



# Results Presentation

## 1Q 2019 Earnings Call

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Mohammed Al Qureshah, EVP Finance

 Riyadh, 2 May 2019

# Riyad Bank delivered a strong set of results in 1Q 2019

Four areas of focus for today's earnings call

## 1. Transformation Plan

- Retail Sales
- Corporate Sales
- Performance Culture
- Innovation

## 2. Financial Performance (YoY)

- Net loans grew 12% to SAR 158.2 billion
- Total Deposits grew 14% to SAR 173.5 billion
- 21% operating income growth to SAR 2.5 billion on improved margin
- Efficiency ratio improved to 32.8% from 37.7%
- Net income grew 45%

**1Q 2019**

## 4. Outlook

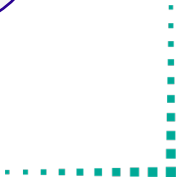
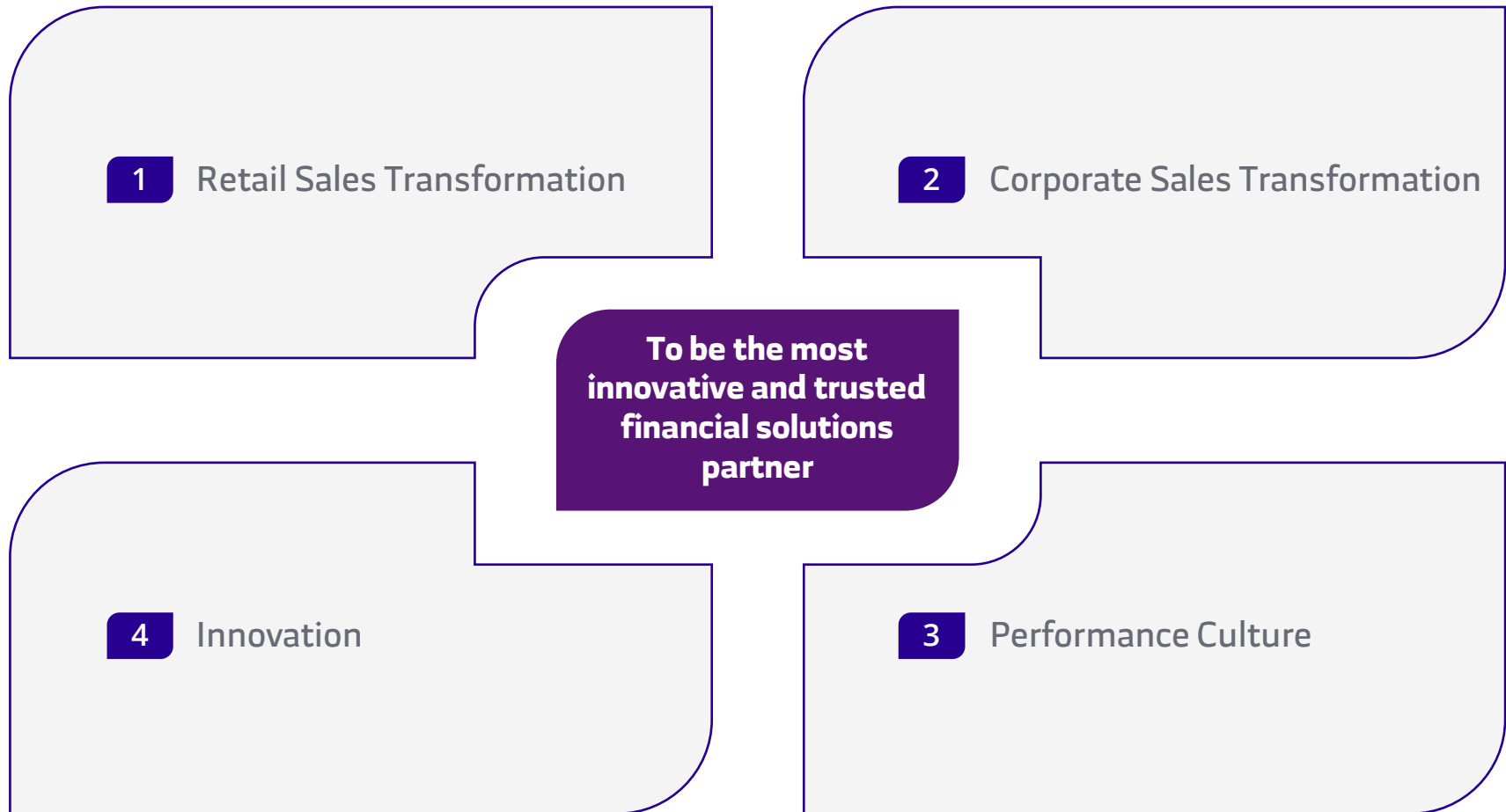
- Improved customer activity and sentiment witnessed in 1Q 2019 expected to continue for remainder of year, backed by benign economic environment and the Bank's favorable alignment with Vision 2030 initiatives
- Outcome for FY 2019 is expected to mirror 1Q 2019

## 3. Asset Quality, Capital & Liquidity

- COR improved to 0.40% from 0.54%
- Capitalization remained strong with CET1 of 16.2% and total CAR of 18.1%
- LCR of 143% and LDR (incl. Sukuk) of 89.1%

