

Results Presentation

Q2 2021 Earnings Call

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

Riyadh, 17th August 2021



Riyad Bank is the Third Largest Bank in Saudi Arabia

Q2 2021 Key Metrics



Third Largest Bank in Saudi Arabia

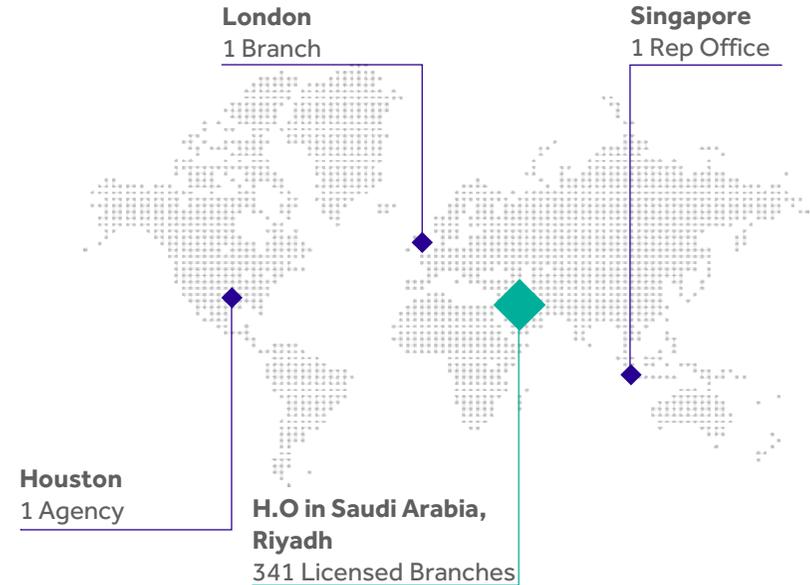


Ratings

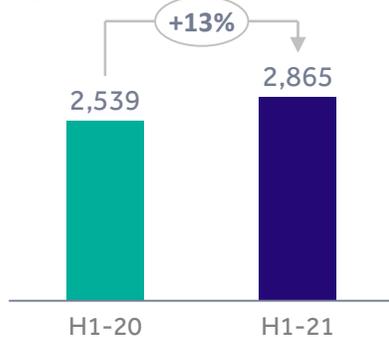
BBB+ S&P

BBB+ Fitch

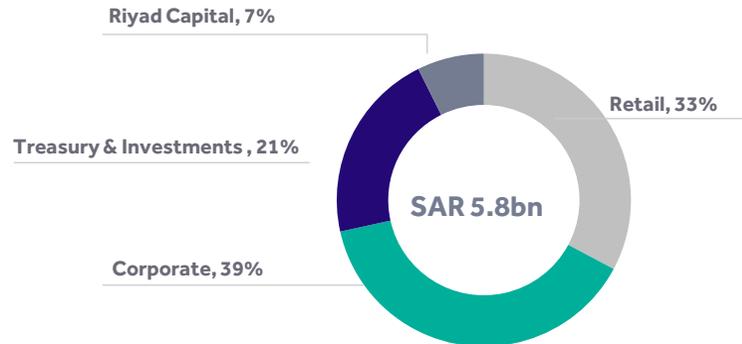
Riyad Bank Presence



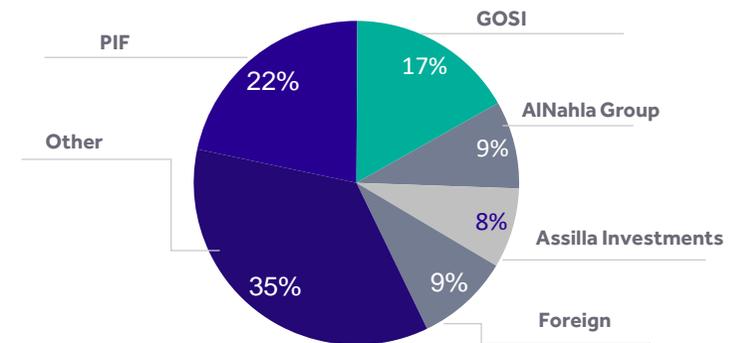
H1 2021 Net Income after Zakat (SARmn)



H1 2021 Operating Income Mix by Segment



Shareholder mix



Management Highlights

Q2 2021 Snapshot



MOST PROFITABLE



MOST EFFICIENT

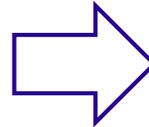


BANK OF CHOICE



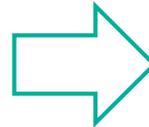
DIGITALLY ENABLED

Strategy



- Activated a new phase of the transformation 2025.
 - Value through innovation.
 - Enablement through next gen operating model.
 - Efficiency through digitization.

Financial Performance



- Net loans grew by 9.1% YoY to SAR 205 billion.
- Total Deposits grew by 1.2% YoY to SAR 202 billion.
- Total Operating Income grew by 3.7% YoY to SAR 5,802 million.
- Efficiency ratio reached 34.4%.
- Net Operating income before Impairments and Zakat at SAR 3,808 million.
- Net Income grew by 12.8% YoY mainly due to increased NSCI and fee income and lower impairment charges for credit losses

Asset Quality, Capital & Liquidity



- Cost of Risk reached 47 bps.
- Capitalization remained strong with CET1 of 15.9% and total CAR of 19.3%.
- LCR and NSFR Ratios reached to 176% and 126% respectively. Regulatory LDR stood at 77%.

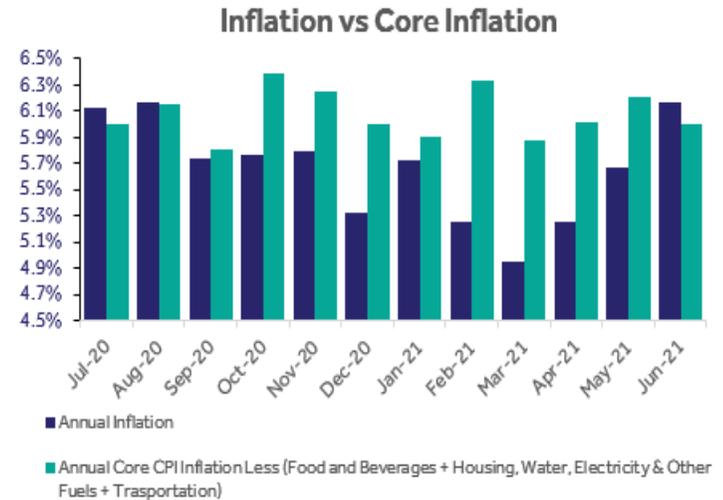
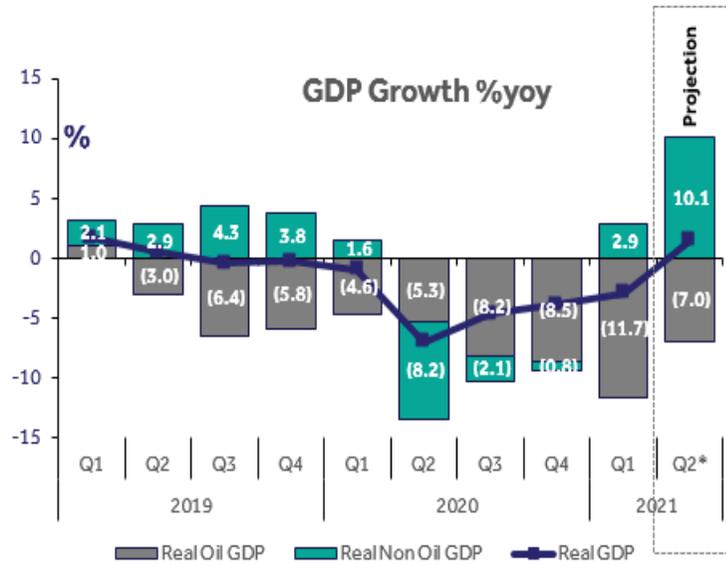


