

# Results Presentation

## 2Q 2019 Earnings Call

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

 Riyadh, 5 August 2019

# Riyad Bank delivered a strong financial performance in 1H 2019

Four areas of focus for today's earnings call

## 1. Transformation Plan Update

- Retail Sales
- Corporate Sales
- Performance Culture
- Innovation

## 2. Financial Performance

- Net loans grew 7% YTD to SAR 161.3 billion
- Total Deposits grew 4% YTD to SAR 176.5 billion
- Total Operating Income grew 22% to SAR 5,250 million for 1H 2019 on improved margin and balance sheet expansion
- Efficiency ratio improved to 31.7% from 38.1%
- 1H 2019 net income after Zakat grew 70% and before Zakat grew 51%

**2Q 2019**

## 4. Outlook

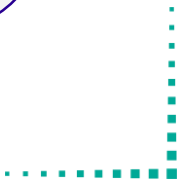
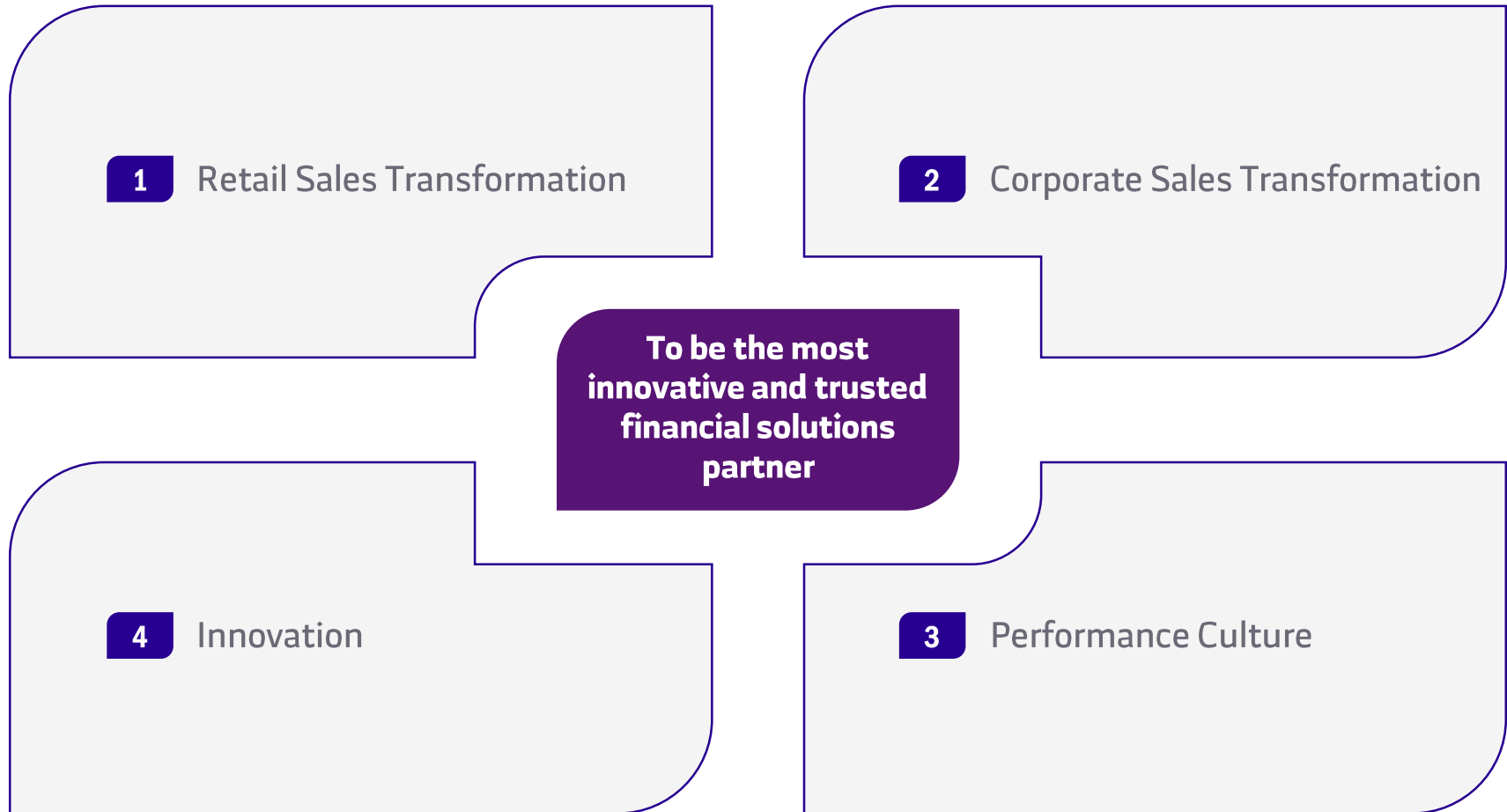
- Improved customer activity and sentiment witnessed in 2Q 2019 expected to continue for remainder of the year, backed by benign economic environment and the Bank's favorable alignment with Vision 2030 initiatives
- Outlook for FY 2019 is expected to remain unchanged

