

# Results Presentation

## Q3 2021 Earnings Call

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

Riyadh, 8<sup>th</sup> November 2021



# Riyad Bank is the third largest bank in Saudi Arabia

## Q3 2021 Key Metrics



## Third Largest Bank in Saudi Arabia

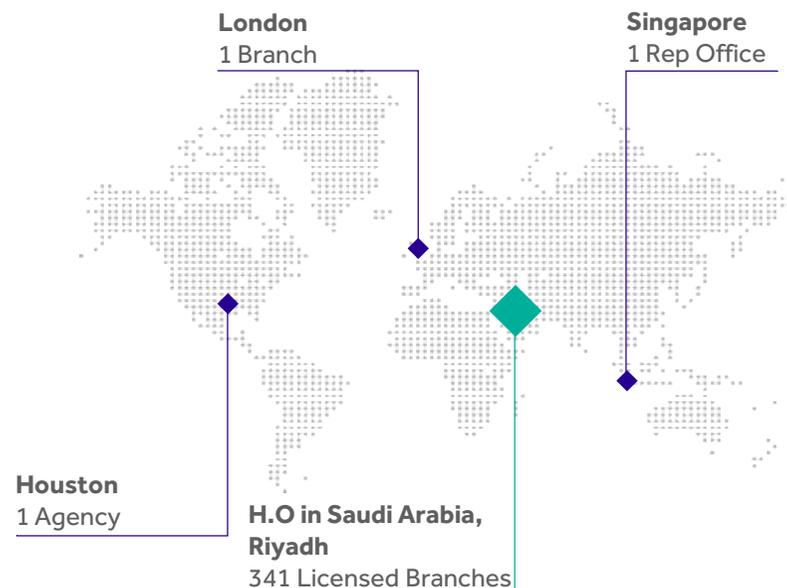


## Ratings

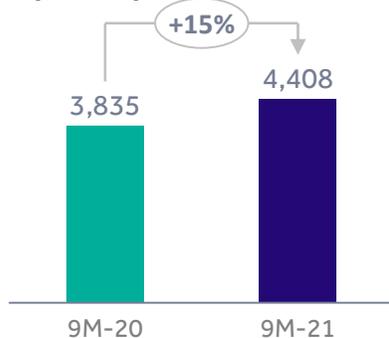
**BBB+** S&P

**BBB+** Fitch

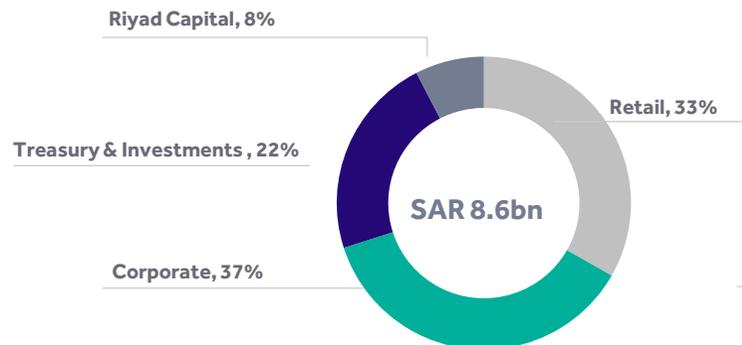
## Riyad Bank Presence



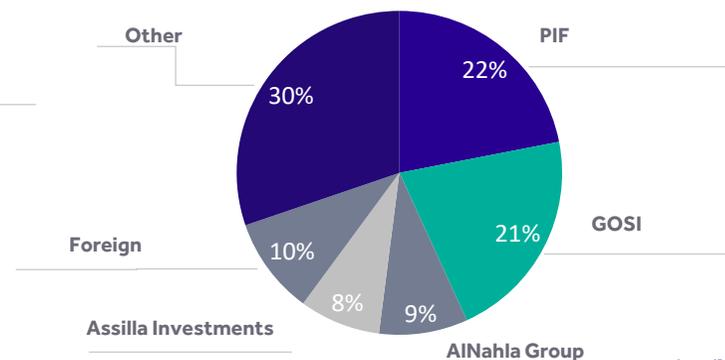
## 9M 2021 Net Income after Zakat (SARmn)



## 9M 2021 Operating Income Mix by Segment



## Shareholder mix

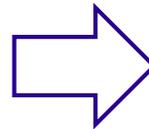


# Management highlights

Q3 2021 snapshot

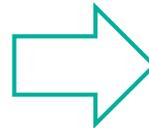


## Strategy



- 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 10.3% YoY to SAR 210 billion.
- Total Deposits grew by 1.3% YoY to SAR 204 billion.
- Total Operating Income increased by 2.4% YoY to SAR 8,619 million.
- Efficiency ratio reached 34.8%.
- Net Operating income before Impairments and Zakat at SAR 5,617 million.
- Net Income grew by 14.9% YoY mainly due to higher gains on disposal of non-trading investments, net, fee and commission, NSCI and lower impairment charges for credit losses'

## Asset Quality, Capital & Liquidity



- Cost of Risk reached 40 bps.
- Capitalization remained strong with CET1 of 16.0% and total CAR of 19.3%.
- LCR and NSFR Ratios reached to 168% and 125% respectively. Regulatory LDR stood at 80%