KSA Macroeconomic Environment

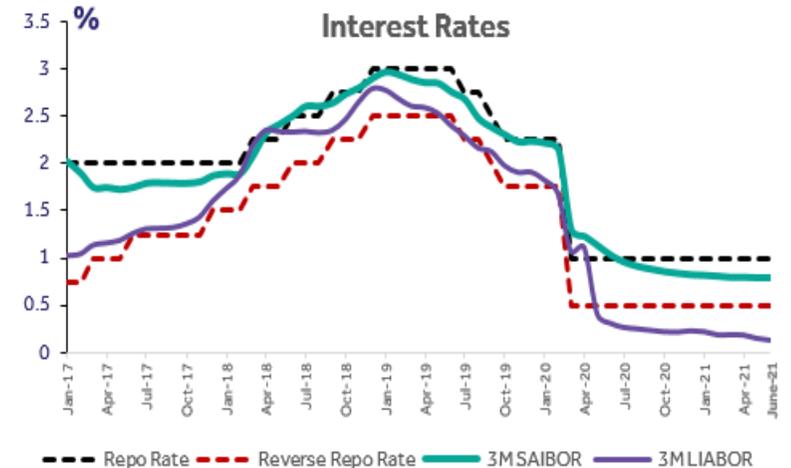
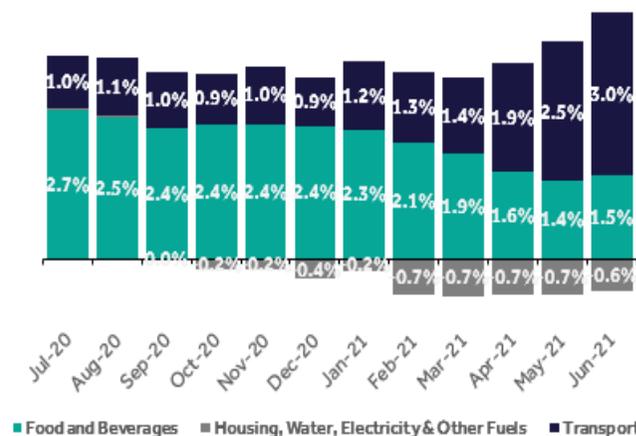
Macroeconomic Snapshot 1/2

Key Highlights

- Recent estimates for Non-Oil GDP indicate sharp recovery at 10.1% in the 2nd quarter of 2021 as restrictions eased. Overall GDP recorded a growth by 1.5% for the first time since the start of COVID-19 pandemic
- Overall price level has risen and recorded 6.2% in June 2021 year on year, still led by base effect and rise in transportation cost
- Core inflation (change in the costs of goods and services but does not include those from the food and energy sectors) declined in June 2021 which indicates a slower long-term inflation
- Interest rates remain low while the spread between SAIBOR and LIABOR increased further in June 2021



The Weighted Contribution of the Annual Inflation Rate



Source: SAMA, GASTAT

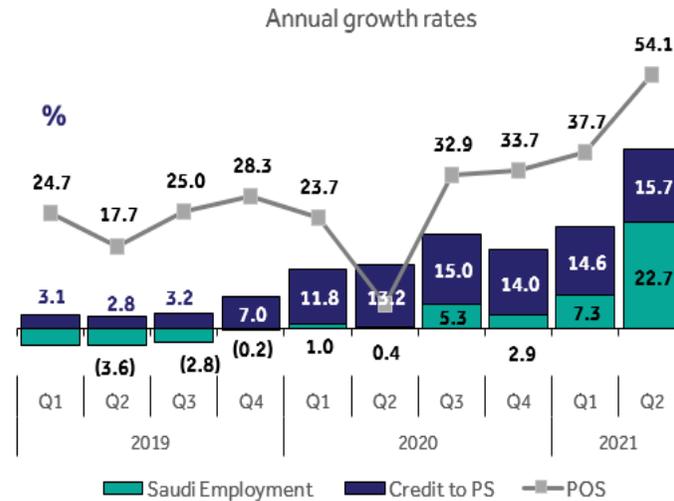
* GASTAT Projections

Macroeconomic Snapshot 2/2

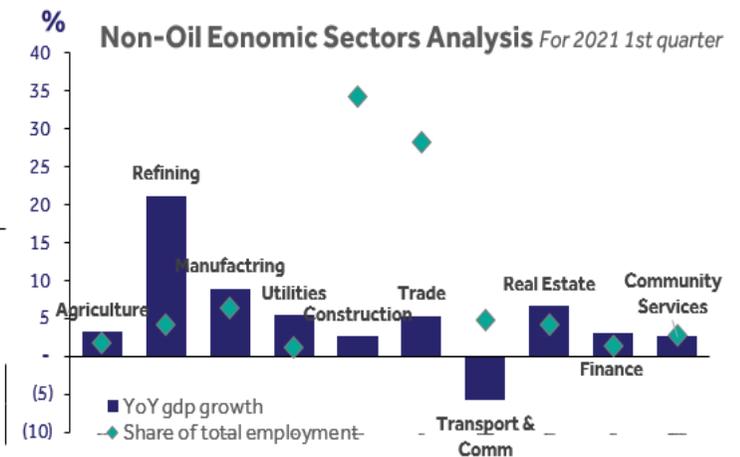
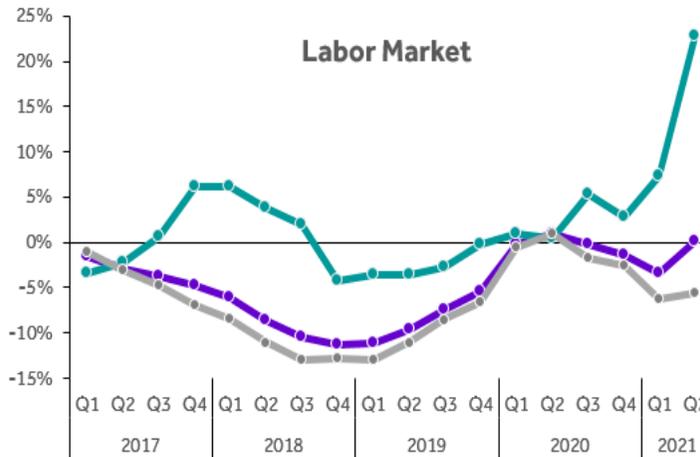
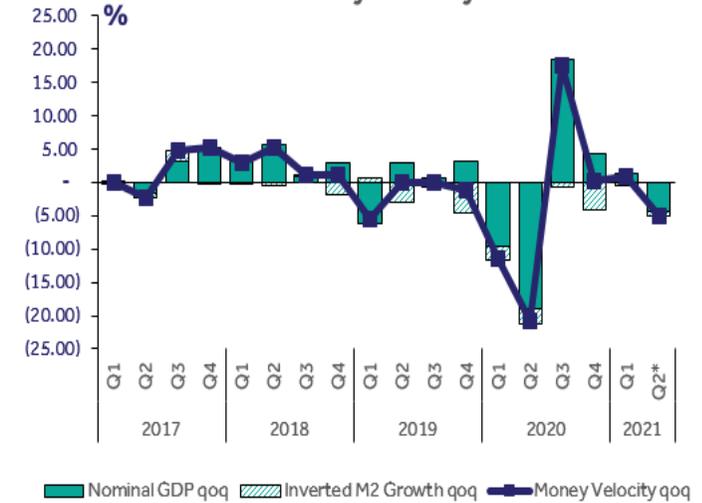
Key Highlights