# There are four key themes to our Transformation program

These strategic priorities will create value for our stakeholders and achieve our vision

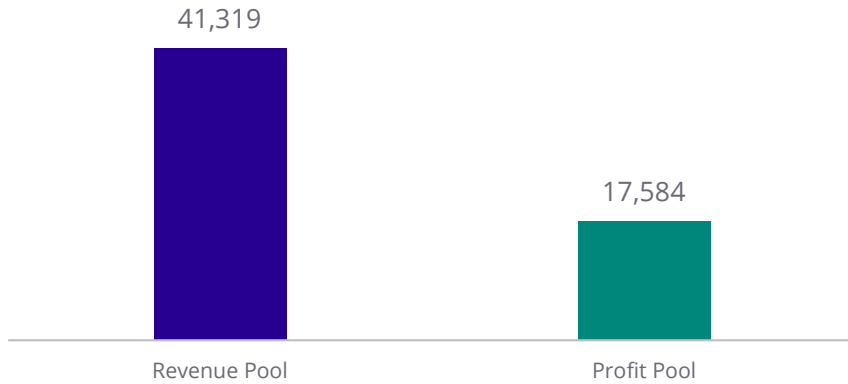


# 1 Retail Sales Transformation

Retail Banking starts from a good challenger position and has significant upside potential

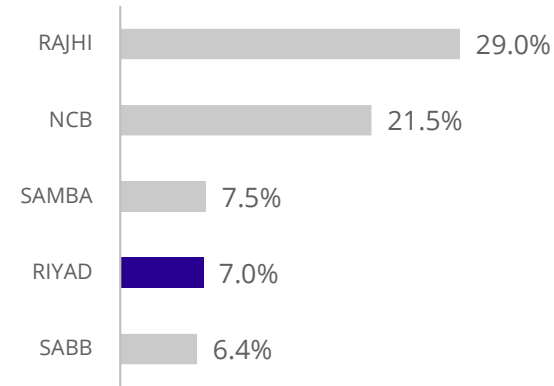
## Market Potential - KSA Retail Banking

2018 Revenue and Profit Pool in SARmn



## Good challenger position

Top 5 Banks - Revenue Share in %



## Retail Sales Transformation Priorities

- Improve sales productivity across existing and new channels
- Grow private and affluent customer segments with superior value propositions
- Strengthen execution capabilities to drive and mirror best practices and innovation trends

## Key Achievements

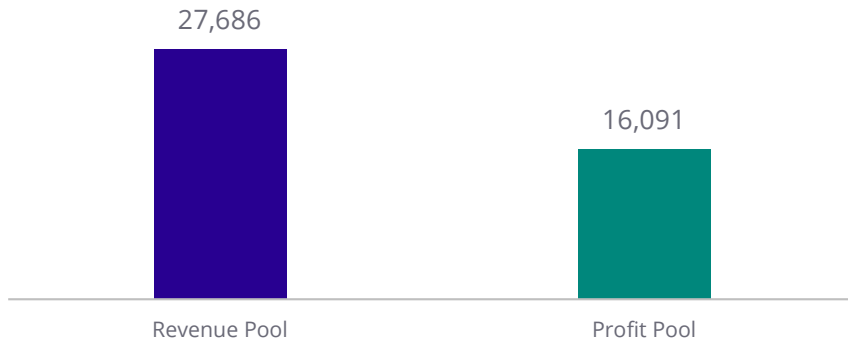
- Ranked 1st for Mortgage off plan product with the Real Estate Development Fund (REDF)
- 2nd highest sales contribution of Mortgage Loans through REDF platform
- FTE sales productivity improved by 23%
- Launch of Apple Pay
- Strengthen assets product suite with launch of Tahseel Overdraft and Loan against Housing allowance products
- Acceleration of Bank@ work and Direct sales team

## 2 Corporate Sales Transformation

Corporate banking is in a strong starting position with significant growth potential

### Market Potential - KSA Corporate Banking

2018 Revenue and Profit Pool in SARmn

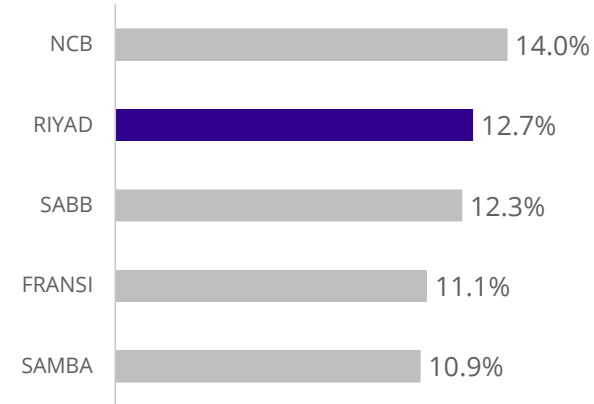


### Corporate Sales Transformation Priorities

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

### Strong starting position

Top 5 Banks - Revenue Share in %



### Key Achievements

- Net Interest Income and Fee Income for 1Q 2019 increased by 24% and 35% compared to same period last year due to:
  - Institutionalized account planning and streamlining of the SME
  - Improved Margins
  - Increased volumes and business pipeline.
- Cross selling Treasury Income increased by 65% in Q1 2019 compared to same quarter last year