## 3. Asset Quality, Capital & Liquidity

- Cost of Risk improved to 0.56% for 1H 2019 from 0.73%
- Capitalization remained strong with CET1 of 16.5% and total CAR of 18.4%
- LCR of 150% and LDR (incl. Sukuk) of 89%

# There are four key themes to our Transformation program

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

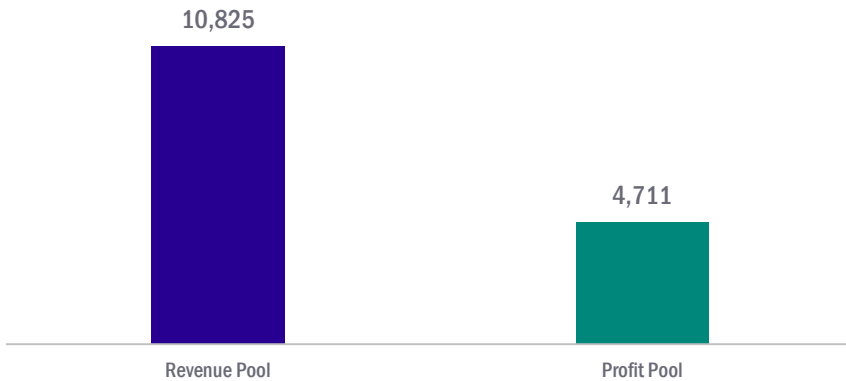


# 1 Retail Sales Transformation

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

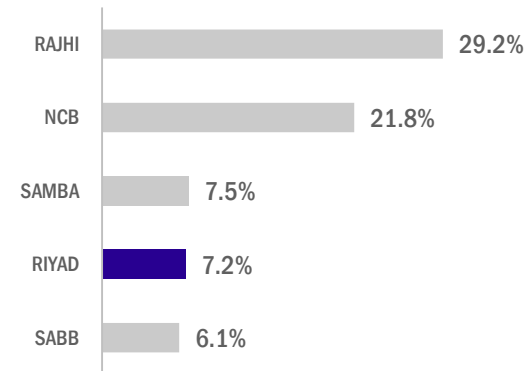
## Market Potential - KSA Retail Banking

1Q 2019 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

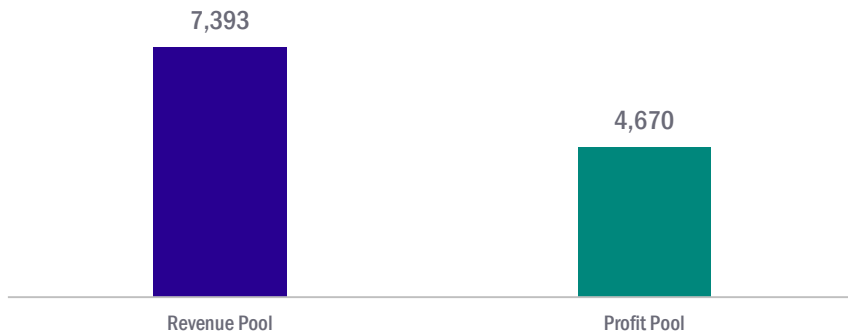
- Ranked 1st for Mortgage off plan product with REDF
- 2nd highest sales contribution of Mortgage Loans through REDF platform
- Digitized key customer journeys incl. personal finance, credit card and Western Union Remittance
- FTE sales productivity improved by 23% - FY 2018
- Strengthen assets product 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

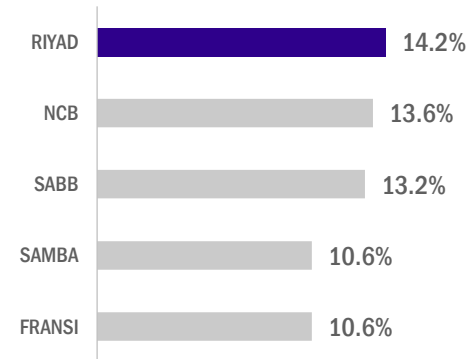
### Market Potential - KSA Corporate Banking

1Q 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 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

### Key Achievements

- Total operating income for H1 2019 increased by 21% 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 84% in H1 2019 compare to same period last year

# 3 Performance Culture

We are energising the entire organization to achieve our ambition

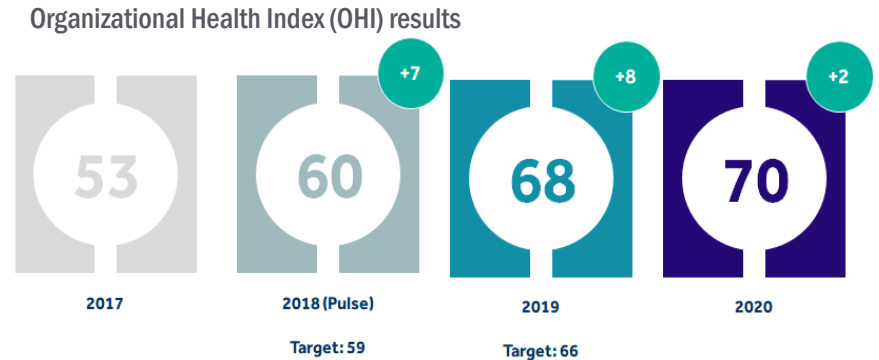
Shifting the bank's culture requires closing three gaps



