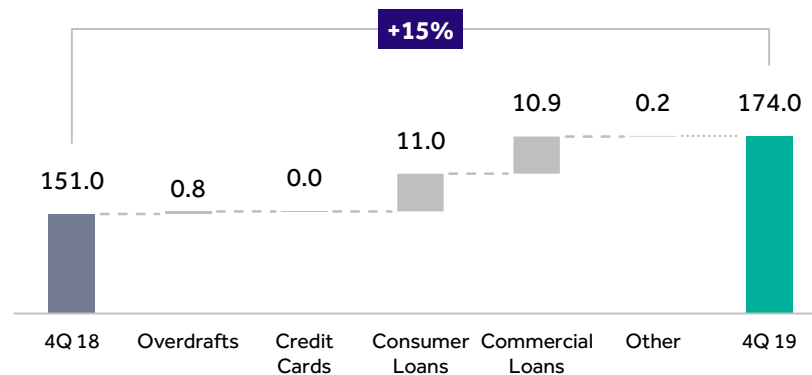
Total Assets Mix (SARbn)



Loans & Advances, Net by Type (SARbn)



Loans & Advances Growth Drivers (SARbn)



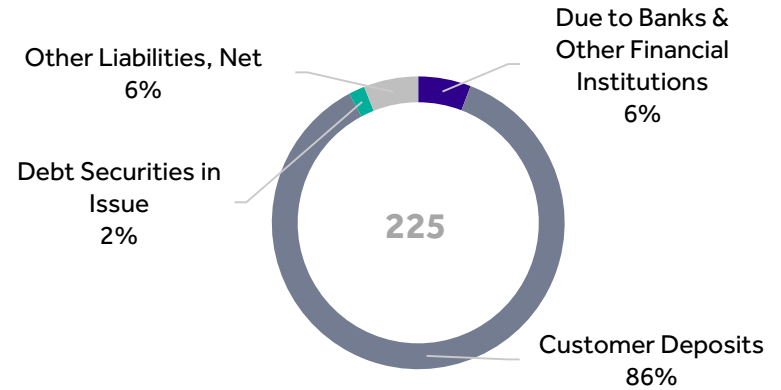
# Liabilities and Funding

Continued strong growth in non commission bearing deposits

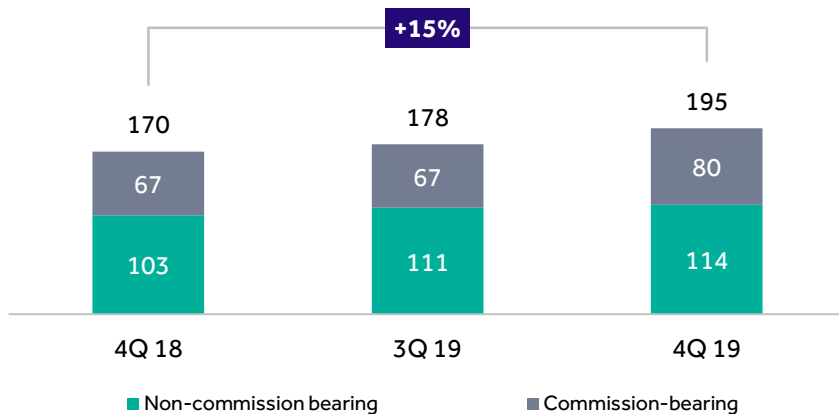
## Highlights

- Total customer deposits increased by 15% in 2019, both commission and noncommission bearing deposits grew by double digit.
- The percentage of non-commission bearing deposits to total deposits is 59% in 2019.

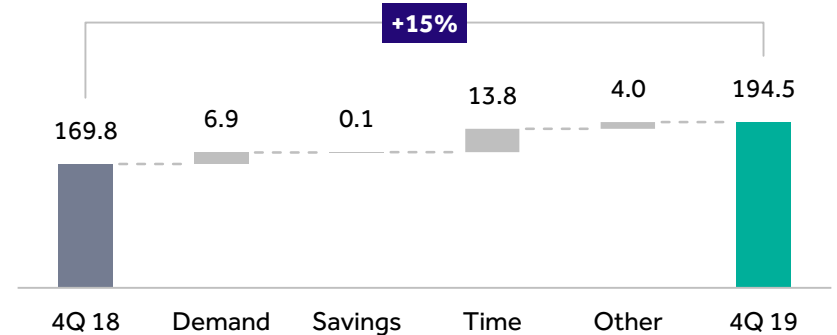
Total Liabilities Mix (SARbn)