# 3 Performance Culture

We are energising the entire organization to achieve our ambition

Shifting the bank's culture requires closing three gaps



Recent activates to improve performance culture

- New H.O.
- OHI
- Exclusive Offers
- Family carnival
- Baloot Competition
- Adventure Day

## Performance Culture Priorities

- To help people, organizations and society achieve their aspirations by being their trusted and caring financial solutions partner
- Focus on performance management, driving strategic and role clarity across the organisation to become employer of choice

## Key Achievements

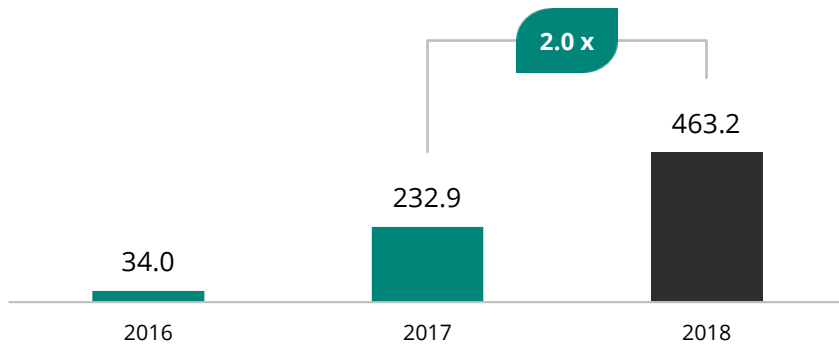
- Moved to a new H.O. to improve Riyad Bank organizational health toward competitiveness and creativity
- Conducted organization health index (OHI)
- Setting better KPIs alignment on business and improved visibility on annual priorities
- Reinforcing professional development processes such as grievances, personal improvement plans for low performers

## 4 Innovation

We have room to improve digital capabilities that deliver a better customer experience

### Market Potential - Example of rapid digital adoption in KSA

SADAD Electronic e-Commerce Account - Payment Value in SAR bn

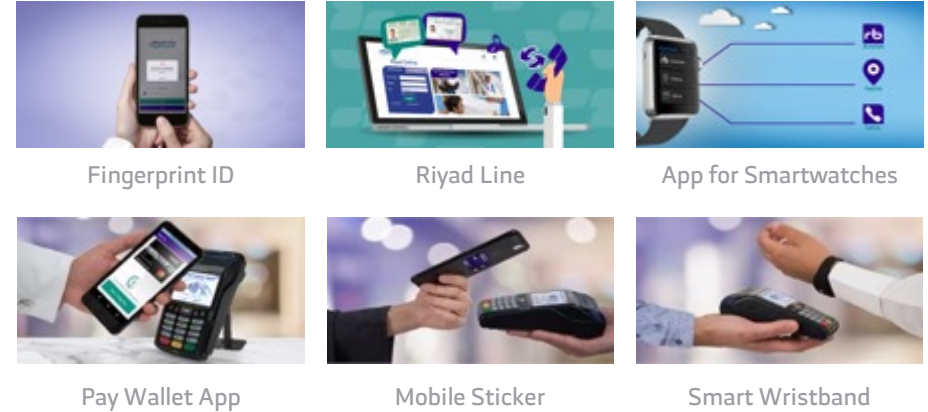


Source: SAMA

### Innovation Priorities

- Drive sales transformation in Retail and Corporate Banking by digitising end-to-end customer journeys
- Leverage advanced analytics and corporate partnerships to drive high quality leads
- 'Be-Digital' implementation of new IT infrastructure and 'Big Data' capabilities

### Selection of Riyad Bank Digital Channels



### Key Achievements

- Mobile Banking (New Version)
- Apple Pay
- Digital Start-ups Partnership Program – MOU signed with Munsha'at
- Re-Finance through Riyad Online
- Overdraft through Riyad Online.
- Online Account Opening.

# Financial Highlights – Balance Sheet

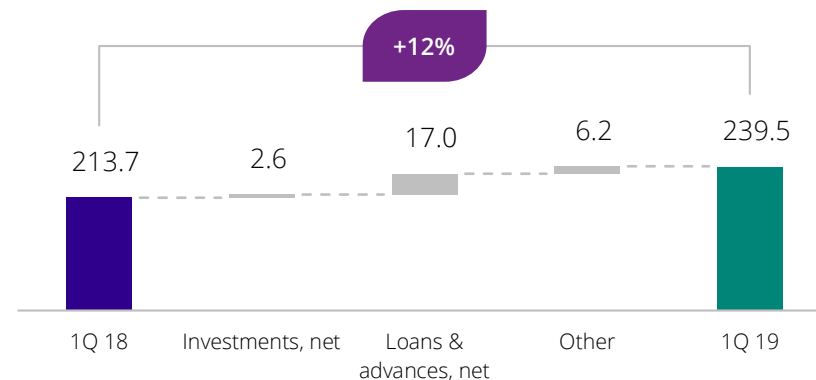
Healthy balance sheet growth from improved economic environment and early progress with transformation initiatives