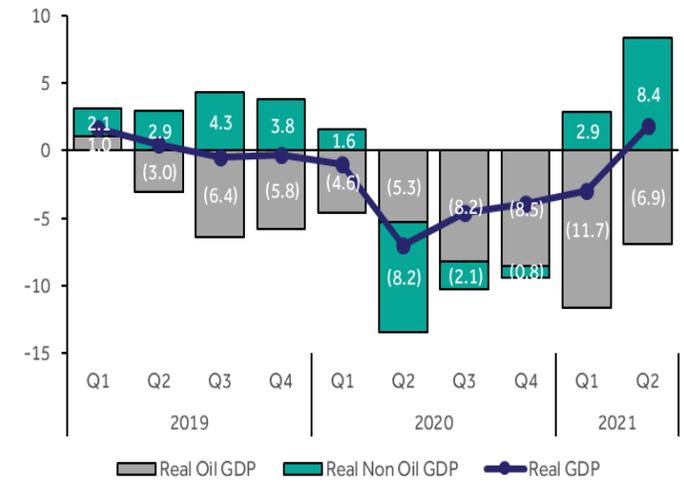
# KSA Macroeconomic Environment

# Domestic economy 1/2

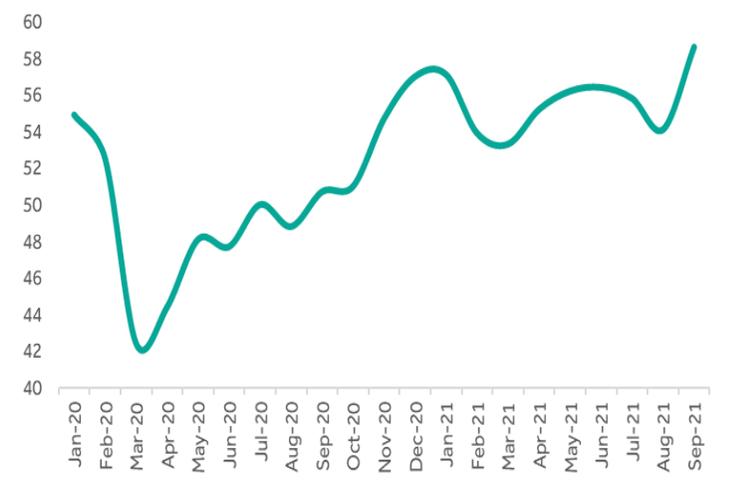
## Key Highlights

- Gross Domestic Product (GDP) is on the path of recovery across sectors in 2021. Real GDP is projected to increase by 4.8% and 4.3% in the third and fourth quarters of 2021, respectively.
- PMI recorded 58.6 in September 2021 compared to 54.1 in the previous month, signaling the strongest improvement in non-oil conditions since 2015.
- Government expenditures is projected to fall by 2.4% annually, to reach SAR951 Billion in 2024, while revenues to grow by 4.9% annually to reach SAR992 Billion in 2024. Budget balance is targeted in 2023 with SAR27 Billion in fiscal surplus (0.8% of GDP).
- FDI recorded 51.8 billion SAR in the 2nd quarter, the highest incoming FDI on record, due to Aramco Pipeline company sale

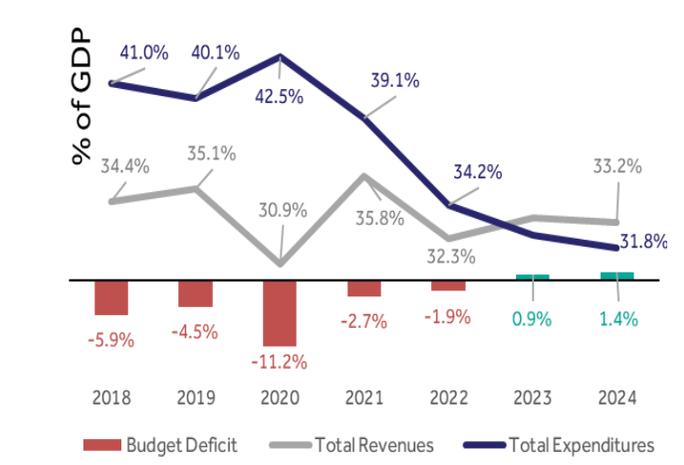
### GDP to Rise as Recovery Continues Across Sectors



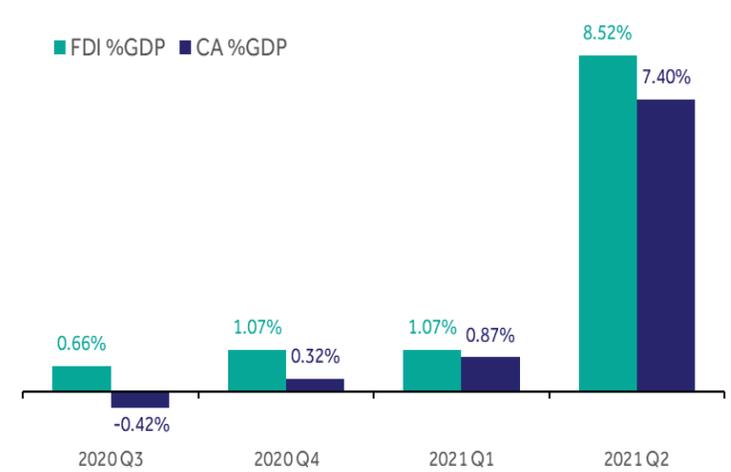
### PMI Rose to 58.6 – the Highest in Seven Years



### Fiscal Surplus Expected in 2023, the First Since 2013



### FDI Recorded Highest on Record in Q2 2021 (52 Billion SAR)



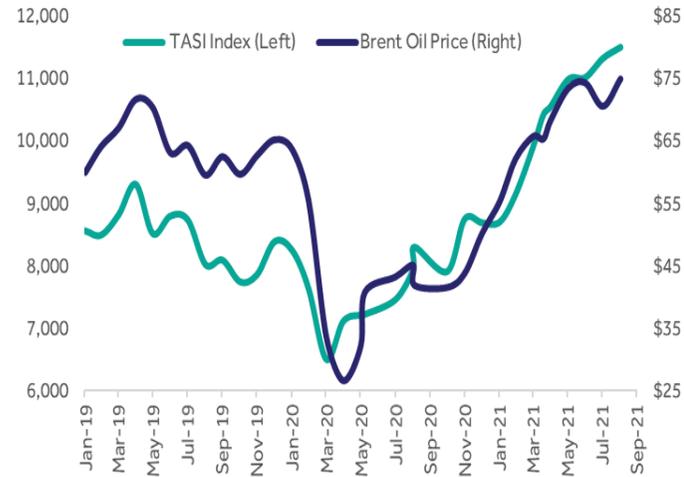
Source: SAMA, GASTAT, IHS Markit, MOF

# Domestic economy 2/2

## Key Highlights

- Tadawul Index have been increasing since the start of the year, approaching 12,000 pts for the first time since 2006, while oil prices have been rallying to reach \$75 per barrel for the first time since 2014.
- Money Supply M3 has expanded by 8% YoY in the third quarter 2021 while inflation rose slightly by 0.6% YoY for the same period, as the effect of VAT hike is diminished.
- Inflation rose slightly and recorded 0.6% YoY in September 2021 pushed by increases in transport costs.
- Interest rates remain low while the spread between SAIBOR and LIABOR increased further in the third quarter of 2021.

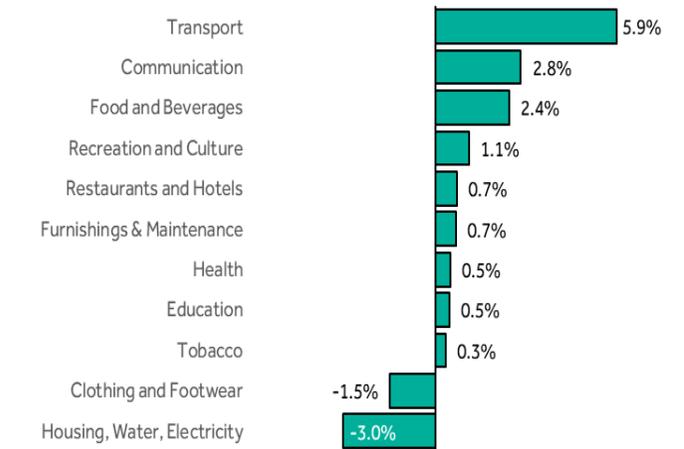
### Strong Performance in Stocks and Oil Markets