Total Customer Deposits by Type (SARbn)



Customer Deposits Growth Drivers (SARbn)



# Financial Highlights – Income Statement

Strong earnings growth driven by income growth from all business segments

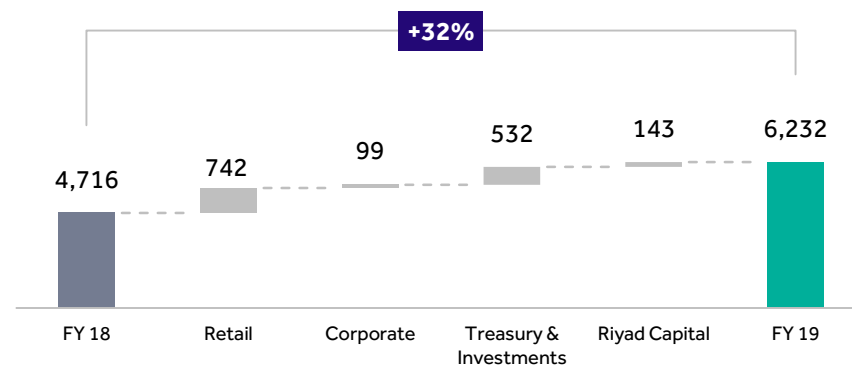
## Highlights

- FY 2019 Net income before Zakat increased by 32% YoY mainly driven by strong growth in total operating income of 20%.
- Operating income increased by 20% YoY on higher net special commission income and fee and other income, partially off-set by higher operating expenses.

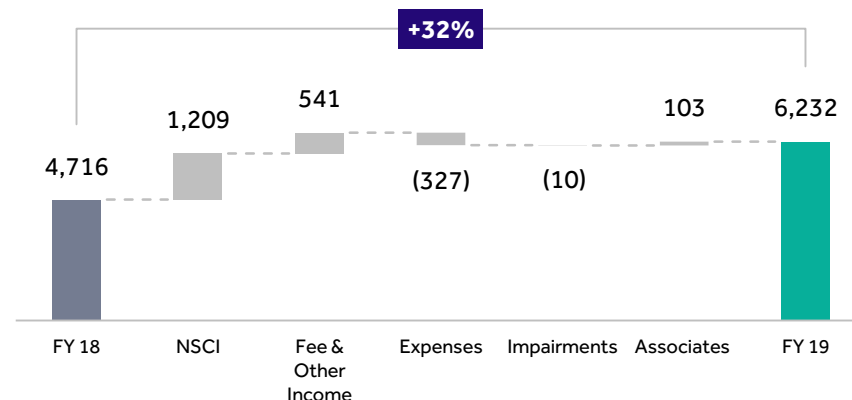
SAR (mn)	4Q 2019	3Q 2019	QoQ % change	4Q 2018	YoY % change
Net special commission income	2,031	2,034	-0%	1,758	+16%
Fee and other income	674	728	-8%	625	+8%
<b>Total operating income, net</b>	<b>2,705</b>	<b>2,763</b>	<b>-2%</b>	<b>2,383</b>	<b>+13%</b>
Operating expenses	(1,107)	(903)	+23%	(904)	+22%
Impairment charge for credit losses and other financial assets	(371)	(201)	+84%	(142)	+161%
Impairment charge for investment	7	4	+75%	2	+250%
<b>Net operating income</b>	<b>1,234</b>	<b>1,662</b>	<b>-26%</b>	<b>1,339</b>	<b>-8%</b>
Share of earnings of associates	7	14	-50%	12	-43%
<b>Net income for the period before Zakat</b>	<b>1,241</b>	<b>1,676</b>	<b>-26%</b>	<b>1,352</b>	<b>-8%</b>
Zakat for the period	(130)	(170)	-24%	(964)*	-87%
<b>Net income for the period</b>	<b>1,111</b>	<b>1,506</b>	<b>-26%</b>	<b>388</b>	<b>+186%</b>
EPS	0.37	0.50	-26%	0.13	+186%
Cost to income ratio	40.9%	32.7%	+25%	37.9%	+8%