## Highlights

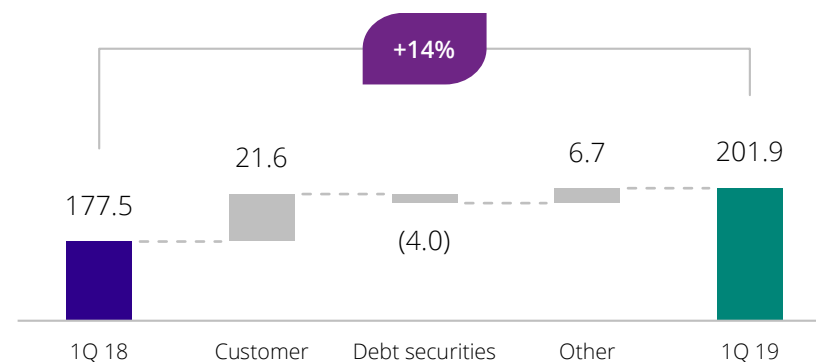
- Total assets increased by 12% YoY driven by accelerating loan growth
- Loans rose by 12% YoY from both commercial (+16%) and consumer loans (+10%), reflecting increased economic activity and the bank transformation push
- Total Deposits increased by 14% YoY from both demand and other deposits (+10%) and time deposits (+20%)

SAR (mn)	1Q 2019	4Q 2018	QoQ % change	1Q 2018	YoY % change
Cash and balances with SAMA and financial institutions	27,708	27,352	+1%	21,277	+30%
Investments, net	49,294	47,993	+3%	46,714	+6%
Loans and advances, net	158,242	151,025	+5%	141,222	+12%
<b>Total assets</b>	<b>239,517</b>	<b>229,900</b>	<b>+4%</b>	<b>213,670</b>	<b>+12%</b>
Customer deposits	173,491	169,822	+2%	151,921	+14%
Debt securities in issue	4,046	4,004	+1%	8,049	-50%
<b>Total liabilities</b>	<b>201,872</b>	<b>193,125</b>	<b>+5%</b>	<b>177,501</b>	<b>+14%</b>
<b>Total shareholders' equity</b>	<b>37,645</b>	<b>36,774</b>	<b>+2%</b>	<b>36,169</b>	<b>+4%</b>
Risk weighted assets	232,405	227,915	+2%	216,201	+7%
Tier 1 ratio	16.2%	16.1%	+0%	16.7%	-3%
Loans to deposits ratio (incl. Sukuk)	89.1%	86.9%	+3%	88.3%	+1%

## Total Assets Growth Drivers (SARbn)



## Total Liabilities Growth Drivers (SARbn)





# Financial Highlights – Income Statement

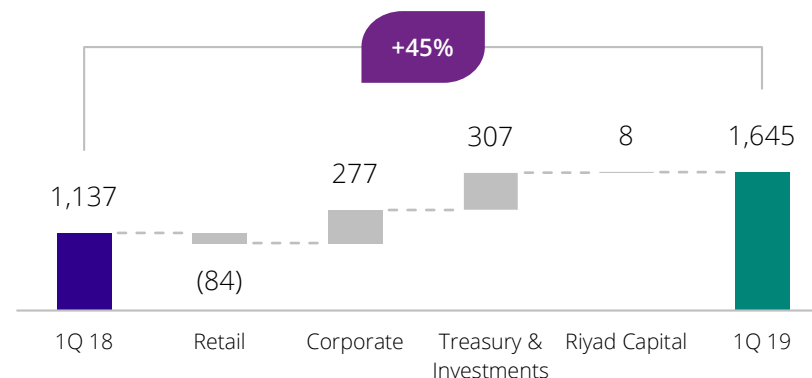
Healthy 1Q 2019 profit improvement driven by income growth

## Highlights

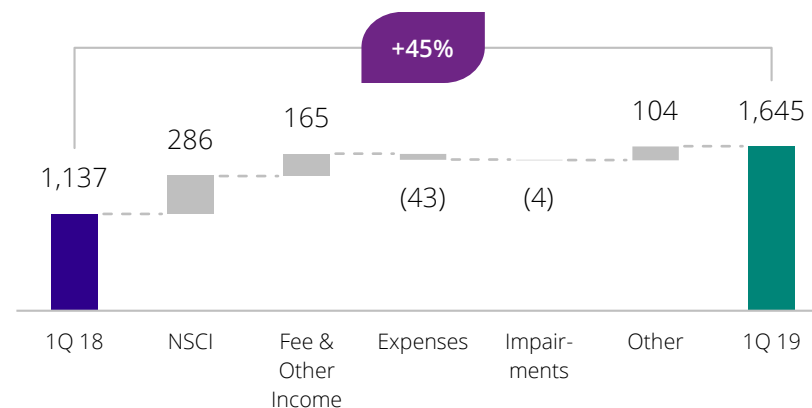
- 1Q 2019 Net income increased by 45% YoY from 21% total operating income growth, partly offset by an increase in total impairments of 2%, and an increase in operating expenses of 5% due to investment in growth initiatives
- On a segmental basis, YoY profit growth was driven by Treasury & Investments (+75%), Corporate (+73%) and Riyad Capital (+15%), partly offset by lower Retail Banking (-28%)
- 1Q 2019 Net income improved by 22% over 4Q 2018 from 8% income growth and improved efficiency, partially offset by increased impairments