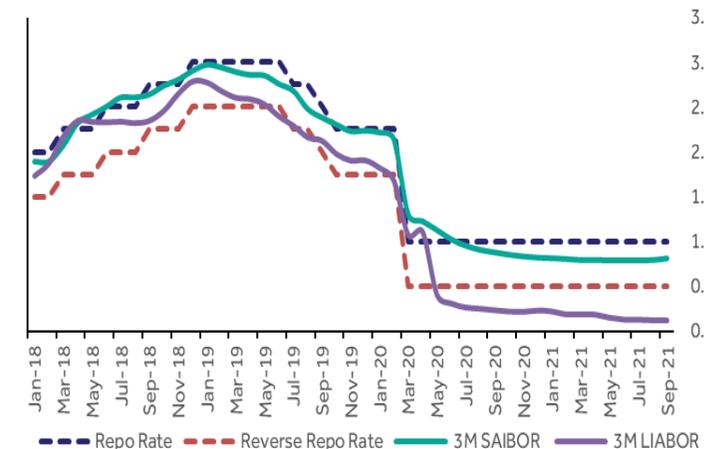
### Money Supply Expanded by 8% in the 3rd Quarter 2021



### Inflation rose by 0.6% in September 2021 (YoY)



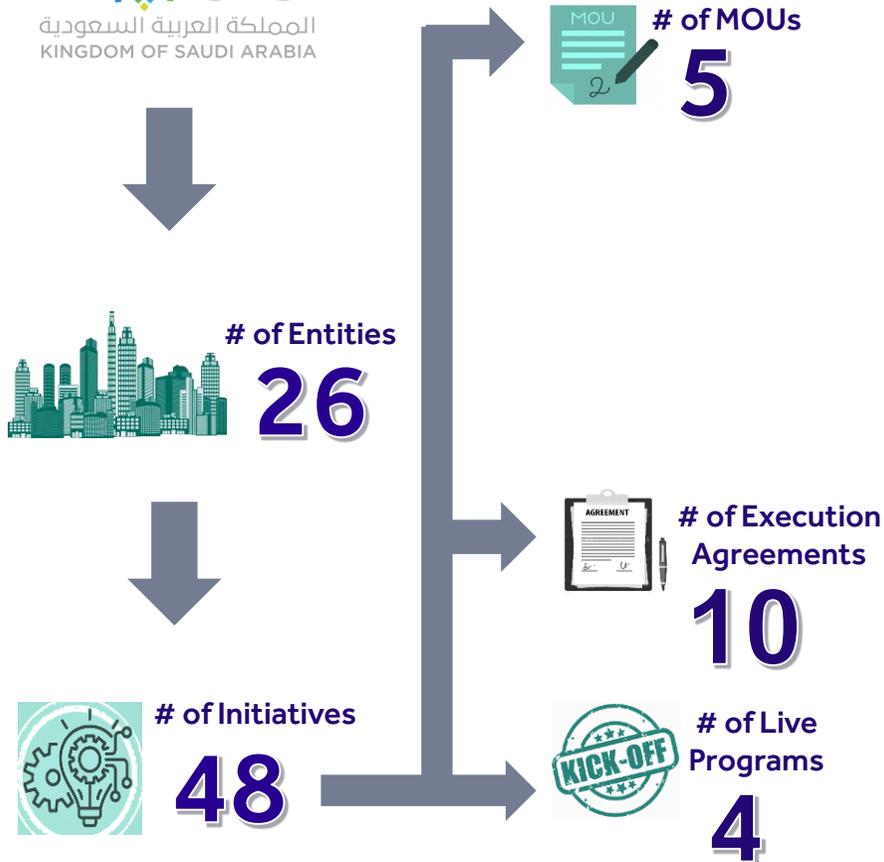
### SAIBOR Remains Low Following Policy Rates



Source: SAMA, GASTAT, IHS Markit, MOF

# Vision 2030 initiatives

Riyad Bank is fully committed to the success of the national agenda



## The initiatives contribute to ...

**96** KPIs of the Saudi vision 2030

	<ul style="list-style-type: none"> <li>Program 100%</li> <li>Program 90%</li> <li>Agency program</li> <li>Tourism Partnership Program (TPP)</li> </ul>	<b>25</b> KPIs	<b>signed</b> 29 <sup>th</sup> Apr 2021
	<ul style="list-style-type: none"> <li>Future initiatives for the present (10 initiatives)</li> </ul>	<b>25</b> KPIs	<b>signed</b> 13 <sup>th</sup> June 2021
	<ul style="list-style-type: none"> <li>Developing Execution Tools for NIDLP Strategic Dimensions (5 Initiatives)</li> </ul>	<b>12</b> KPIs	<b>signed</b> 17 <sup>th</sup> Mar 2021
	<ul style="list-style-type: none"> <li>Financial Support Initiative for NCPP</li> <li>Agency Services</li> </ul>	<b>10</b> KPIs	<b>signed</b> 14 <sup>th</sup> 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.



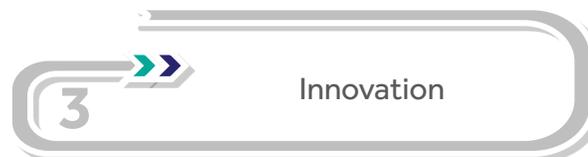
Depressed demand and compressed margins due to COVID-19



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



# 9M 2021 key highlights

9M 2021 Vs. 9M 2020

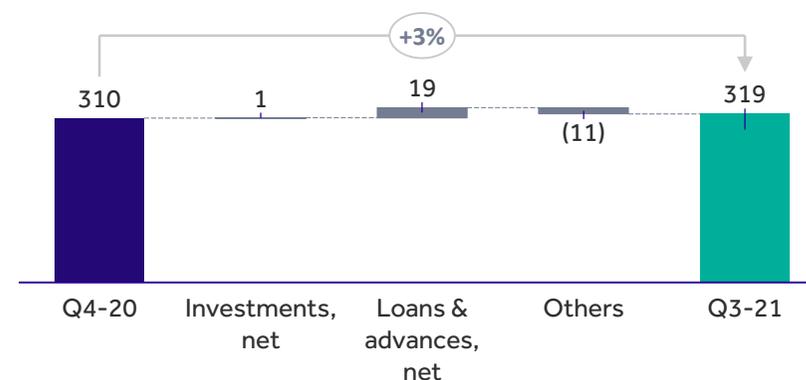
<p><b>Balance Sheet</b></p>	<p>3.3%</p>  <p>Total assets</p>	<p>10.3%</p>  <p>Loan and advances, net</p>	<p>4.4%</p>  <p>Investments, net</p>	<p>1.3%</p>  <p>Customer deposits</p>	<p>9.7%</p>  <p>Demand &amp; other deposits</p>
<p><b>Income Statement</b></p>	<p>14.9%</p>  <p>Net income</p>	<p>0.7%</p>  <p>NSCI</p>	<p>7.0%</p>  <p>Fee and other income</p>	<p>2.4%</p>  <p>Total operating income</p>	<ul style="list-style-type: none"> <li>▪ Credit related impairment decreased by 53.9% .</li> <li>▪ Cost of Risk in 9M 2021 decreased to 40bps from 96bps in 9M 2020.</li> </ul>
<p><b>Asset Quality, Capital &amp; Liquidity</b></p>	<ul style="list-style-type: none"> <li>• NPL ratio 1.58 % and NPL coverage at 126%</li> <li>• Capital position: CET1 ratio of 16.0% and Total Capital Adequacy Ratio of 19.3%.</li> <li>• Strong funding and liquidity with Loans to deposits ratio (incl. Sukuk)) of 99% and Regulatory LDR stood at 80% , Net Stable Funding Ratio of 125% and Liquidity Coverage Ratio of 168%.</li> <li>• Leverage Ratio of 11.9%.</li> </ul>				