\*Includes Zakat settlement amount pertaining to earlier years

## Net Income before Zakat Growth Drivers by Segment (SARmn)



## Net Income before Zakat Growth Drivers by Type (SARmn)



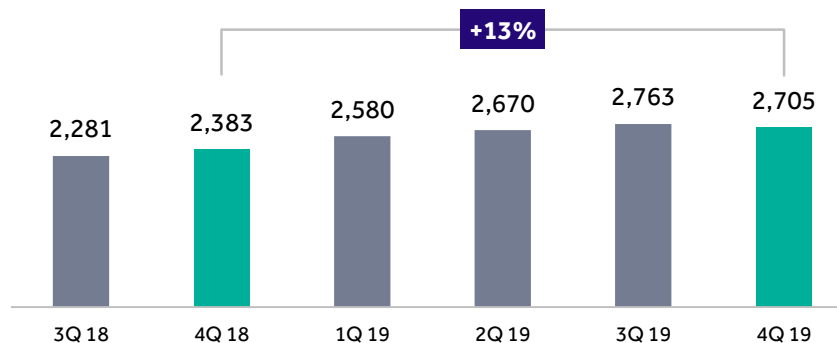
# Income Trends (1)

## FY 2019 Income growth across all business segments

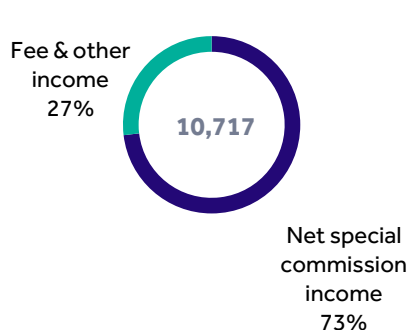
### Highlights

- Total operating income grew by 20% YoY
- Income growth was driven by:
  - > Retail banking (+22%) across both fee and net special commission income due to growth in loans and deposits.
  - > Corporate Banking (+14%) across both fee and net special commission income due to growth in volumes.
  - > Treasury & Investments (+20%), from higher average investment balances and increased investment returns.
  - > Riyad Capital (+55%) mainly due to higher fee income from asset management activities.

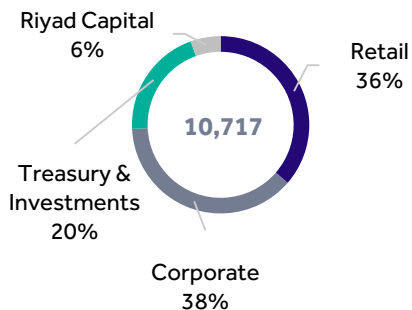
Total Operating Income, Net (SARmn)



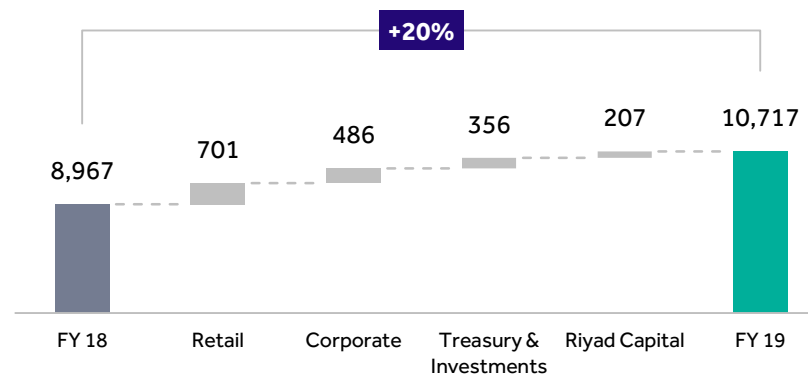
FY 19 Operating Income Mix by Type (SARmn)



FY 19 Operating Income Mix by Segment (SARmn)



Total Operating Income Growth Drivers by Segment (SARmn)