## 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

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

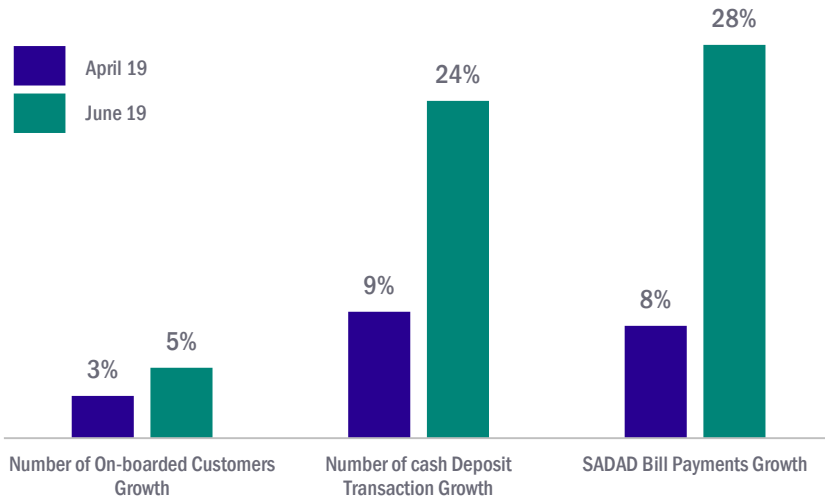
## Key Achievements

- Human Capital roadshows visited over 69 Bank sites and presented to over 2600 employees
- Riyad Capital performance management process and HR systems aligned with Riyad Bank
- Succession plans in place for all critical positions, as identified through the Riyad Bank Leaders 2022 initiative
- Completed first cycle of executive leadership programme
- Performance improvement plans implemented for first batch of marginal performers

# 4 Innovation

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

Digital Onboarding Growth % Trend during 2Q 2019



- Online Account Opening
- Auto-Saving
- Voice Banking
- Digital for Students
- Riyadh Pay
- Auto Dialer
- Virtual Card
- Apply Credit Card
- Apply Personal Loan

## 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

- Implement Account Opening online without visiting branch for Individuals
- Implement “Apply Online for Overdraft” & Apple Pay
- Obtain the approval of the Digital Partnership Program & sign MOU with Monsha’at
- Obtain the approval of the FinTech VC

# Financial Highlights – Balance Sheet

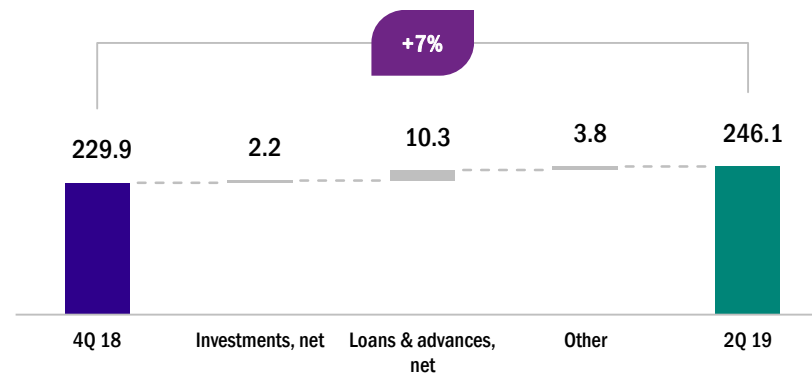
Healthy balance sheet growth from improved economic environment and early progress with transformation initiatives

## Highlights

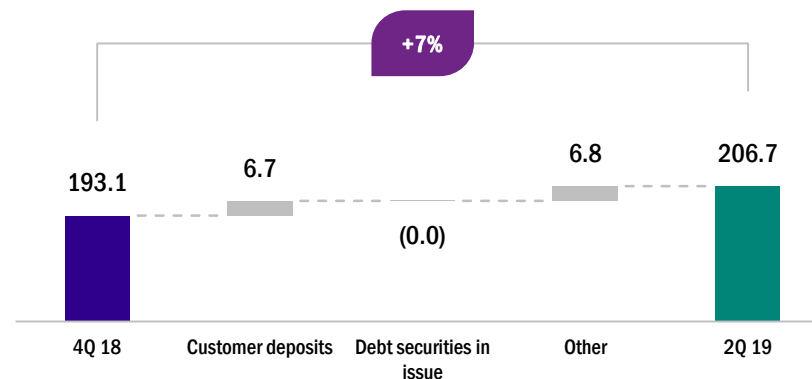
- Total assets increased by 7% in 2019 YTD as principally from a 7% increase in net loans and advances
- The 7% net loan growth in 2019 YTD comprised both commercial (+6%) and consumer loans (+11%) expansion, reflecting an improved business performance.
- Deposits increased by 4% in 2019 YTD from both demand and other deposits (+4%) and time deposits (+5%)