SAR (mn)	1Q 2019	4Q 2018	QoQ % change	1Q 2018	YoY % change
Net special commission income	1,809	1,758	+3%	1,523	+19%
Fee and other income	771	625	+23%	606	+27%
<b>Total operating income, net</b>	<b>2,580</b>	<b>2,383</b>	<b>+8%</b>	<b>2,130</b>	<b>+21%</b>
Operating expenses	(845)	(904)	-6%	(802)	+5%
Impairment charge for credit losses and other financial assets, net	(211)	(142)	+49%	(160)	+32%
Impairment charge for investments, net	3	2	+50%	(45)	-106%
<b>Net operating income</b>	<b>1,526</b>	<b>1,339</b>	<b>+14%</b>	<b>1,123</b>	<b>+36%</b>
<b>Net income for the period</b>	<b>1,645</b>	<b>1,352</b>	<b>+22%</b>	<b>1,137</b>	<b>+45%</b>
EPS	0.55	0.45	+22%	0.38	+45%
NSCI margin	3.44%	3.42%	+0%	3.14%	+10%
Cost to income ratio	32.8%	37.9%	-14%	37.7%	-13%

## Net Income Growth Drivers by Segment (SARmn)



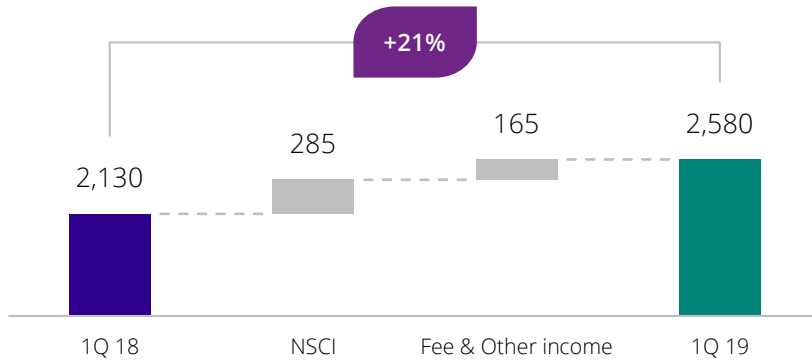
## Net Income Growth Drivers by Type (SARmn)



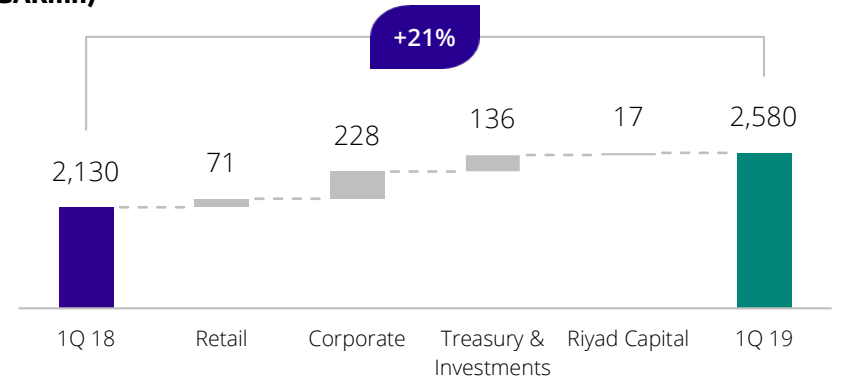
# Income Trends

Strong income growth from margin expansion and balance sheet growth

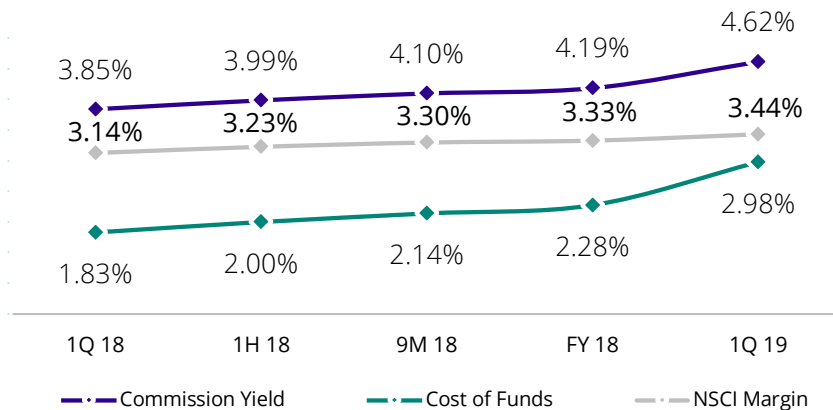
**Total Operating Income Growth Drivers by Type (SARmn)**



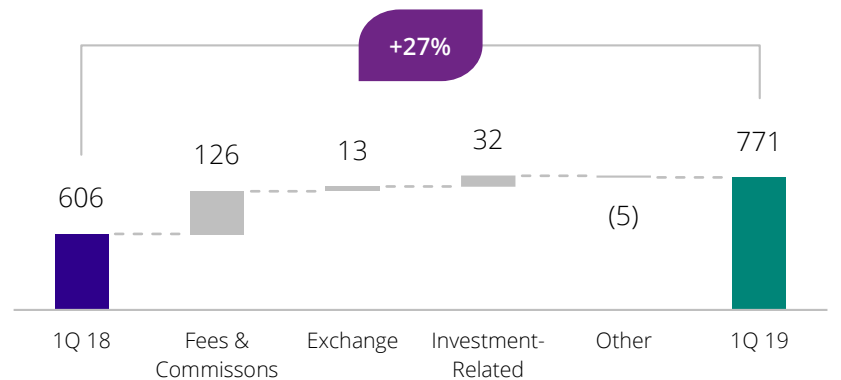
**Total Operating Income Growth Drivers by Segment (SARmn)**