# Financial highlights – Balance Sheet

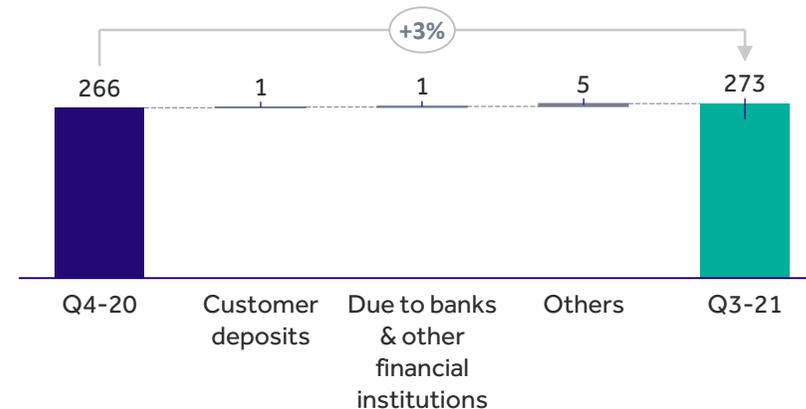
Stable growth in balance sheet footing supported by continued growth in loans partially offset by placements

SAR (mn)	3Q 2021	2Q 2021	QoQ % change	3Q 2020	YoY % change
Cash and balances with SAMA and financial institutions	44,414	48,732	-8.9%	55,633	-20.0%
Investments, net	57,451	57,122	+0.6%	55,036	+4.4%
Loans and advances, net	210,482	204,743	+2.8%	190,823	+10.3%
<b>Total assets</b>	<b>318,657</b>	<b>317,266</b>	<b>+0.4%</b>	<b>308,558</b>	<b>+3.3%</b>
Customer deposits	203,996	202,453	+0.8%	201,292	+1.3%
Debt securities in issue	8,648	8,710	-0.7%	5,638	+53.4%
<b>Total liabilities</b>	<b>272,607</b>	<b>272,716</b>	<b>-0.0%</b>	<b>265,903</b>	<b>+2.5%</b>
<b>Total shareholders' equity</b>	<b>46,050</b>	<b>44,551</b>	<b>+3.4%</b>	<b>42,655</b>	<b>+8.0%</b>
Risk weighted assets	287,216	280,517	+2.4%	265,329	+8.2%
Tier 1 ratio	16.0%	15.9%	+1.0%	16.1%	-0.3%
Total capital adequacy ratio	19.3%	19.3%	-0.1%	18.5%	+4.3%

### Total Assets Growth Drivers (SARbn)



### Total Liabilities Growth Drivers (SARbn)



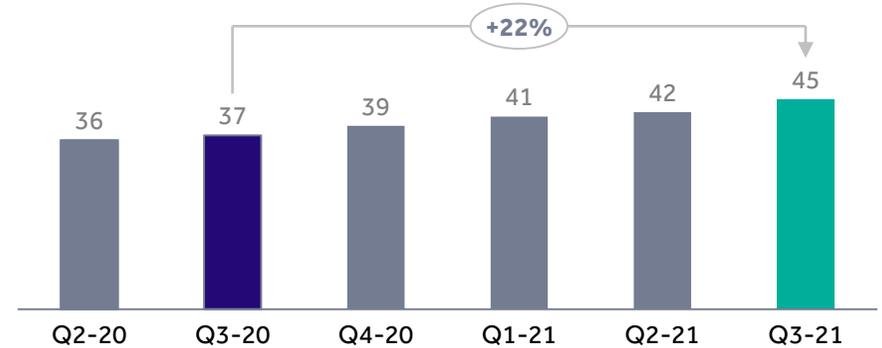
# Assets & Lending

Loan growth mainly driven by commercial and mortgage loans

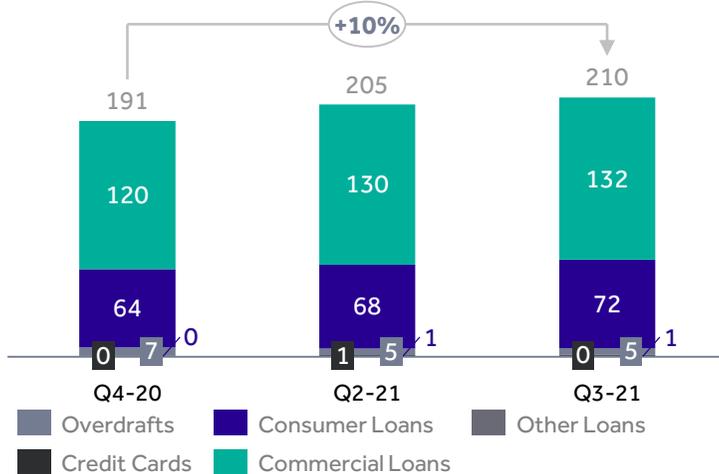
Loans & Advances Growth Drivers (SARbn)



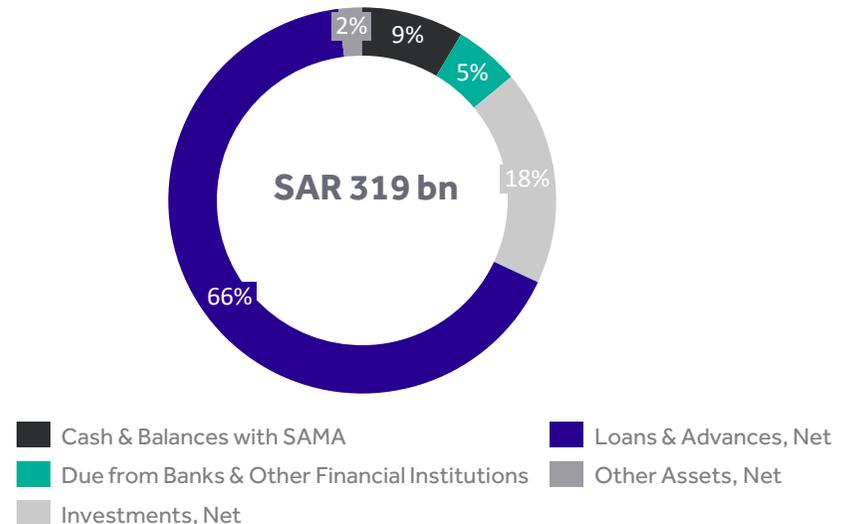
Mortgages Loans, Gross (SARbn)



Loans & Advances, Net by Type (SARbn)