SAR (mn)	2Q 2019	1Q 2019	QoQ % change	4Q 2018	YTD % change
Cash and balances with SAMA and financial institutions	28,959	27,708	+5%	27,352	+6%
Investments, net	50,153	49,294	+2%	47,993	+5%
Loans and advances, net	161,325	158,242	+2%	151,025	+7%
<b>Total assets</b>	<b>246,116</b>	<b>239,517</b>	<b>+3%</b>	<b>229,900</b>	<b>+7%</b>
Customer deposits	176,510	173,491	+2%	169,822	+4%
Debt securities in issue	4,003	4,046	-1%	4,004	-0%
<b>Total liabilities</b>	<b>206,688</b>	<b>201,872</b>	<b>+2%</b>	<b>193,125</b>	<b>+7%</b>
<b>Total shareholders' equity</b>	<b>39,428</b>	<b>37,645</b>	<b>+5%</b>	<b>36,774</b>	<b>+7%</b>
Risk weighted assets	238,446	232,405	+3%	227,915	+5%
Tier 1 ratio	16.5%	16.2%	+2%	16.1%	+2%
Loans to deposits ratio (incl. Sukuk)	89.4%	89.1%	+0%	86.9%	+3%

## Total Assets Growth Drivers (SARbn)



## Total Liabilities Growth Drivers (SARbn)





# Financial Highlights – Income Statement

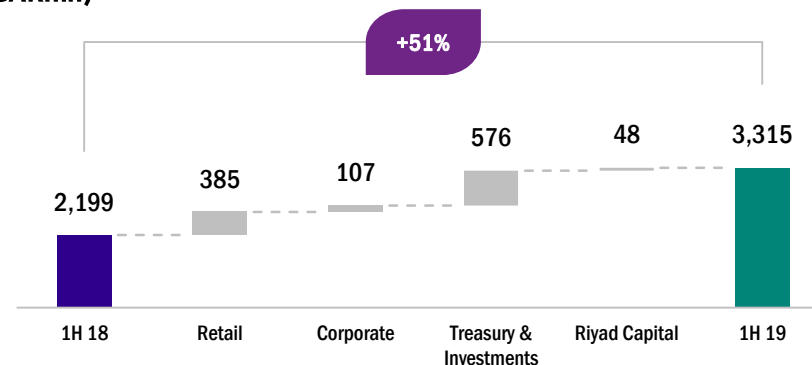
## 1H 2019 profit improvement driven by income growth and lower impairments

### Highlights

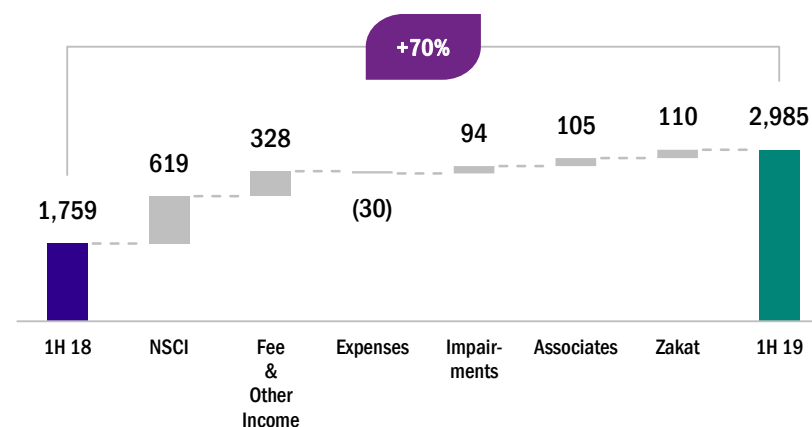
- During 2Q 2019, the accounting treatment for Zakat was amended to be recognized in the income statement rather than statement of changes in equity under retained earnings
- 1H 2019 Net income increased 70% YoY driven mainly by strong growth in total operating income of 22%
- Dividends 1H 2019 recommended at SAR 1,560 million (DPS 0.52), up 41% YoY and representing a 52% pay-out of earnings after Zakat

SAR (mn)	2Q 2019	1Q 2019	QoQ % change	2Q 2018	YoY % change
Net special commission income	1,963	1,809	+9%	1,630	+20%
Fee and other income	707	771	-8%	544	+30%
<b>Total operating income, net</b>	<b>2,670</b>	<b>2,580</b>	<b>+3%</b>	<b>2,174</b>	<b>+23%</b>
Operating expenses	(820)	(845)	-3%	(833)	-2%
Impairment charge for credit losses and other financial assets	(228)	(211)	+8%	(318)	-28%
Impairment (charge)/reversal for investment	35	3	+1085%	27	+29%
<b>Net operating income</b>	<b>1,656</b>	<b>1,526</b>	<b>+8%</b>	<b>1,049</b>	<b>+58%</b>
Share of earnings of associates	14	118	-88%	13	+3%
<b>Net income for the period before Zakat</b>	<b>1,670</b>	<b>1,645</b>	<b>+2%</b>	<b>1,062</b>	<b>+57%</b>
Zakat for the period	170	160	+6%	220	-23%
<b>Net income for the period</b>	<b>1,500</b>	<b>1,485</b>	<b>+1%</b>	<b>842</b>	<b>+78%</b>
EPS	0.50	0.49	+1%	0.28	+78%