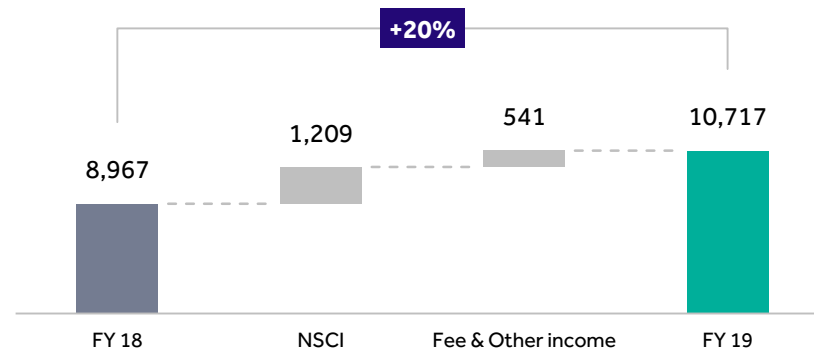
# Income Trends (2)

Income growth from strong balance sheet growth and margin expansion

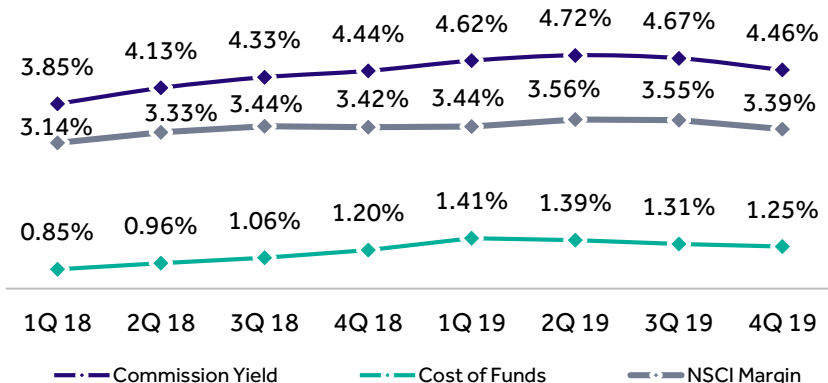
## Highlights

- FY 2019 operating income grew by 20% largely driven by 18% growth in net special commission income. FY 2019 net interest margin improved by 15 bps to 3.48%.
- Fee and other income grew by 23%, supported by increased customer volumes as well as higher investment-related income.

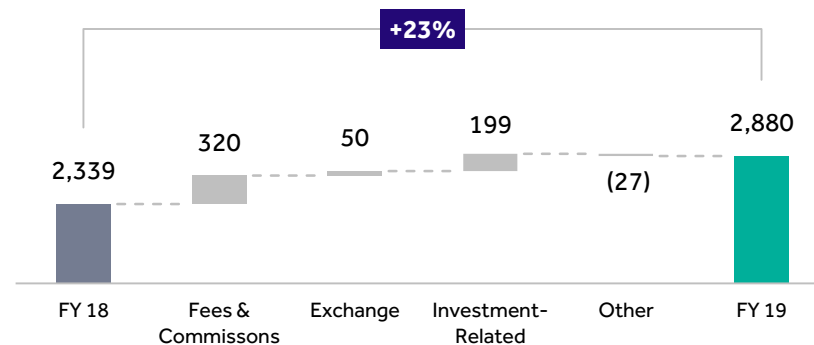
Total Operating Income Growth Drivers by Type (SARmn)



NSCI Margin, Yields and Funding Costs (%)



Fee & Other Income Growth Drivers by Type (SARmn)





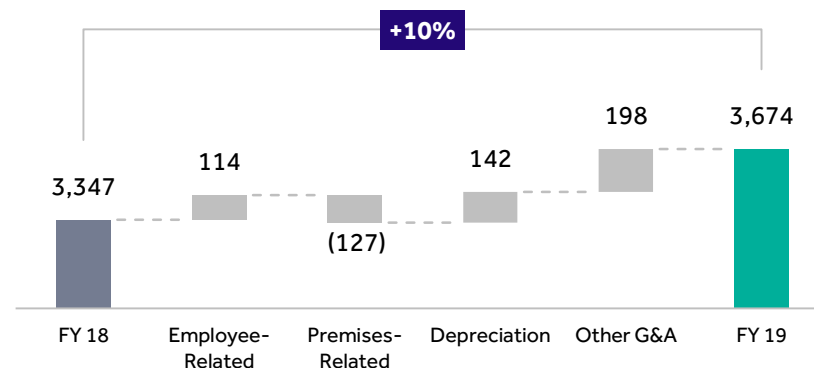
# Expenses Trends

Improved cost efficiency driven by income growth, despite continued investment in the Bank's transformation program