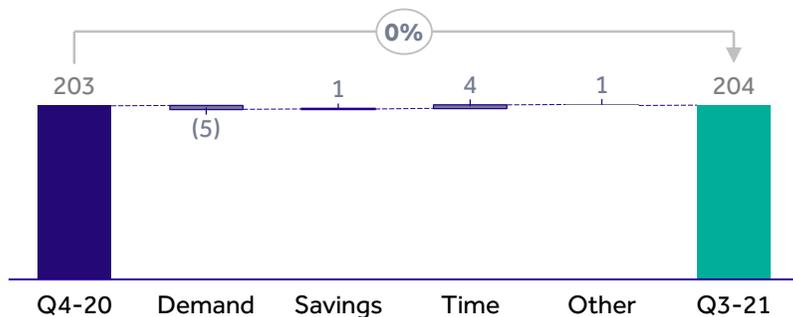
Total Assets Mix (SARbn)



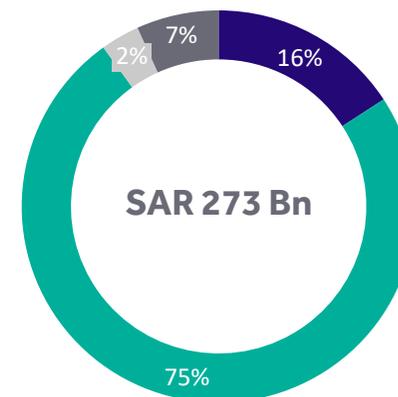
# Liabilities and Funding

Stable funding profile

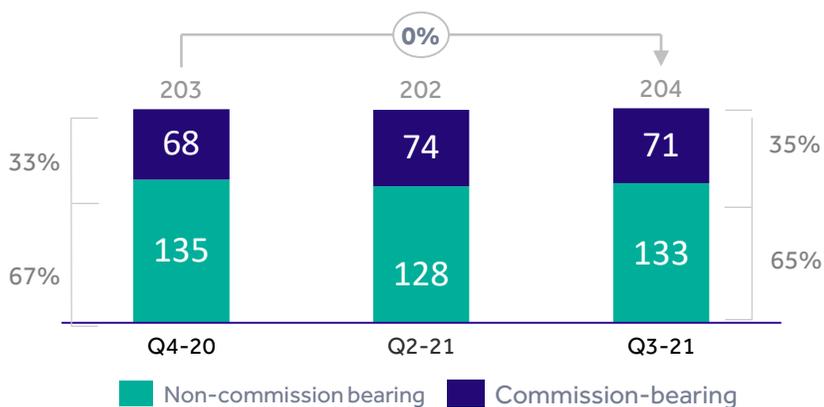
Customer Deposits Growth Drivers (SARbn)



Total Liabilities Mix (SARbn)



Total Customer Deposits by Type (SARbn)



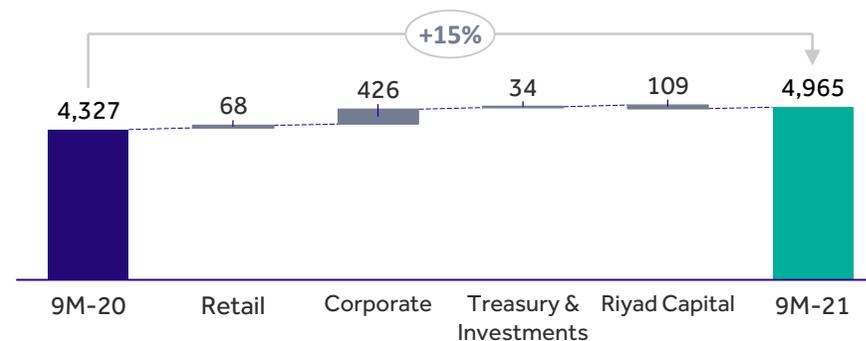
- Due to Banks & Other Financial Institutions
- Customer Deposits
- Debt Securities in Issue
- Other Liabilities, Net

# Financial highlights – Income Statement

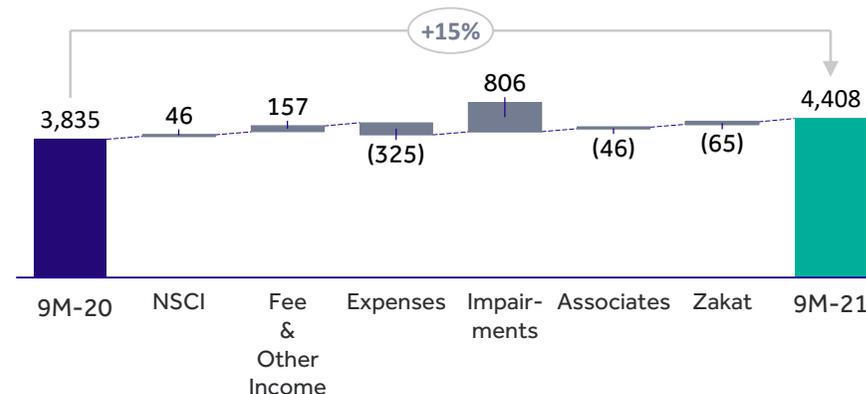
Net income growth due to higher operating income and lower impairment charges

SAR (mn)	9M 2021	9M 2020	YoY % change	3Q 2021	2Q 2021	QoQ % change
Net special commission income	6,224	6,178	+0.7%	1,982	2,146	-7.7%
Fee and other income	2,395	2,238	+7.0%	835	832	+0.3%
<b>Total operating income, net</b>	<b>8,619</b>	<b>8,415</b>	<b>+2.4%</b>	<b>2,817</b>	<b>2,978</b>	<b>-5.4%</b>
Operating expenses	(3,002)	(2,676)	+12.2%	(1,008)	(1,012)	-0.3%
<b>Net operating income before impairment charges</b>	<b>5,617</b>	<b>5,739</b>	<b>-2.1%</b>	<b>1,809</b>	<b>1,967</b>	<b>-8.0%</b>
Impairment charge for credit losses and other financial assets	(592)	(1,410)	-58.0%	(108)	(238)	-54.7%
Impairment charge for investments	(27)	(15)	+86.1%	39	(10.6)	-468.3%
<b>Net operating income</b>	<b>4,998</b>	<b>4,314</b>	<b>+15.8%</b>	<b>1,740</b>	<b>1,718</b>	<b>+1.2%</b>
Share of earnings of associates, net	(33)	13	-345.6%	(13)	(9)	+48.6%
<b>Net income for the period before Zakat</b>	<b>4,965</b>	<b>4,327</b>	<b>+14.7%</b>	<b>1,727</b>	<b>1,709</b>	<b>+1.0%</b>
Zakat for the period	(557)	(492)	+13.2%	(184)	(198)	-7.1%
<b>Net income for the period</b>	<b>4,408</b>	<b>3,835</b>	<b>+14.9%</b>	<b>1,542</b>	<b>1,512</b>	<b>+2.0%</b>
EPS	1.47	1.28	+14.9%	0.51	0.50	+1.5%
ROAE before Zakat	14.6%	13.9%	+5.6%	15.2%	15.4%	-1.5%
ROAA before Zakat	2.1%	2.0%	+4.8%	2.2%	2.2%	-1.2%
Cost to income ratio	34.8%	31.8%	+9.5%	35.8%	34.0%	+5.4%