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



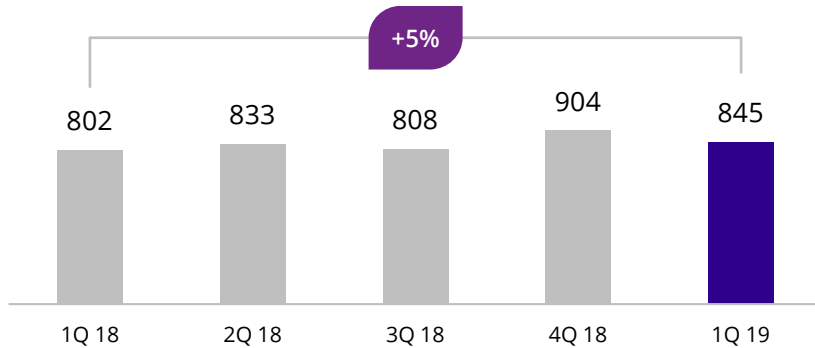
**Fee & Other Income Growth Drivers by Type (SARmn)**



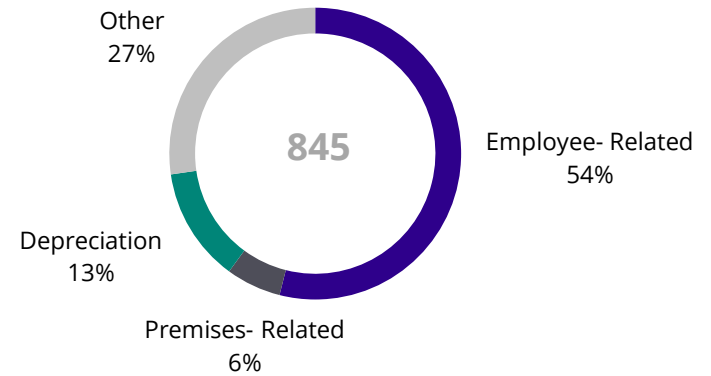
# Expenses Trends

Increased costs from investments in the Bank's transformation program, but yielding improved efficiency

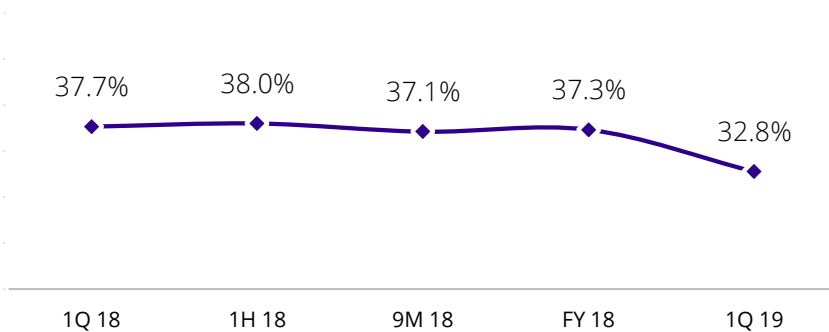
**Operating Expenses (SARmn)**



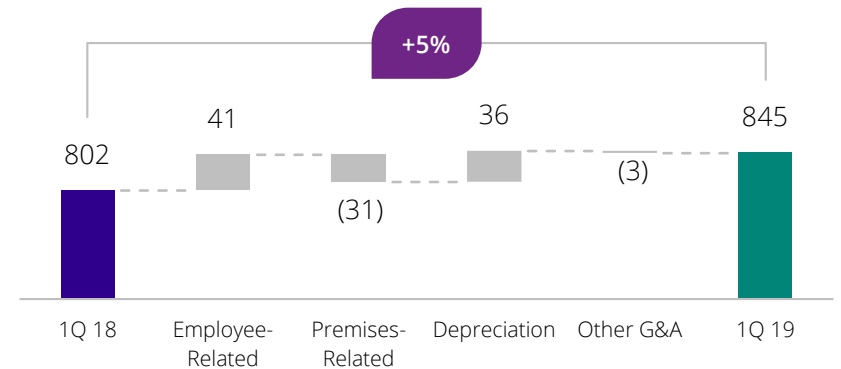
**1Q 19 Operating Expenses Mix by Type (SARmn)**



**Cost to Income Ratio (YTD %)**



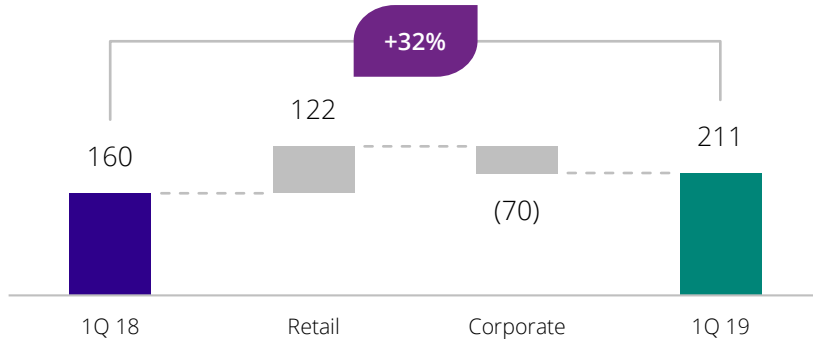
**Operating Expenses Growth Drivers by Type (SARmn)**