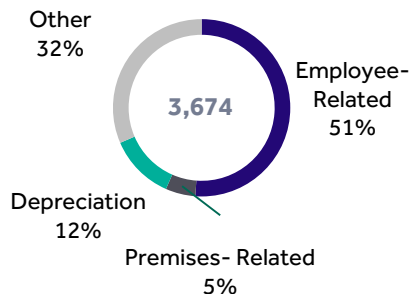
## Highlights

- Operating expenses for FY 2019 increased by 10% YoY to SAR 3,674 million.
- The cost to income ratio improved by 300 bps to 34.3% for FY 2019.

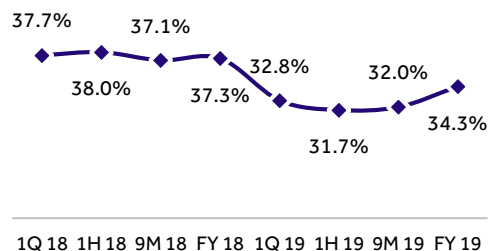
## Operating Expenses Growth Drivers by Type (SARmn)



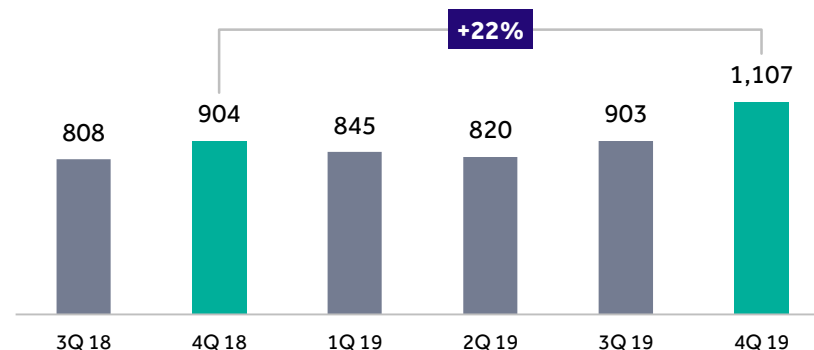
## FY 19 Operating Expenses Mix by Type (SARmn)



## Cost to Income Ratio (YTD %)



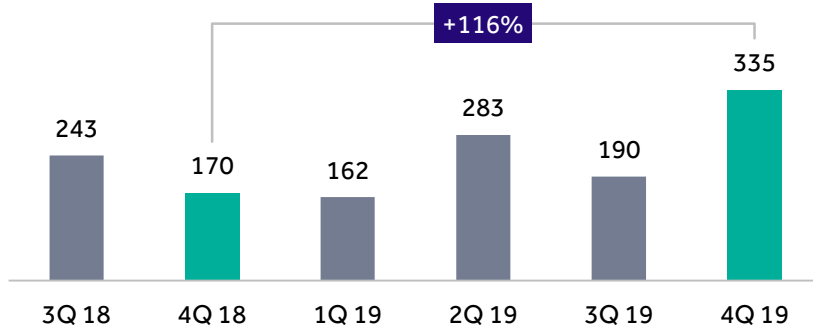
## Operating Expenses (SARmn)



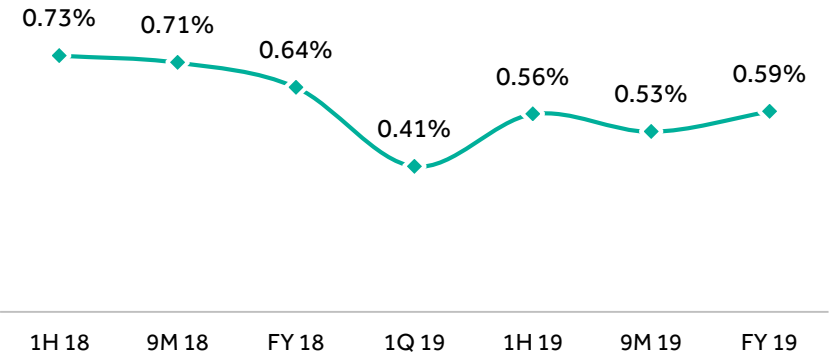
# Credit Quality

Stable credit quality trends

Impairment Charge for Credit Losses, Net (SARmn)