- 2nd quarter data indicate a full recovery in employment and consumption. Saudi employment rose by 23% driving consumption and credit by 54% and 16%, respectively.
- Velocity of M2 money (the rate at which money is exchanged in the economy) has decreased in the 2nd quarter of 2021 at 0.34
- Overall employment flattened in the 2nd quarter driven by 5% fall in Non-Saudi employment.
- Petroleum refining, manufacturing, and real estate activities are the fastest growing sectors post-pandemic with less than 20% of employment share. While construction and trade (+60% share) had a slower growth

Consumption improved as employment recovers



Money Velocity

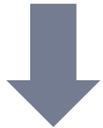


Source: MOF, GASTAT, GOSI, IMF, Jodi

* GASTAT Projections

Vision 2030 initiatives

Riyad Bank is fully committed to the success of the National Agenda



of Entities
26



of Initiatives
48



of MOUs
5

of Execution Agreements
9

of Live Programs
4

The initiatives contribute to ...

96 KPIs of the Saudi vision 2030



- Program 100%
- Program 90%
- Agency program
- Tourism Partnership Program (TPP)

25
KPIs

signed
29th Apr 2021



- Future initiatives for the present (10)

25
KPIs

signed
13th June 2021



- Developing Execution Tools for NIDLP Strategic Dimensions

12
KPIs

signed
17th Mar 2021



- Financial Support Initiative for NCPP
- Agency Services

10
KPIs

signed
14th Mar 2021



Strategy Update

Structural and recent shifts in the industry require us to chart a new course for the Bank

Recent trends



Increasing customer expectations around digital sales and service.



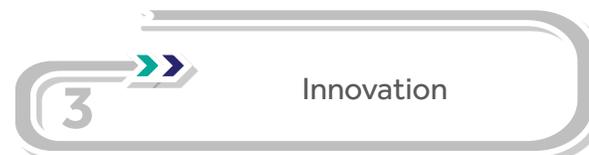
Depressed demand and compressed margins due to COVID-19



Imperative to renew effort to reinforce our competitive advantage



Growing competitive intensity with recent M&As in the region.



2017-2020



Transform core engine

Transform core engine: Overhauling performance management and productivity across core business lines, cultivating innovation and digitization culture, and improving the health of the organization.

Key Achievements:

- Increased customer's base, net profits and deposits and market share.
- Significantly developed the technical infrastructure to meet customer's needs during Covid-19 outbreak.
- Jumping 25 points in the Organizational Health Index score placing Riyad Bank in the top quartile of measure globally.

2021...onwards



Accelerate growth and innovation

Penetrate new and existing segments through innovative products and services, and improve customer experience.

H1 2021

H2 2022

Majority of the approved bank wide strategic initiatives have kicked off in Q2 2021. Some initiatives implemented earlier have started to deliver benefits

Riyad Bank expects to reap most of its benefits through strategic initiative execution from H2 2022

... Which will be delivered across 3 areas and support our aspiration to become the Best Bank in KSA

Strategic themes..



Value through innovation

Creating new markets through digital eco-systems, disrupting me-too propositions, integrating Advanced Analytics into BAU

Efficiency through digitization

Improve organization productivity including front to back digitization

Enablement through next gen operating model

Transforming core technology infrastructure and operating model through agile

..To reach



aspiration





Financial Results Overview



H1 2021 Key Highlights

H1 2021 Vs. H1 2020

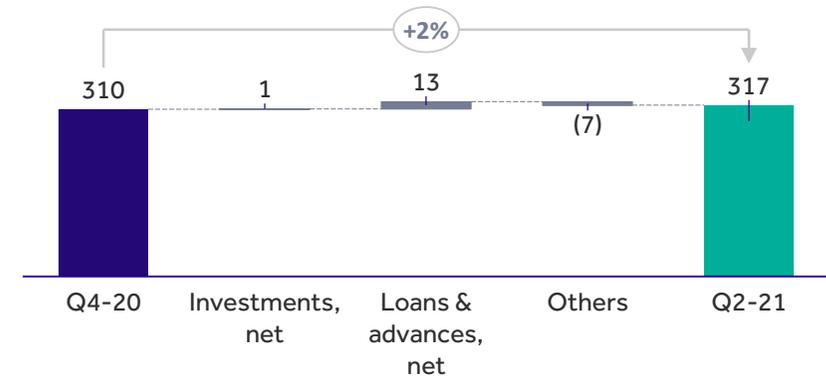
<p>Balance Sheet</p>	<p>7.5%</p> <p>Total assets</p>	<p>9.1%</p> <p>Loan and advances, net</p>	<p>5.9%</p> <p>Investments, net</p>	<p>1.2%</p> <p>Customer deposits</p>	<p>10.0%</p> <p>Demand & other deposits</p>
<p>Income Statement</p>	<p>12.8%</p> <p>Net income</p>	<p>3.3%</p> <p>NSCI</p>	<p>4.7%</p> <p>Fee and other income</p>	<p>3.7%</p> <p>Total operating income</p>	<ul style="list-style-type: none"> ▪ Credit related impairment decreased by 45% . ▪ Cost of Risk in H1 2021 decreased to 47bps from 95bps in H1 2020.
<p>Asset Quality, Capital & Liquidity</p>	<ul style="list-style-type: none"> • NPL ratio 1.84 % and NPL coverage at 124 % • Capital position: CET1 ratio of 15.9% and Total Capital Adequacy Ratio of 19.3%. • Strong funding and liquidity with Loans to deposits ratio (incl. Sukuk) of 97% and Regulatory LDR stood at 77%, Net Stable Funding Ratio of 126% and Liquidity Coverage Ratio of 176%. • Leverage Ratio of 11.6%. 				