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



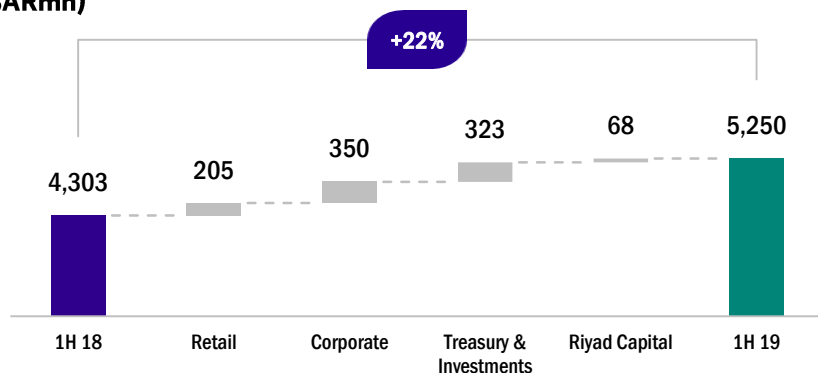
### Net Income Growth Drivers by Type (SARmn)



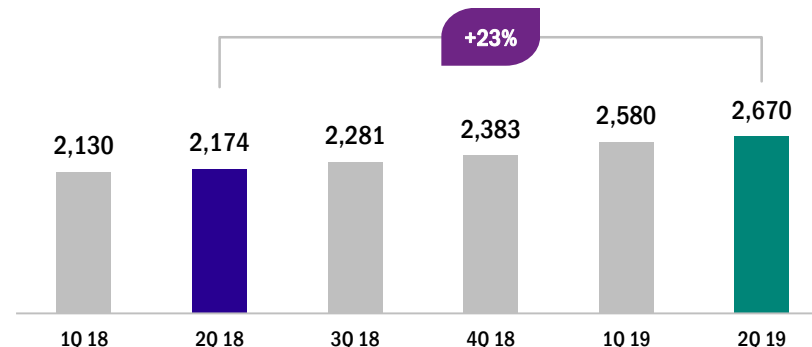
# Income Trends

Strong income growth from margin expansion and balance sheet growth

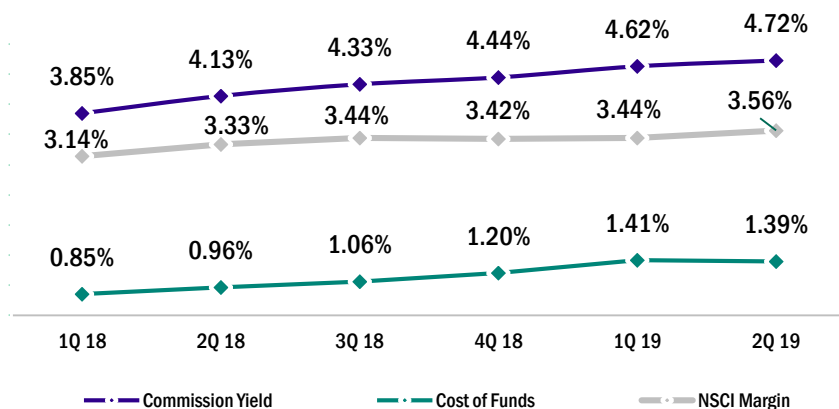
**Total Operating Income Growth Drivers by Segment (SARmn)**



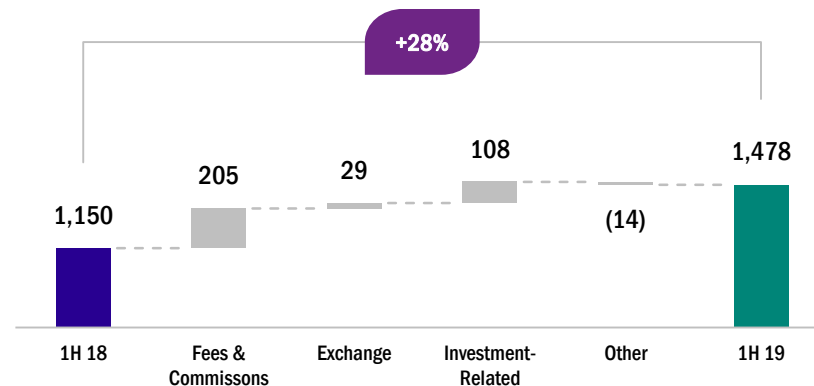
**Total Operating Income, Net (SARmn)**



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



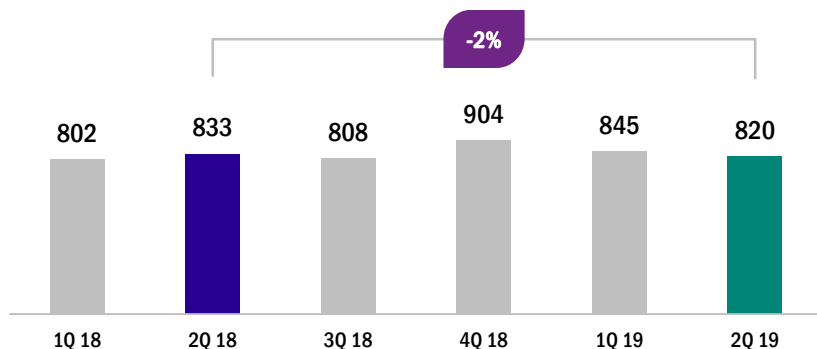
**Fee & Other Income Growth Drivers by Type (SARmn)**