Cost of Risk (YTD %)

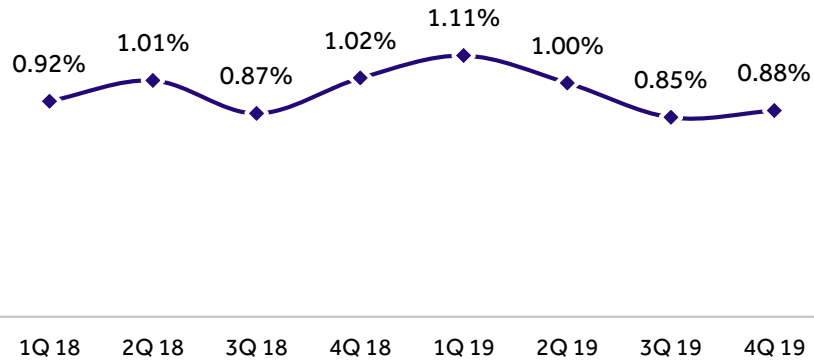


Annualized YTD Impairment charge for credit losses, net

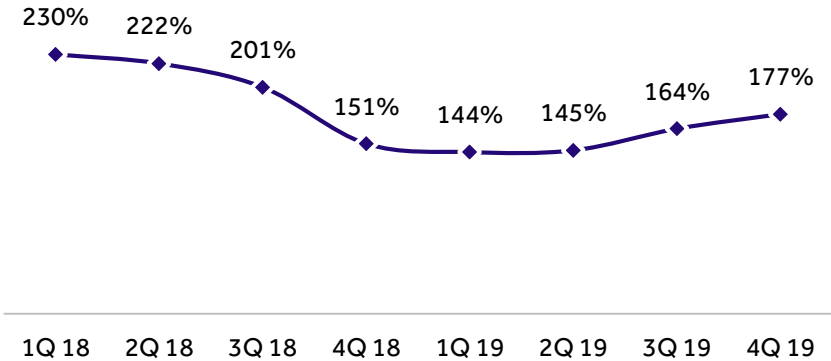
\*Cost of Risk calculation =

Avg gross loans and advances

NPL Ratio (%)



NPL Coverage (%)



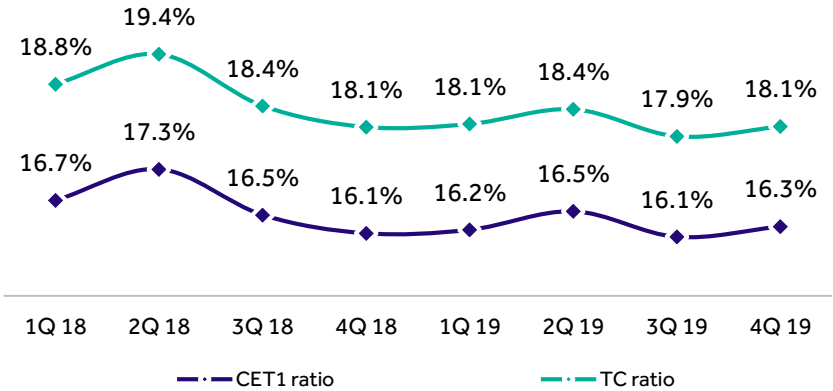
# Capitalization

Capitalization well above regulatory minima and continues to support growth

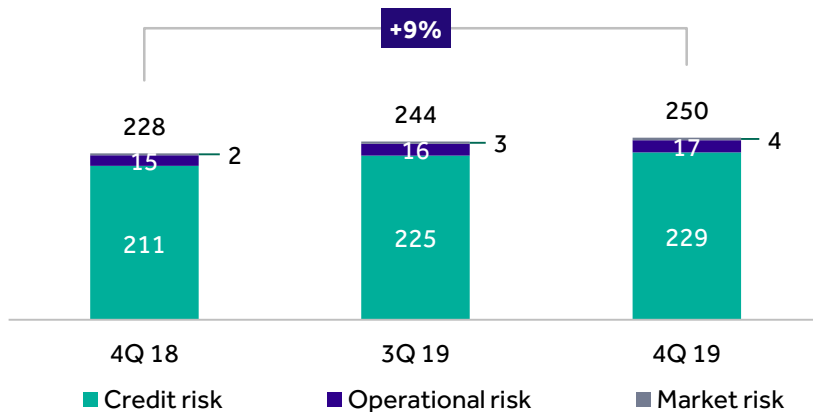
## Highlights

- The CET1 and total Capital Adequacy Ratios stood at 16.3% and 18.1%, respectively.
- Capital ratios improved from previous quarter due to current quarter profit partially offset by increase in Risk Weighted Assets.