Financial Highlights – Balance Sheet

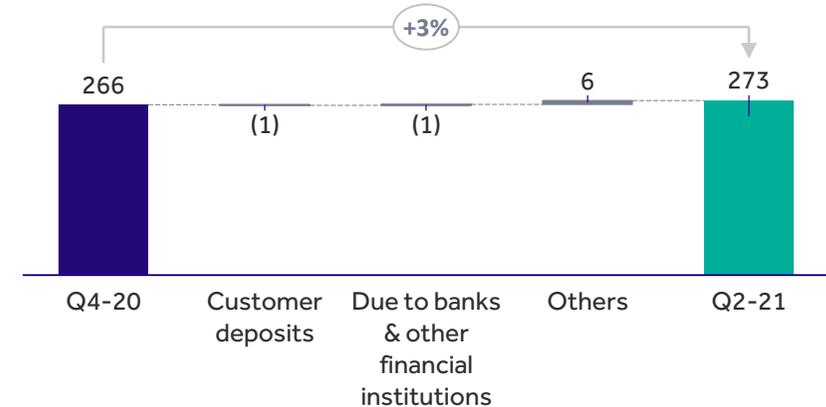
Balance sheet growth supported by continued growth in loans

SAR (mn)	2Q 2021	1Q 2021	QoQ % change	2Q 2020	YoY % change
Cash and balances with SAMA and financial institutions	48,732	48,370	+0.7%	45,637	+6.8%
Investments, net	57,122	56,934	+0.3%	53,962	+5.9%
Loans and advances, net	204,743	196,443	+4.2%	187,651	+9.1%
Total assets	317,266	308,036	+3.0%	295,083	+7.5%
Customer deposits	202,453	198,598	+1.9%	199,987	+1.2%
Debt securities in issue	8,710	8,648	+0.7%	5,683	+53.3%
Total liabilities	272,716	263,809	+3.4%	254,297	+7.2%
Total shareholders' equity	44,551	44,228	+0.7%	40,786	+9.2%
Risk weighted assets	280,517	274,610	+2.1%	266,463	+5.3%
Tier 1 ratio	15.9%	16.1%	-1.4%	15.3%	+3.7%
Total capital adequacy ratio	19.3%	19.7%	-1.6%	17.8%	+8.5%

Total Assets Growth Drivers (SARbn)



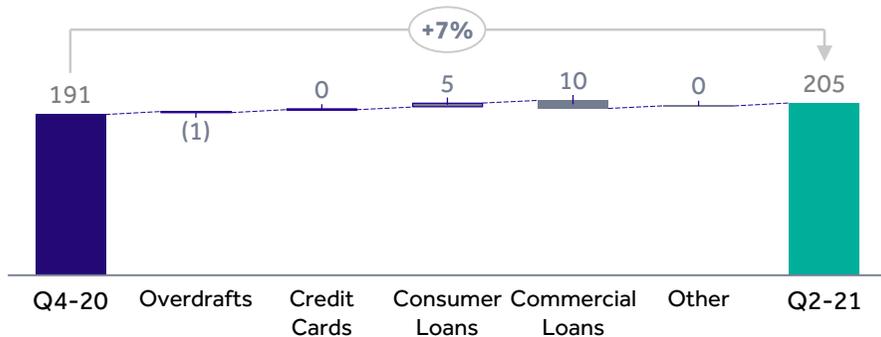
Total Liabilities Growth Drivers (SARbn)



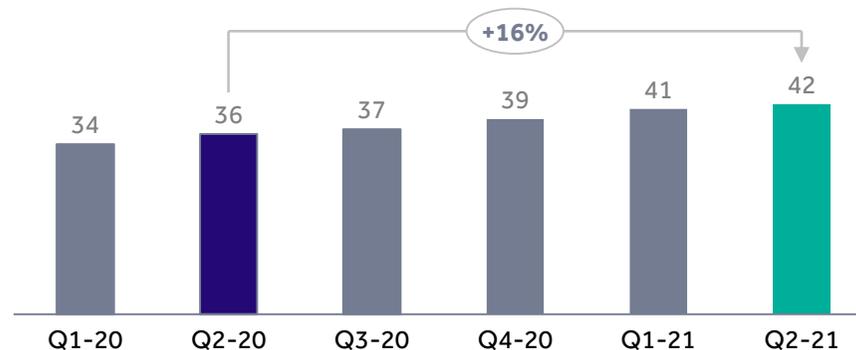
Assets & Lending

Loan growth mainly driven by commercial and retail loans

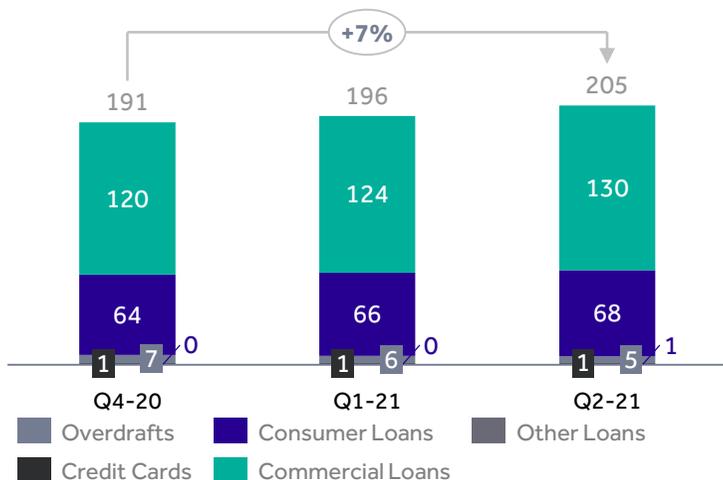
Loans & Advances Growth Drivers (SARbn)



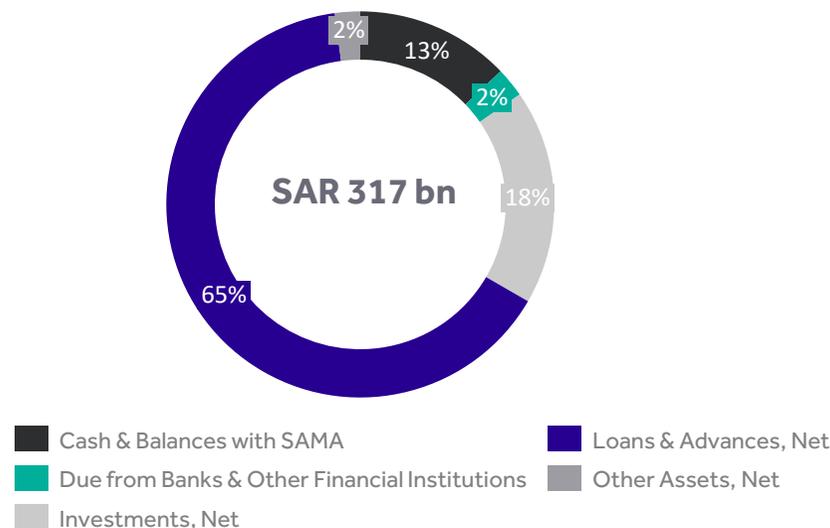
Mortgages Loans, Gross (SARbn)



Loans & Advances, Net by Type (SARbn)



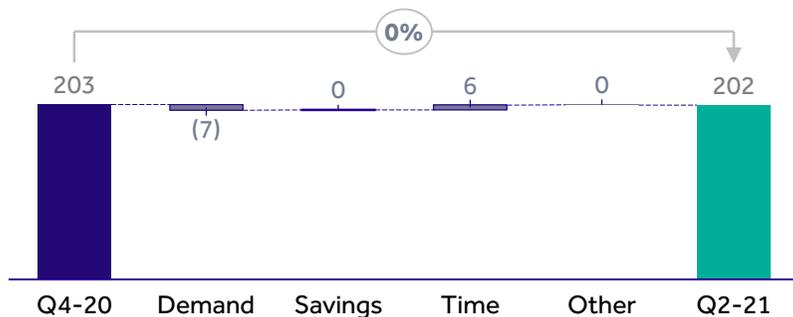
Total Assets Mix (SARbn)