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



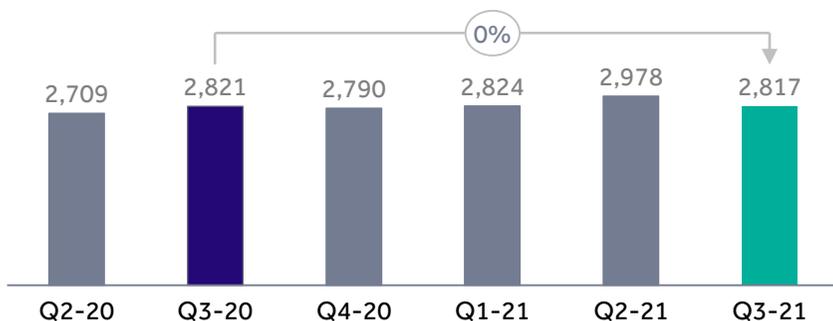
## Net Income after Zakat Growth Drivers by Type (SARmn)



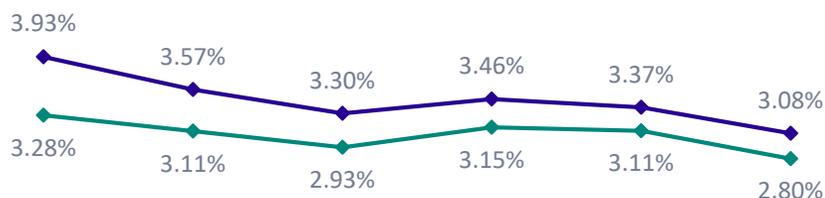
# Income trends

Stable income growth supported by growth in loans and investments

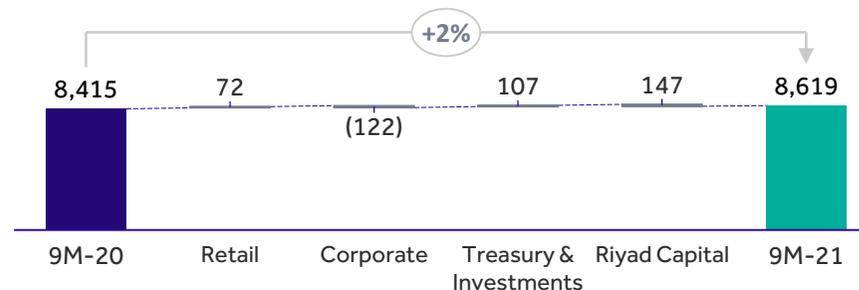
**Total Operating Income, Net (SARmn)**



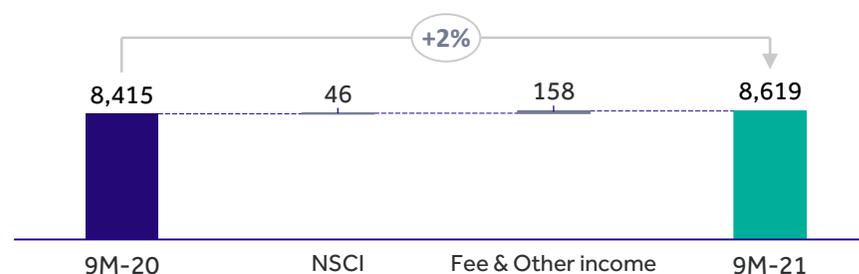
**NSCI Margin, Yields and Funding Costs (%)**



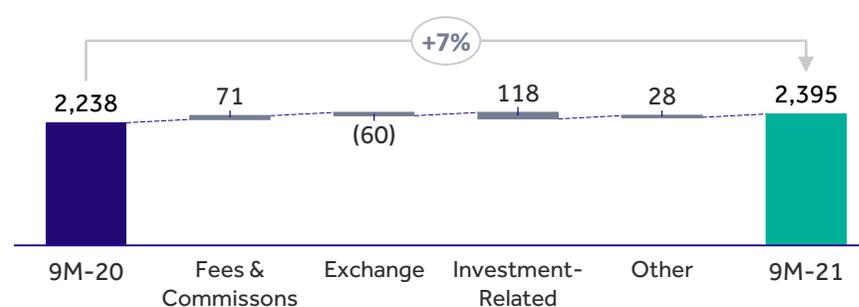
**Total Operating Income Growth Drivers by Segment (SARmn)**



**Total Operating Income Growth Drivers by Type (SARmn)**



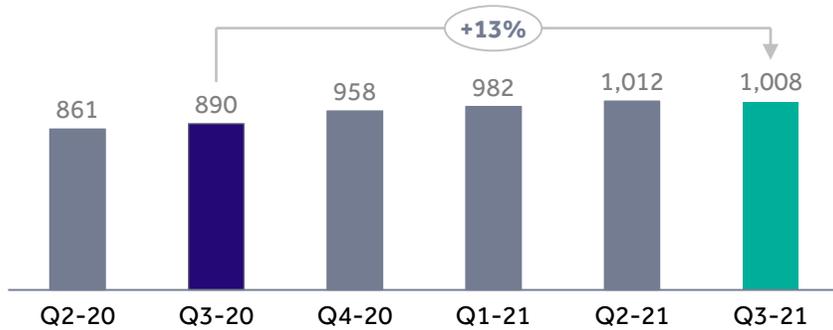
**Fee & Other Income Growth Drivers by Type (SARmn)**



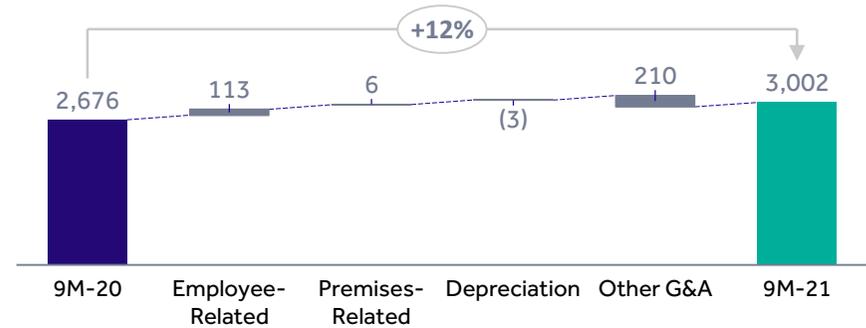
# Expenses Trends

Continued investment in the bank's transformation program while seizing cost efficiency opportunities

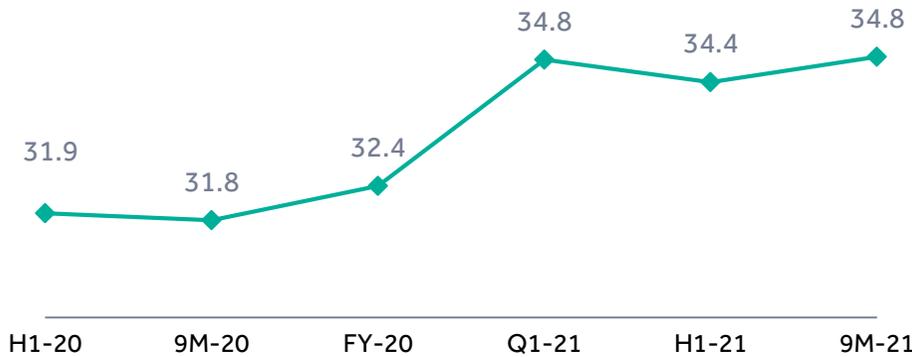
Operating Expenses (SARmn)