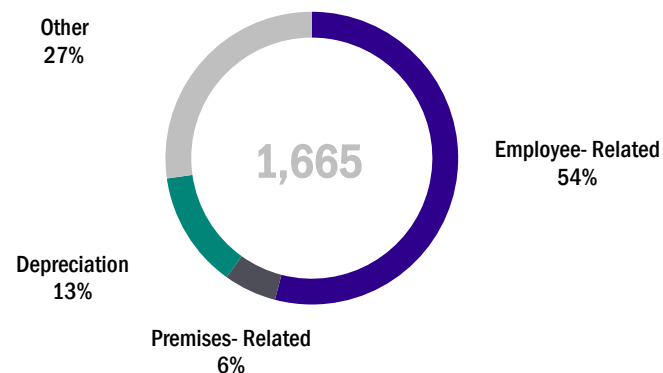
# Expenses Trends

Improved cost efficiency despite investment in the Bank's transformation program

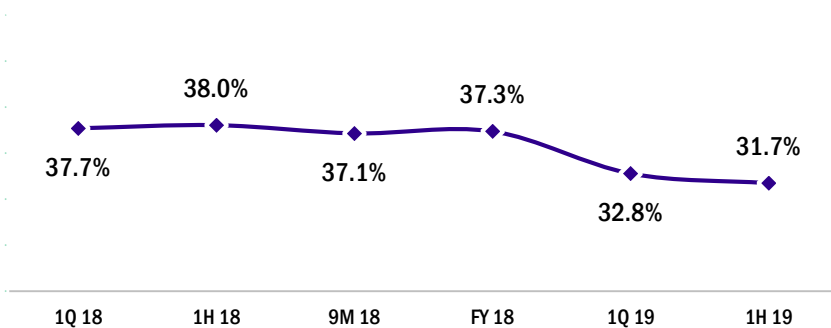
Operating Expenses (SARmn)



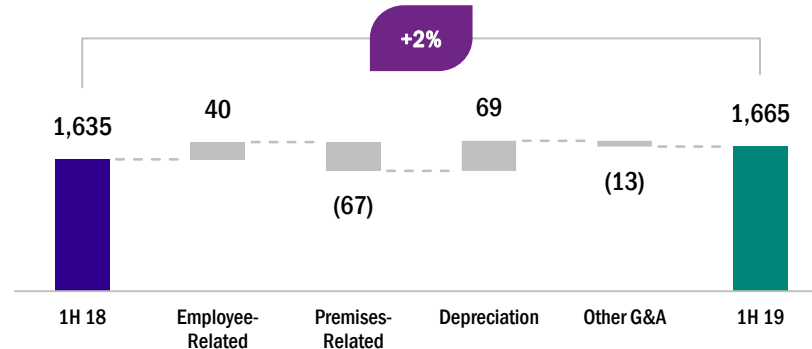
1H 19 Operating Expenses Mix by Type (SARmn)



Cost to Income Ratio (YTD %)



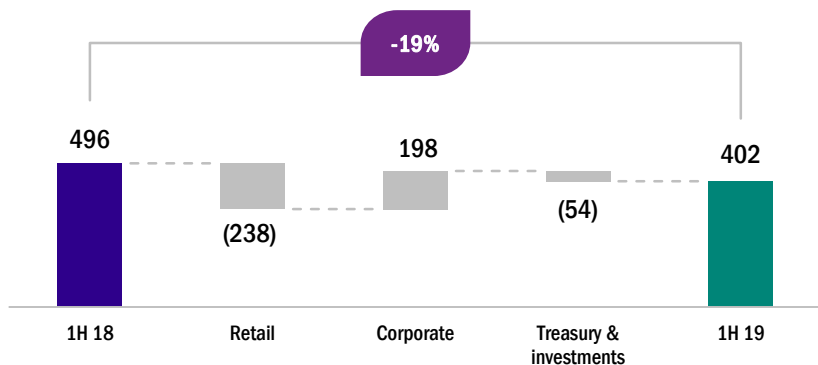
Operating Expenses Growth Drivers by Type (SARmn)