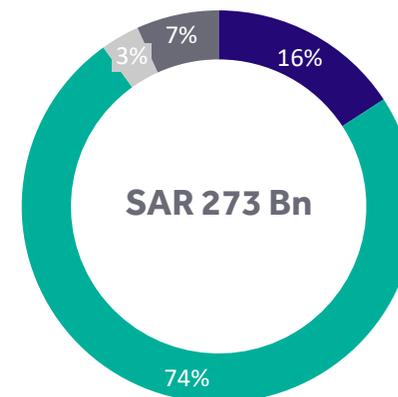
Liabilities and Funding

Strong Funding Profile

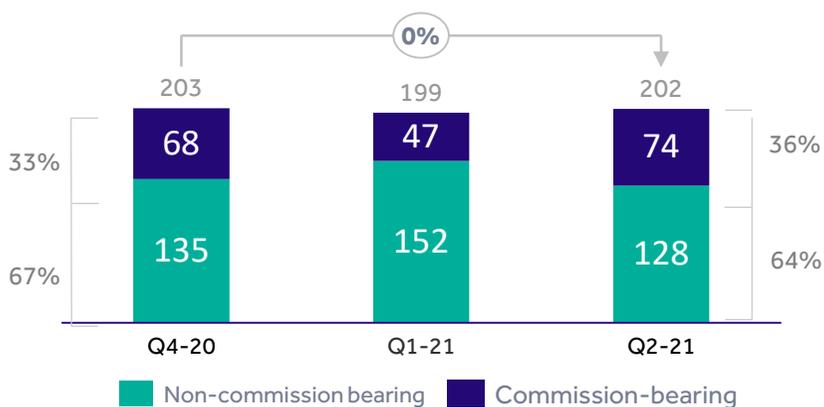
Customer Deposits Growth Drivers (SARbn)



Total Liabilities Mix (SARbn)



Total Customer Deposits by Type (SARbn)



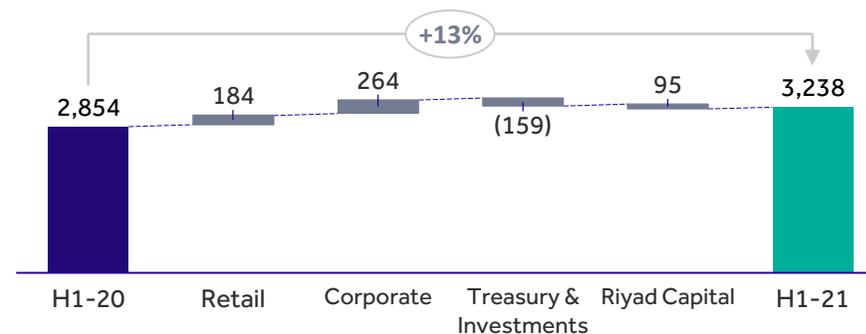
- Due to Banks & Other Financial Institutions
- Customer Deposits
- Debt Securities in Issue
- Other Liabilities, Net

Financial Highlights – Income Statement

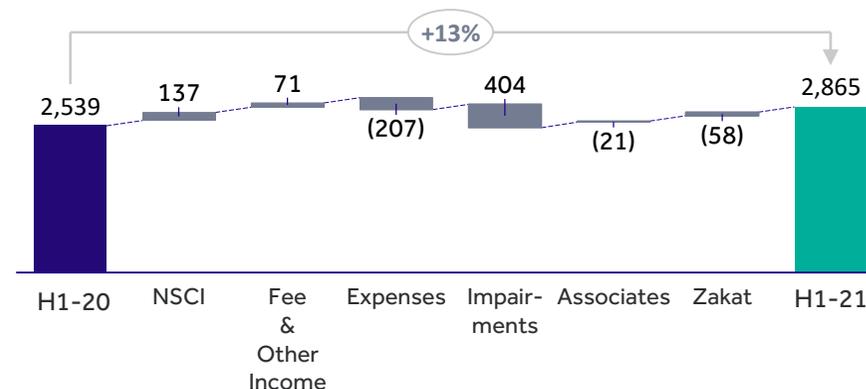
Net income growth due to higher operating income and lower impairment charges

SAR (mn)	H1 2021	H1 2020	YoY % change	2Q 2021	1Q 2021	QoQ % change
Net special commission income	4,242	4,105	+3.3%	2,146	2,096	+2.4%
Fee and other income	1,560	1,489	+4.7%	832	728	+14.3%
Total operating income, net	5,802	5,594	+3.7%	2,978	2,824	+5.5%
Operating expenses	(1,994)	(1,786)	+11.6%	(1,012)	(982)	+3.0%
Net operating income before impairment charges	3,808	3,808	+0.0%	1,967	1,842	+6.8%
Impairment charge for credit losses and other financial assets	(484)	(920)	-47.4%	(238)	(247)	-3.7%
Impairment charge for investments	(66)	(34)	+94.5%	(10.6)	(55.5)	-81.0%
Net operating income	3,258	2,854	+14.2%	1,718	1,539	+11.6%
Share of earnings of associates, net	(20)	1	-3124.0%	(9)	(11)	-18.7%
Net income for the period before Zakat	3,238	2,854	+13.4%	1,710	1,529	+11.8%
Zakat for the period	373	315	+18.4%	198	175	+13.1%
Net income for the period	2,865	2,539	+12.8%	1,512	1,354	+11.7%
EPS	0.96	0.85	+12.8%	0.50	0.45	+11.7%
ROAE before Zakat	14.6%	14.0%	+4.3%	15.4%	13.8%	+11.6%
ROAA before Zakat	2.1%	2.0%	+1.4%	2.2%	2.0%	+10.6%
Cost to income ratio	34.4%	31.9%	+7.6%	34.0%	34.8%	-2.3%

Net Income before Zakat Growth Drivers by Segment (SARmn)



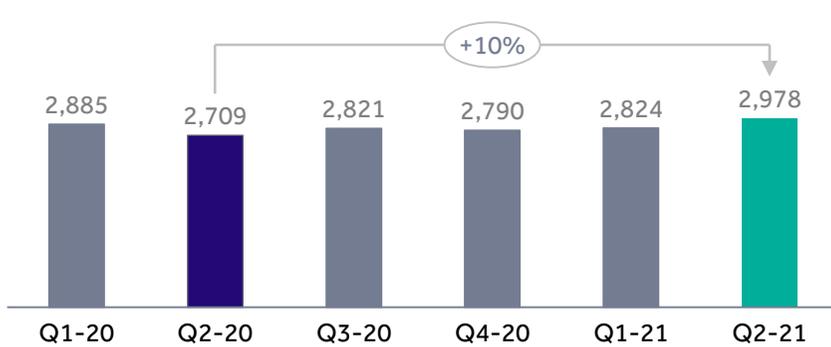
Net Income after Zakat Growth Drivers by Type (SARmn)