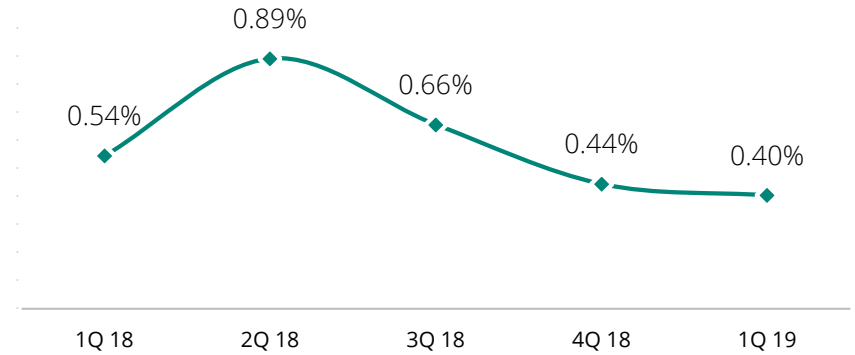
# Credit Quality

1Q 2019 cost of risk improved by 4 bps QoQ to 0.40%

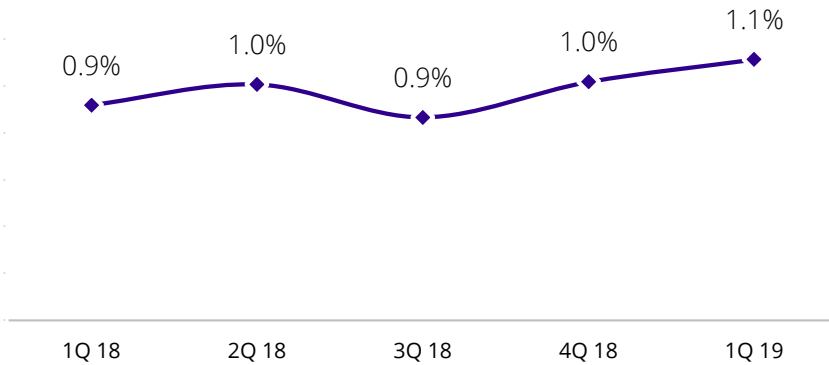
**Impairment Charge Drivers by Segment (SARmn)**