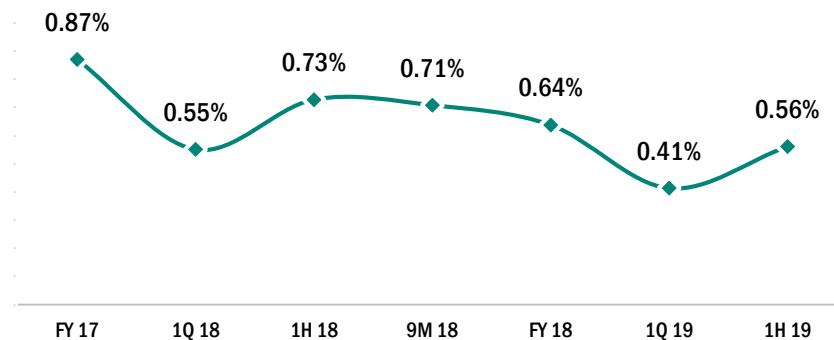
# Credit Quality

Credit costs improved and non-performing loans ratio remained stable during 1H 2019

Impairment Charge Drivers by Segment (SARmn)

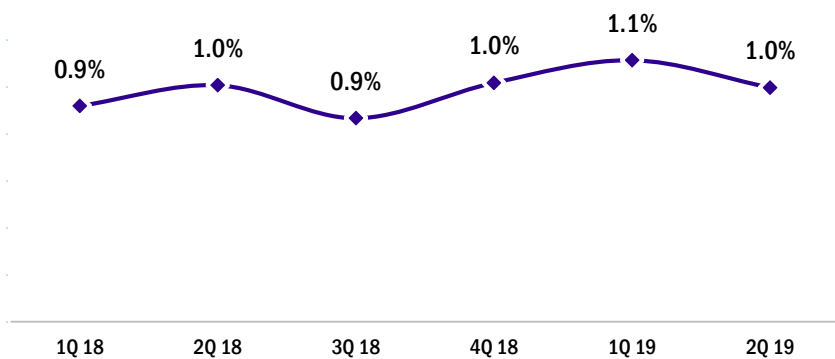


Cost of Risk (YTD %)\*

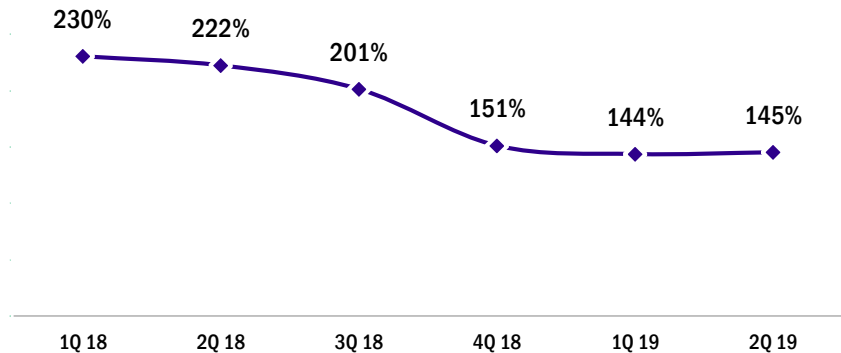


\*Cost of Risk calculation = 
$$\frac{\text{Annualized YTD Impairment charge for credit losses}}{\text{Avg gross loans and advances}}$$

NPL Ratio (%)



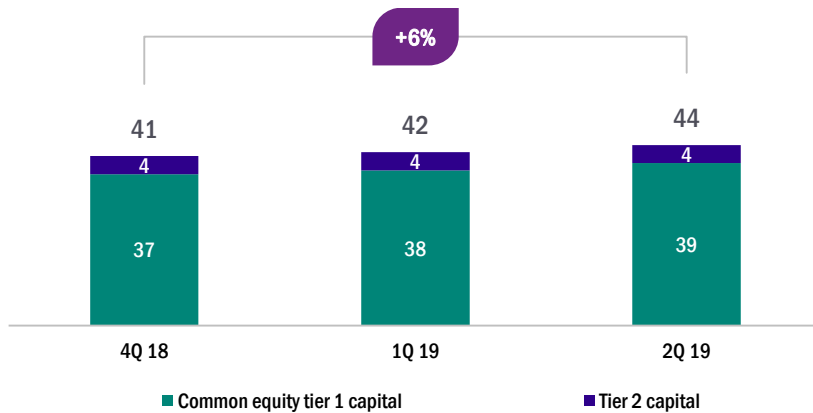
NPL Coverage (%)