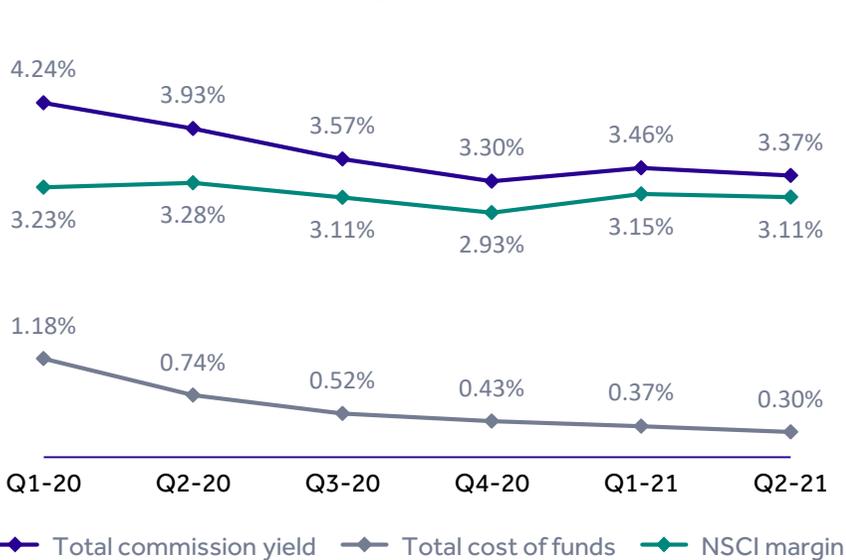
Income Trends

Income growth supported by balance sheet growth

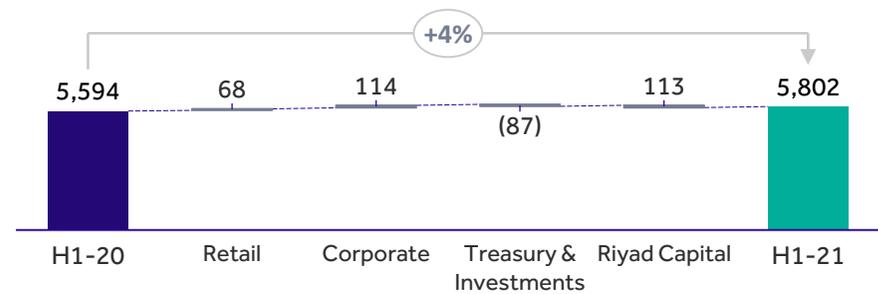
Total Operating Income, Net (SARmn)



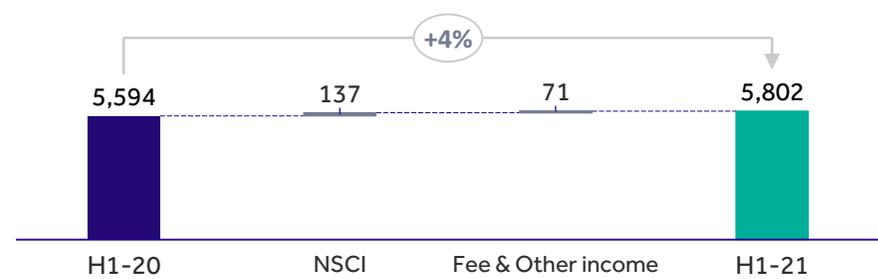
NSCI Margin, Yields and Funding Costs (%)



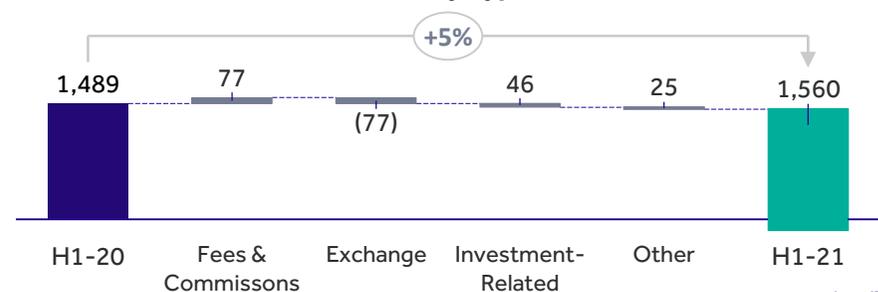
Total Operating Income Growth Drivers by Segment (SARmn)



Total Operating Income Growth Drivers by Type (SARmn)



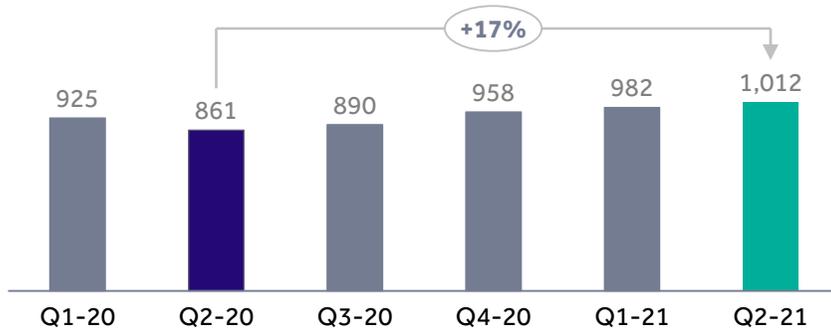
Fee & Other Income Growth Drivers by Type (SARmn)



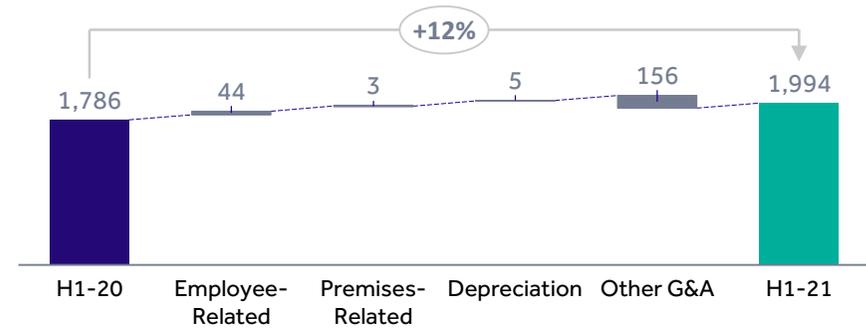
Expenses Trends

Continued cost efficiency despite banks' investment in its Transformation Program

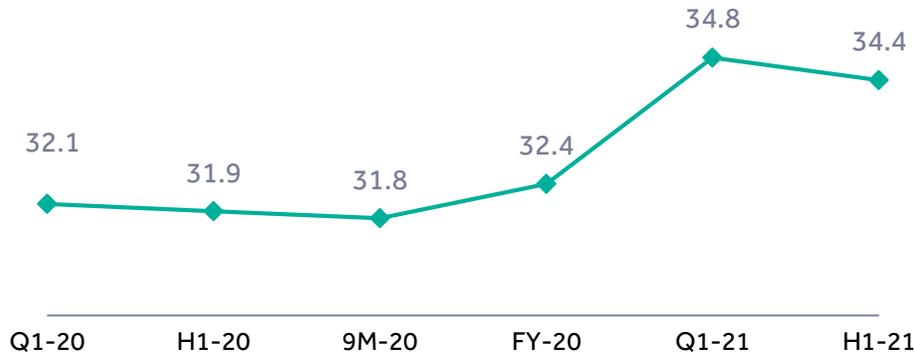
Operating Expenses (SARmn)



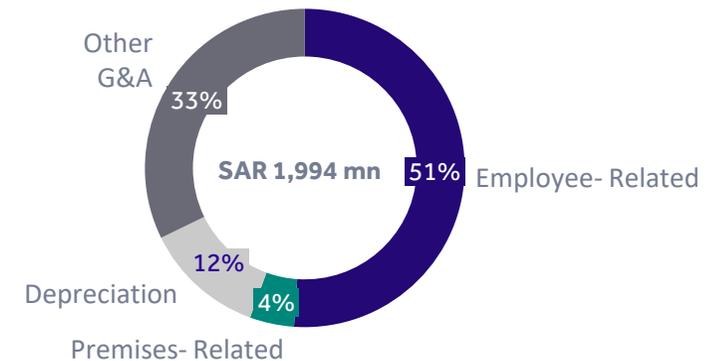
Operating Expenses Growth Drivers by Type (SARmn)