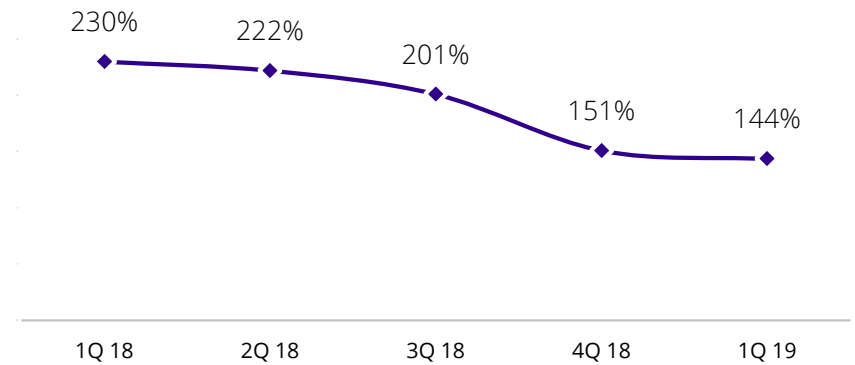
**Cost of Risk (%)**



**NPL Ratio (%)**



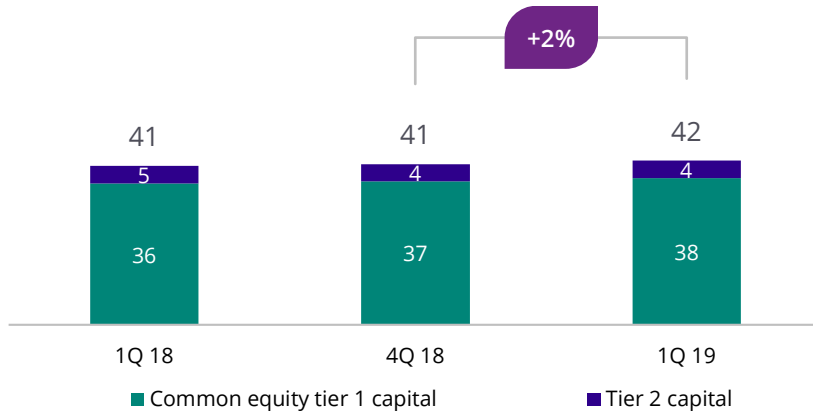
**NPL Coverage (%)**



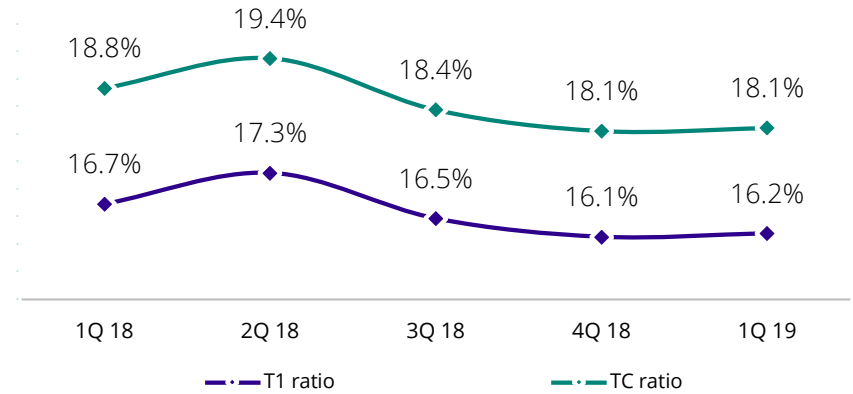
# Capitalisation & Liquidity

Capitalisation and liquidity comfortably within regulatory limits

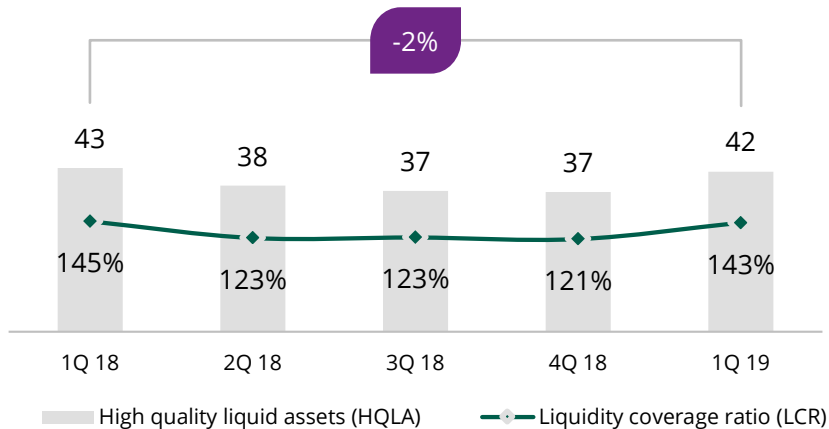
**Capitalisation (SARbn)**



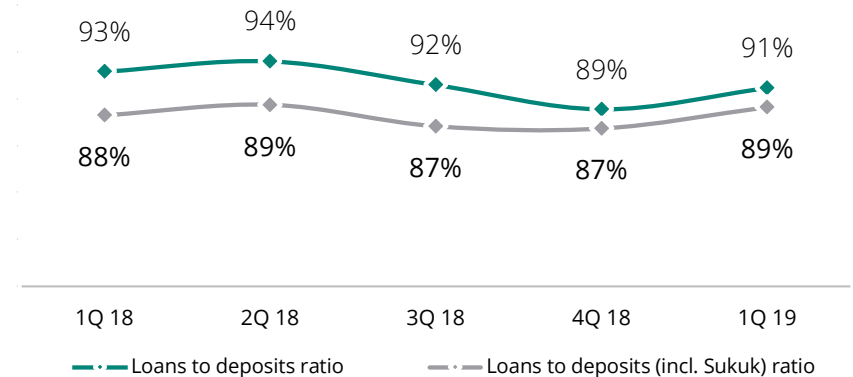
**Capital Ratios (%)**



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



**Loans to Deposit Ratios (%)**



# Riyad Bank Guidance

Outcome for FY 2019 is expected to mirror 1Q 2019

Guidance Metric	2018	1Q 2019	2019 Guidance
Loans, Net	SAR 151 Bn	SAR158 Bn	Low double digit % growth
Net Profit Margin (%)	3.33%	3.44%	+10bps to 15bps
Cost to Income (%)	37.9%	32.8%	Below 35%
Cost of Risk (%)	0.44%	0.40%	0.40% to 0.50%
CET1 (%)	16.1%	16.2%	16.0% to 16.4%

# Q&A

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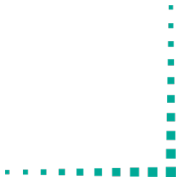
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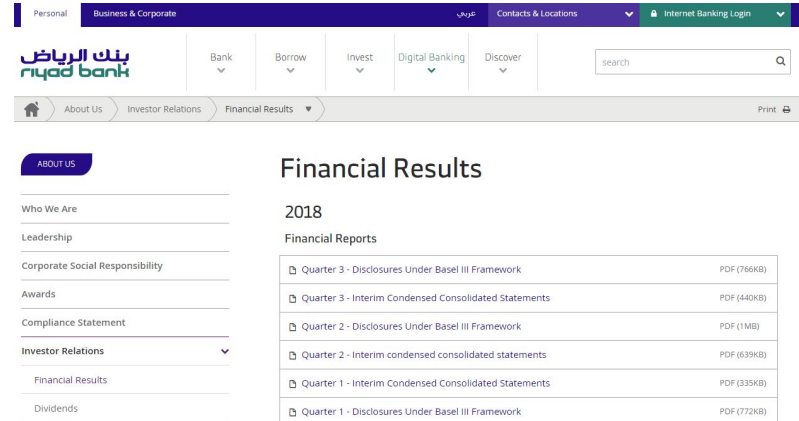
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**Financial Results**

2018

Financial Reports

Quarter 3 - Disclosures Under Basel III Framework	PDF (766KB)
Quarter 3 - Interim Condensed Consolidated Statements	PDF (440KB)
Quarter 2 - Disclosures Under Basel III Framework	PDF (1MB)
Quarter 2 - Interim condensed consolidated statements	PDF (639KB)
Quarter 1 - Interim Condensed Consolidated Statements	PDF (335KB)
Quarter 1 - Disclosures Under Basel III Framework	PDF (772KB)

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