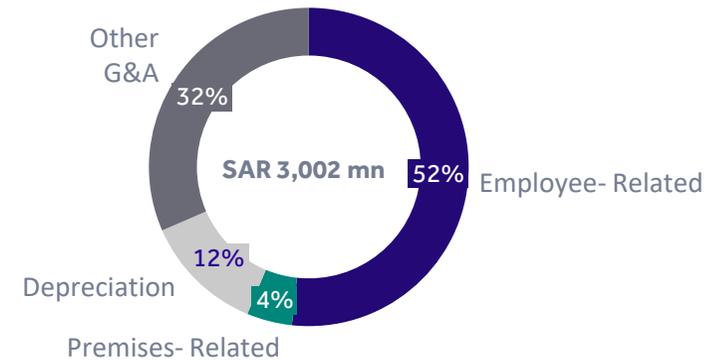
Operating Expenses Growth Drivers by Type (SARmn)



Cost to Income Ratio (YTD %)



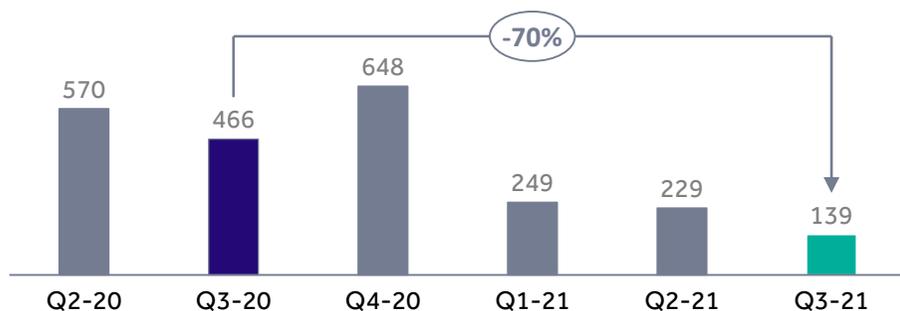
9M 2021 Operating Expenses Mix by Type (SARmn)



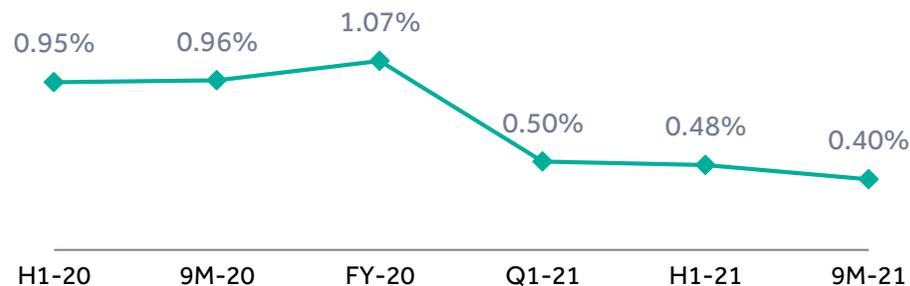
# Credit Quality

Stable asset quality trends with strong NPL coverage ratio

Impairment Charge for Credit Losses, Net (SARmn)

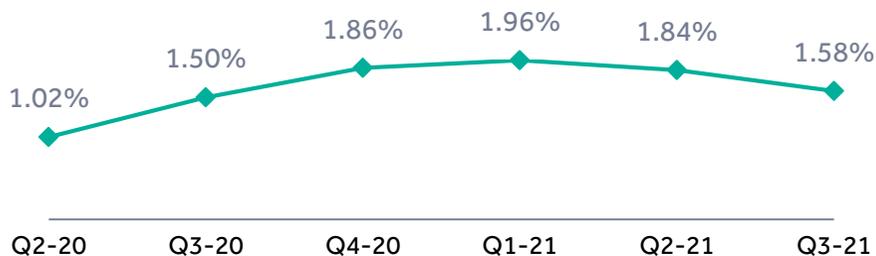


Cost of Risk (YTD %)

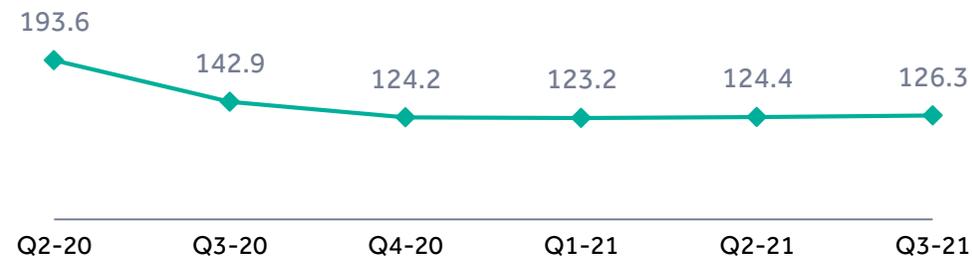


Cost of Risk calculation =  $\frac{\text{Annualized YTD Impairment charge for credit losses, net}}{\text{Avg gross loans and advances}}$

NPL Ratio (%)



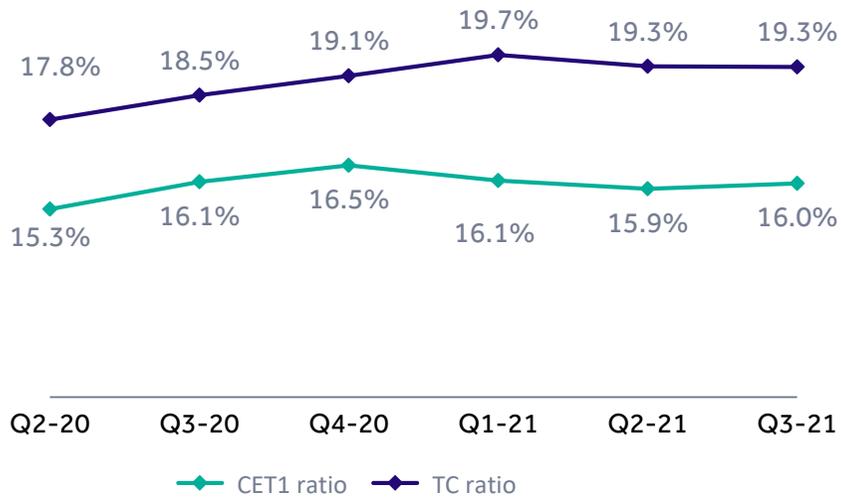
NPL Coverage (%)