Cost to Income Ratio (YTD %)



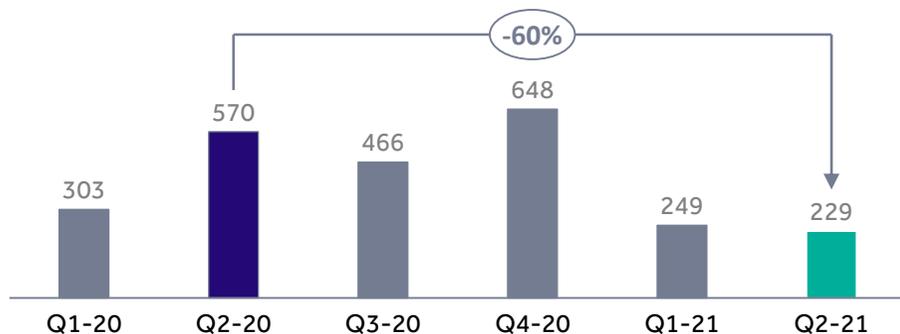
H1 2021 Operating Expenses Mix by Type (SARmn)



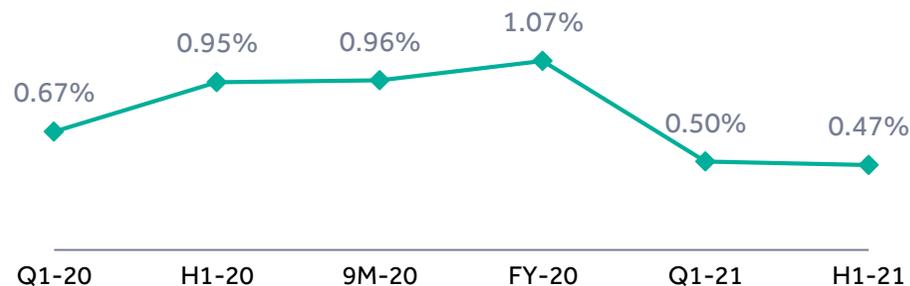
Credit Quality

Stable asset quality trends with solid NPL coverage ratio

Impairment Charge for Credit Losses, Net (SARmn)

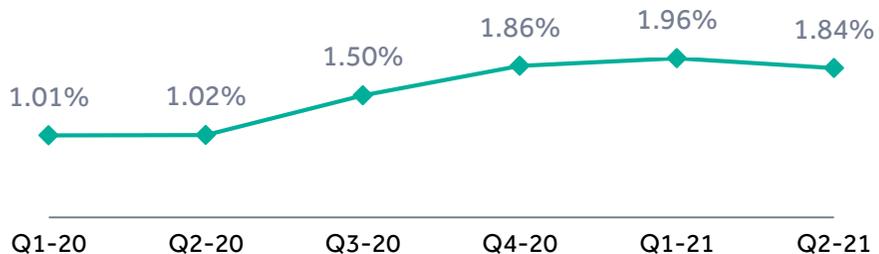


Cost of Risk (YTD %)

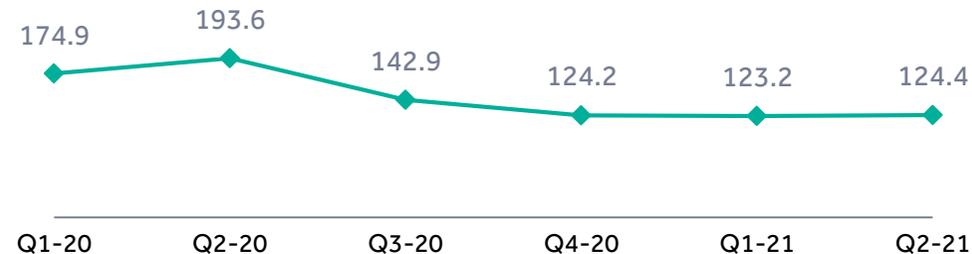


Cost of Risk calculation =
$$\frac{\text{Annualized YTD Impairment charge for credit losses, net}}{\text{Avg gross loans and advances}}$$

NPL Ratio (%)



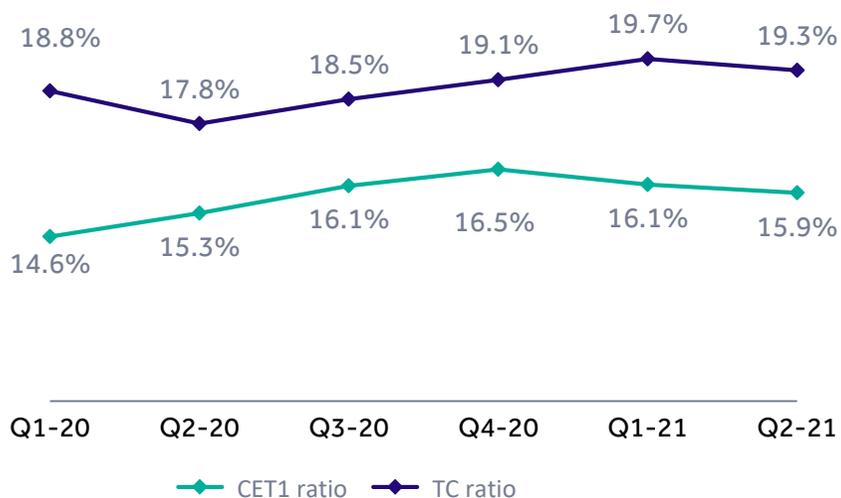
NPL Coverage (%)



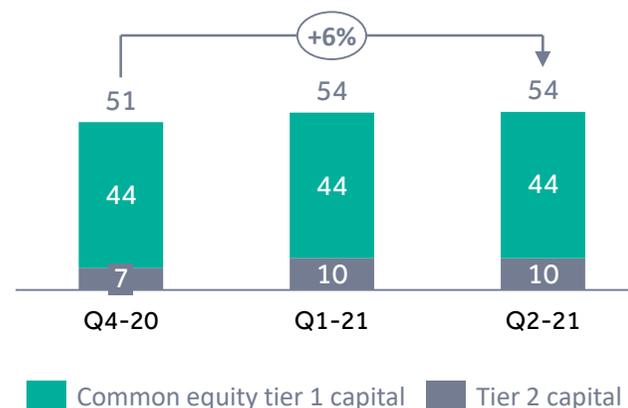
Capitalization

Capitalization well above regulatory minima and continues to support growth

Capital Ratios (%)



Capitalization (SARbn)



Risk Weighted Assets (SARbn)