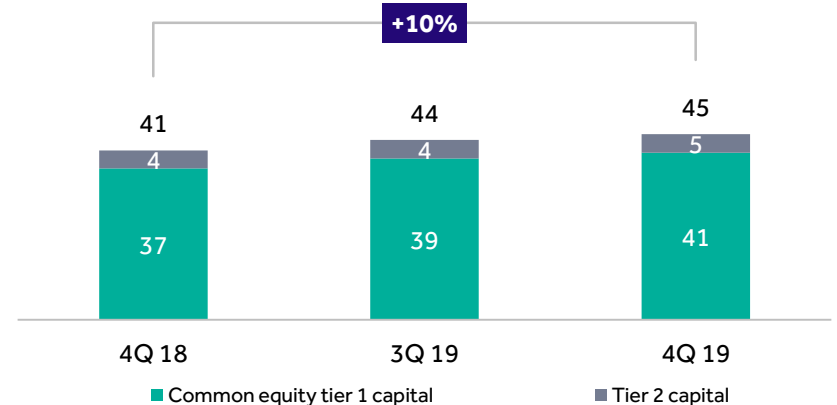
Capital Ratios (%)



Risk Weighted Assets (SARbn)



Capitalization (SARbn)



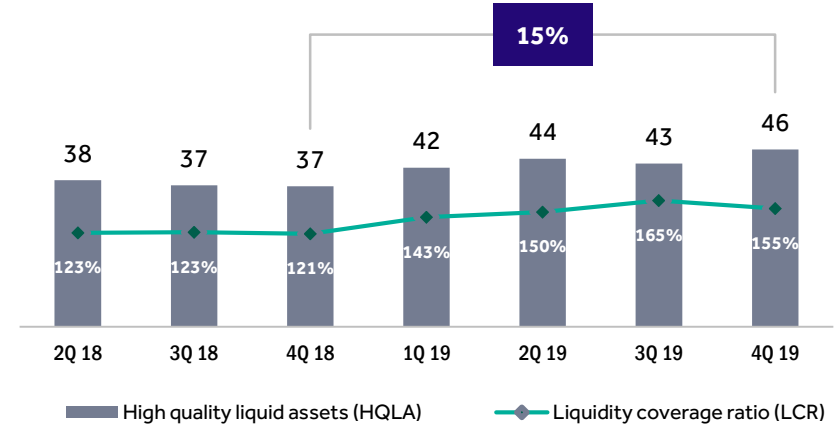
# Liquidity

Liquidity continues to be at comfortable levels

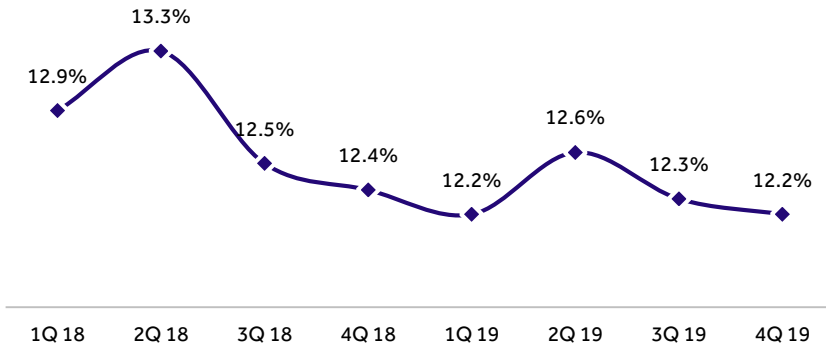
## Highlights

- Liquidity remains well within regulatory limits during 4Q 2019
- The liquidity coverage ratio stood at 155%
- The loans to deposit ratio stood at 89% as at 4Q 2019, while the loans to deposit (including Sukuk) ratio was 88%