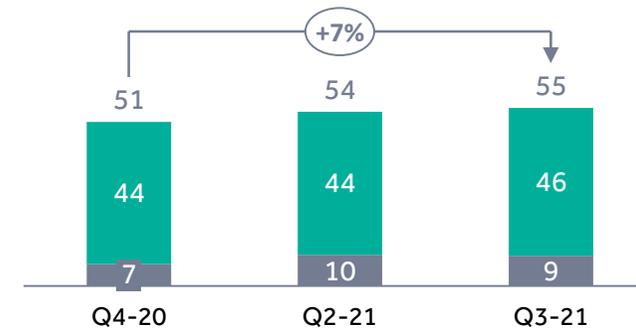
# Capitalization

Capitalization well above regulatory minima and continues to support growth

Capital Ratios (%)

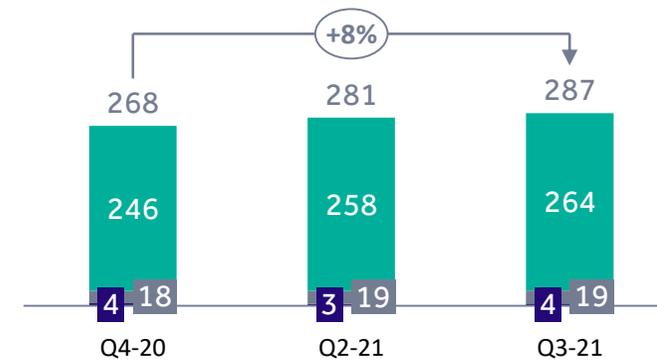


Capitalization (SARbn)



Common equity tier 1 capital Tier 2 capital

Risk Weighted Assets (SARbn)



Credit risk Operational risk Market risk

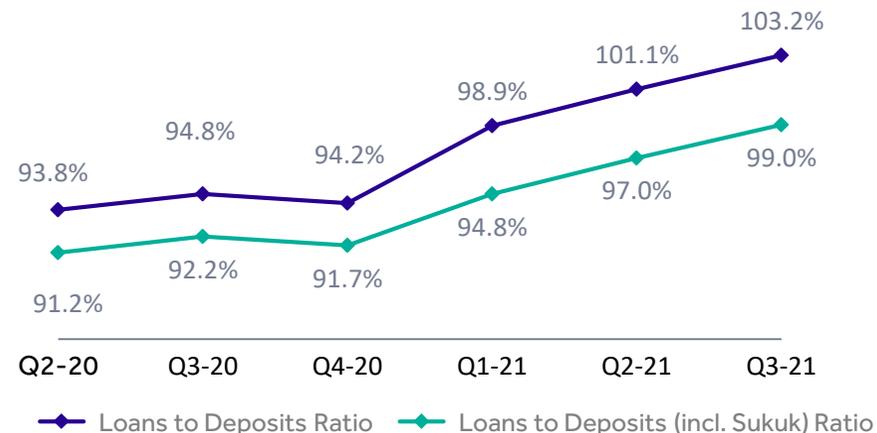
# Liquidity

Liquidity continues to be at comfortable levels

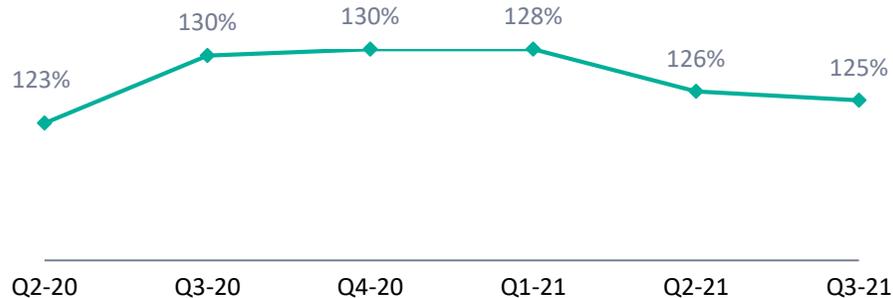
**HQLA and Liquidity Coverage (SARbn/%)**



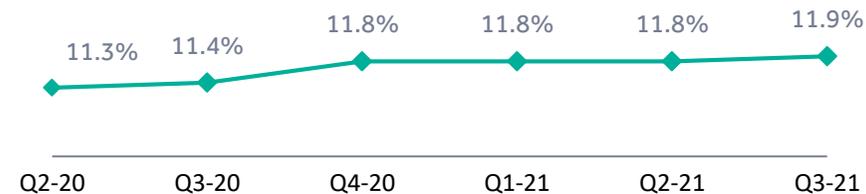
**Loans to Deposit Ratios (%)**



**Net Stable Funding Ratio NSFR (%)**



**Basel III leverage Ratio (%)**





# 2021 Outlook



# 2021 Guidance

## Riyad Bank guidance

Guidance Metric	FY 2020	2021 Updated Guidance	9M 2021 Actual
Loans, Net	SAR191 Bn (+10% YoY)	High single digit %- low double digit % growth	10.3%
NSCI Margin (%)	3.13%	-10bps to -20bps	3.01%
Cost to Income (%)	32.4%	Below 34%	34.8%
Cost of Risk (%)	1.07%	From 0.4% to 0.6%	0.40%
CET1 (%)	16.5%	Above 15%	16.0%
ROAE Before Zakat (%)	12.9%	Above 13%	14.6%



# Appendix





MOST PROFITABLE



MOST EFFICIENT



BANK OF CHOICE



DIGITALLY ENABLED

# 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

- Bukra Ambassadors volunteering initiative: Achieved: **373** volunteers / Total **706** Hours
- Donation accounts: Total **318,910** transactions – **SAR 12,576,152.11**
- Signed an agreement with جامعة واحة الوفاء –to fund a sports center for the elderly **SAR 1,500,000**
- Back to School Campaign as part of International Day of Charity in collaboration with مؤسسة ركائز التفاعل; distributed 2000 school bags to charity organizations in 10 different cities around the Kingdom
- Won Best Sustainability Education or Awareness Program; Gulf Sustainability Awards 2021.
- Blood Donation: second blood donation campaign in 5 cities and 6 locations: **241** donors donated **188,450 ML** of blood
- Received Mowaamah Golden Certificate; Best standards and practices in creating work environments suitable for people with disabilities

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 **1,403 KG** / Plastic **1,045 KG**. Saved **13,545** gallons of water, **33** trees, **4.44 cubic meters** of landfill, **43.5 tons** of CO2 and **7,740 KW** of energy
- Recycled **59%** of consumed papers in HO Granada
- Saved **20%** of electricity consumption in HOR





MOST PROFITABLE



MOST EFFICIENT



BANK OF CHOICE



DIGITALLY ENABLED

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The screenshot shows the Riyad Bank website's 'Financial Results' page for 2019. The page is in English and 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 11MB)
- Quarter 2 - Earnings Release (PDF 664KB)
- Quarter 2 - Disclosure Under Basel III Framework (PDF 11MB)
- Quarter 2 - Interim Condensed Consolidated Statements (PDF 11MB)
- Quarter 1 - Results Presentation (PDF 801KB)
- Quarter 1 - Earnings Release (PDF 116KB)

Riyad Bank Head Office

[Link](#)





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