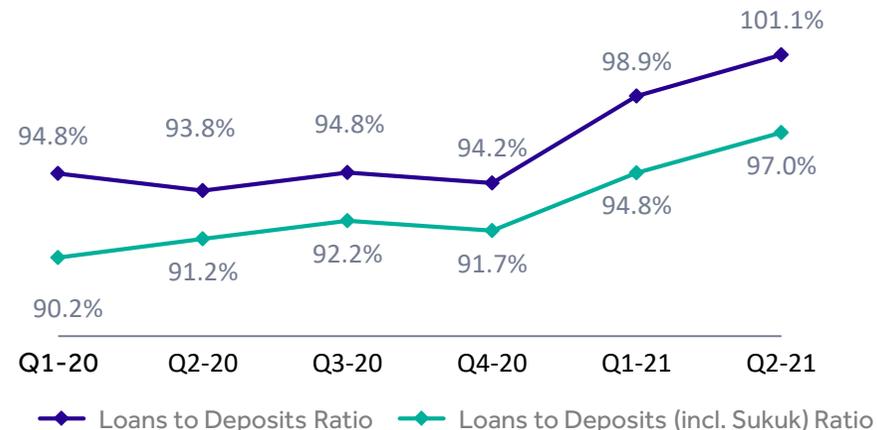
Liquidity

Liquidity continues to be at comfortable levels

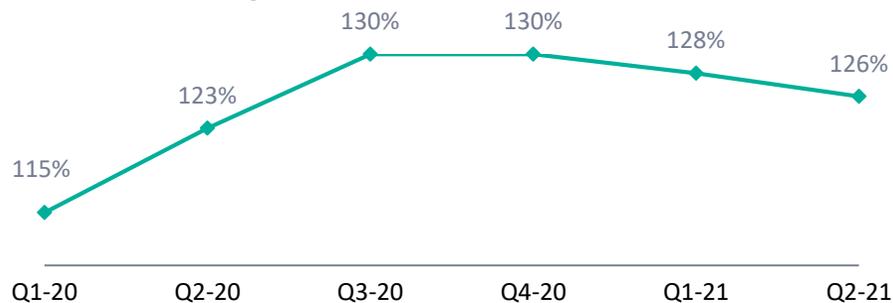
HQLA and Liquidity Coverage (SARbn/%)



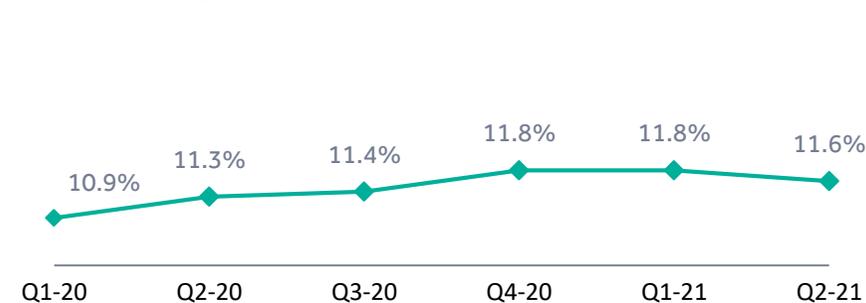
Loans to Deposit Ratios (%)



Net Stable Funding Ratio NSFR (%)



Basel III leverage Ratio (%)





2021 Outlook



2021 Guidance

Riyad Bank Guidance

Guidance Metric	FY 2020	2021 Guidance	H1 2021 Actual	2021 Updated Guidance
Loans, Net	SAR191 Bn (+10% YoY)	High single digit % growth	SAR205 Bn (+9.1% YoY)	High single digit %- low double digit % growth
NSCI Margin (%)	3.13%	-10bps to -20bps	3.12%	-10bps to -20bps
Cost to Income (%)	32.4%	Below 34%	34.4%	Below 34%
Cost of Risk (%)	1.07%	0.8% to 1.0%	0.48%	From 0.6% to 0.8%
CET1 (%)	16.5%	Above 15%	15.9%	Above 15%
ROAE Before Zakat (%)	12.9%	Above 12%	14.6%	Above 13%



Appendix



Riyad banks' commitment to Environmental, Social and Governance (ESG) factors, started well before global trends



“Bukra”, a comprehensive and long-term corporate social responsibility strategy, is aligned with the best practices of the most important local, regional and global frameworks, including Vision 2030, and the UN Sustainable Development Goals

Social

- Initiated Bukra Ambassadors initiative to encourage the employees to volunteer in different activities: Achieved: **269** volunteers / Total **534** Hours
- Donation accounts: Total **218,359** transactions – SAR **9,248,010.66**
- Financial Literacy Program: **123,255** beneficiaries
- Signed an agreement with Center For Autism Research – KFSH to fund the center with **SAR 10,000,000**
- Ramadan Baskets: In collaboration with مؤسسة ركائز التفاؤل, we distributed **10,000 food baskets** to **62** charity organizations around the Kingdom.
- Ramadan Meals: In collaboration with جمعية إطعام الخيرية, we distributed **100,000 meals** throughout the month of Ramadan.
- Blood Donation: **308** donors donated **144,760 ML** of blood

With Bukra, the Bank is targeting the following UNSDGs:



Governance

- 6 Independent Board Directors
- 4 Board Subcommittees
- Adopted 2 new Governance policies and frameworks
- Updated communication guidelines to meet the needs of persons with disabilities

Environmental

- Recycling: From January till date: Papers **1,043 KG** / Plastic **859 KG**
- Q1 We recycled 62% of consumed papers in HO Granada/ Q2We recycled45.4%of consumed papers in Head Office Granada
- Beach Cleaning Initiative: Eastern Region
- Saved **18%** of electricity consumption in RB main building (With the exclusion of Granada building)

Riyad Bank COVID-19 Initiatives

Supporting the economy and community while ensuring business continuity and safety of employees

Medical efforts



- Distributed **7,000** safety boxes containing masks, gloves, and sanitizers to all employees



- Donated **SAR 17 million** to the Ministry of Health under the “We are responsible and I am the First one” campaign.



- Donated **SAR 10.9 million** to the Society Fund initiative by Ministry of human resources and social development



- Partnered with Saudi Food bank and various charities to distributes **10,000** food boxes to families in need Ramadan.

Economic efforts

- Through SAMA credit relief initiatives channeled via the bank, **10,636** loans and 2,301 entities were deferred, amounting to total volume of payment deferred of SAR 19.87bn
- Postponed loans installment for all public and health workers for **3 months** starting from April in recognition of their service during the crises.
- Collaborated with the ministry of communications and information technology to distribute **677** tables to students to facilitate their study from home efforts .

Work Continuity

- **100%** of work capacity
- Maintaining social distance principle and flexible working hours
- Daily deep cleaning of all bank premises

Employees

- Hot lines and App for employees
- Employee booklet that includes general awareness, Covid-19 preventive measures, policies.
- **40+** awareness messages (email, text messages and calls)

Customers

- Marketing campaigns to encourage customers to use the digital channels
- Delivering ATMs cards to customers homes

Investors

- Conducted multiple calls with investors and analysts





MOST PROFITABLE



MOST EFFICIENT



BANK OF CHOICE



DIGITALLY ENABLED

Riyad Bank Contact

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Visit our Website

<https://www.riyadbank.com/en/about-us/investor-relations>

The screenshot shows the Riyad Bank website's 'Financial Results' page for 2019. The page features a navigation menu with options like 'Bank', 'Borrow', 'Invest', 'Digital Banking', and 'Discover'. The main content area is titled 'Financial Results' and lists various financial reports for 2019, including:

- Quarter 2 - Results Presentation (PDF (1MB))
- Quarter 2 - Earnings Release (PDF (664KB))
- Quarter 2 - Disclosure Under Basel III Framework (PDF (1MB))
- Quarter 2 - Interim Condensed Consolidated Statements (PDF (1MB))
- Quarter 1 - Results Presentation (PDF (801KB))
- Quarter 1 - Earnings Release (PDF (156KB))

Riyad Bank Head Office

[Link](#)





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