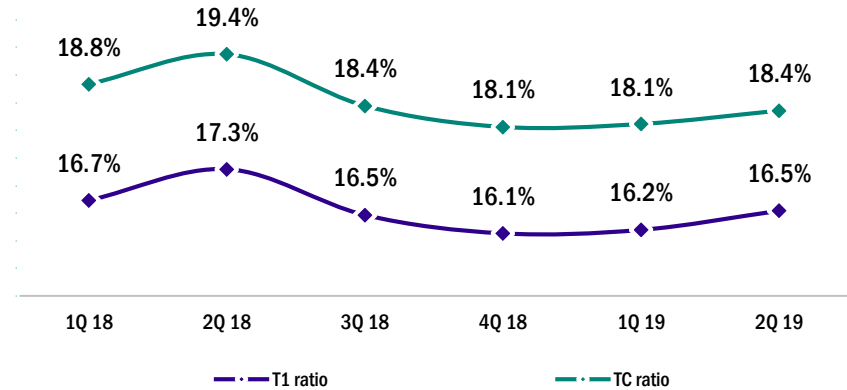
# Capitalization and Liquidity

Capitalization and liquidity remain comfortably within regulatory requirements

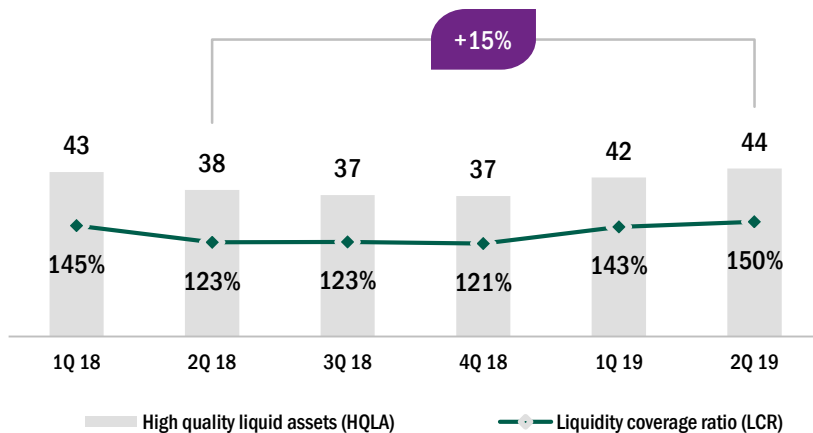
## Capitalization (SARbn)



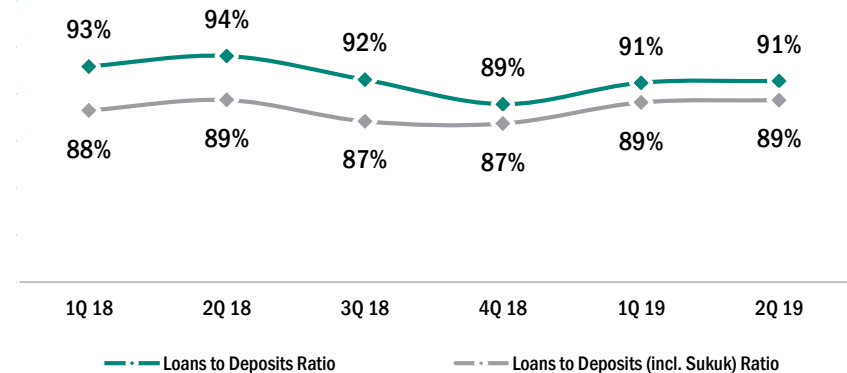
## Capital Ratios (%)



## HQLA and Liquidity Coverage (SARbn/%)



## Loans to Deposit Ratios (%)



# Riyad Bank Guidance

Outlook for FY 2019 is expected to remain unchanged

<i>Guidance Metric</i>	2018	1H 2019	2019 Guidance
Loans, Net	SAR 151 Bn	SAR161 Bn (+7% YTD)	Low double digit % growth
NSCI Margin (%)	3.33%	3.49%	+10bps to 15bps
Cost to Income (%)	37.3%	31.7%	Below 35%
Cost of Risk (%)	0.64%	0.56%	0.40% to 0.60%*
CET1 (%)	16.1%	16.5%	16.0% to 16.4%

\* Based on new calculation



# Q&A



# Riyad Bank Contact

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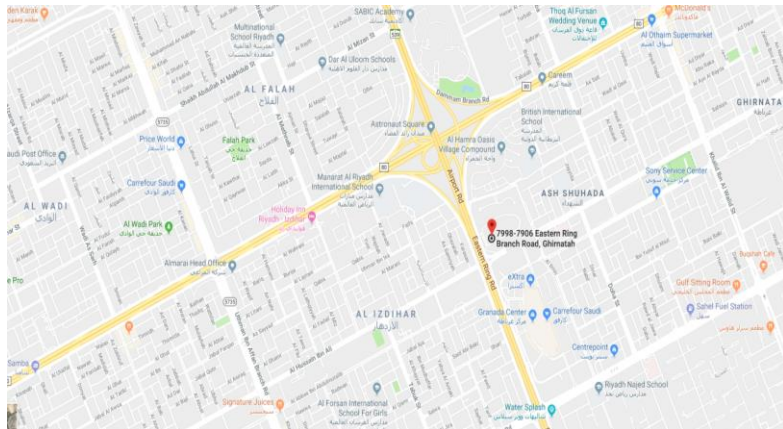
<https://www.riyadbank.com/en/about-us/investor-relations>

The screenshot shows the Riyad Bank website interface. At the top, there are navigation tabs for 'Personal', 'Business & Corporate', and 'Internet Banking Login'. Below this is the Riyad Bank logo and a search bar. The main navigation menu includes 'About Us', 'Investor Relations', and 'Financial Results'. The 'Investor Relations' section is expanded, showing links for 'Who We Are', 'Leadership', 'Corporate Social Responsibility', 'Awards', 'Compliance Statement', 'Investor Relations', 'Financial Results', and 'Dividends'. The 'Financial Results' section is further detailed, showing '2018 Financial Reports' with a table of links to various reports.

Report Title	File Size
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 (11MB)
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)

Riyad Bank Head Office

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