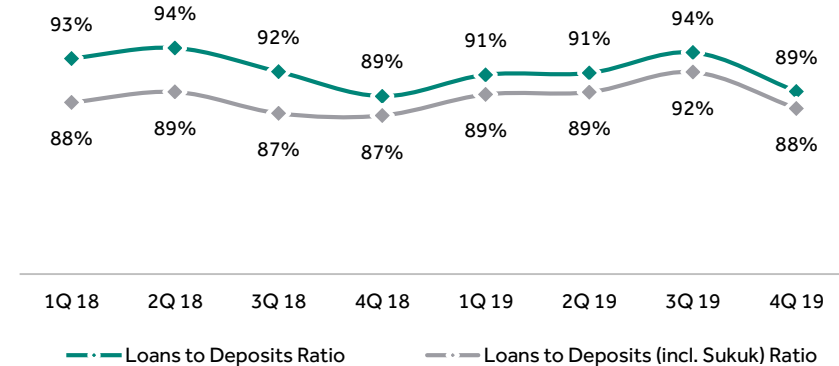
HQLA and Liquidity Coverage (SARbn/%)



Basel III leverage Ratio (%)



Loans to Deposit Ratios (%)



# Riyad Bank Guidance

Guidance Metric	2018	2019 Guidance	FY 2019	2020 Guidance
Loans, Net	SAR 151 Bn	Low double digit % growth	SAR174 Bn (+15% YTD)	Low double digit % growth
NSCI Margin (%)	3.33%	+10bps to 15bps	3.48%	- 10bps to 15bps
Cost to Income (%)	37.3%	Below 35%	34.3%	Below 34%
Cost of Risk (%)	0.64%	0.40% to 0.60%	0.59%	0.55% to 0.65%
CET1 (%)	16.1%	16.0% to 16.4%	16.3%	Above 16.0%
ROE Before Zakat (%)	12.5	NA	16.1	Above 16.0%



# Q&A



# Riyad Bank Contact

Contact the investor relations for more information:

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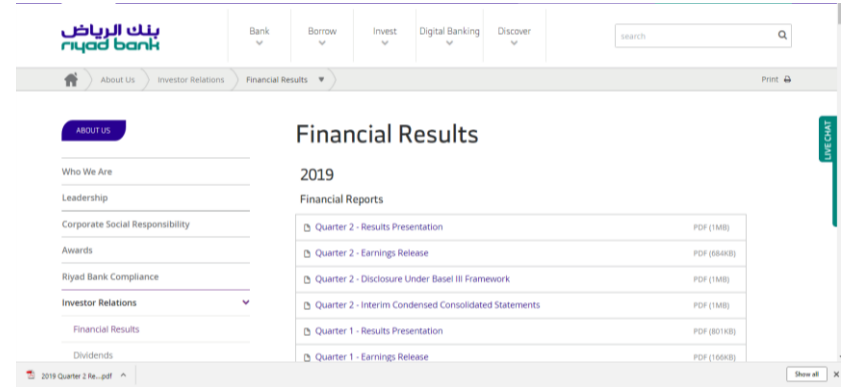
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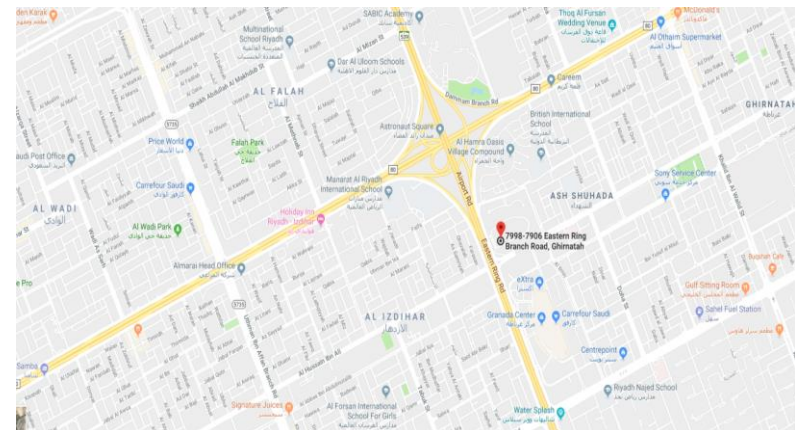
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