

Results Presentation

3Q 2019 Earnings Call

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

Riyadh, 27 October 2019

Riyad Bank delivered a robust financial performance in 9M 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 10% YTD to SAR 166 billion
- Total Deposits grew 5% YTD to SAR 178 billion
- Total Operating Income grew 22% YTD to SAR 8,012 million
- Efficiency ratio remains within our comfort level at 32.0%
- Net income after Zakat grew 66% YTD

4

Outlook

- Improved customer activity and sentiment witnessed in 3Q 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

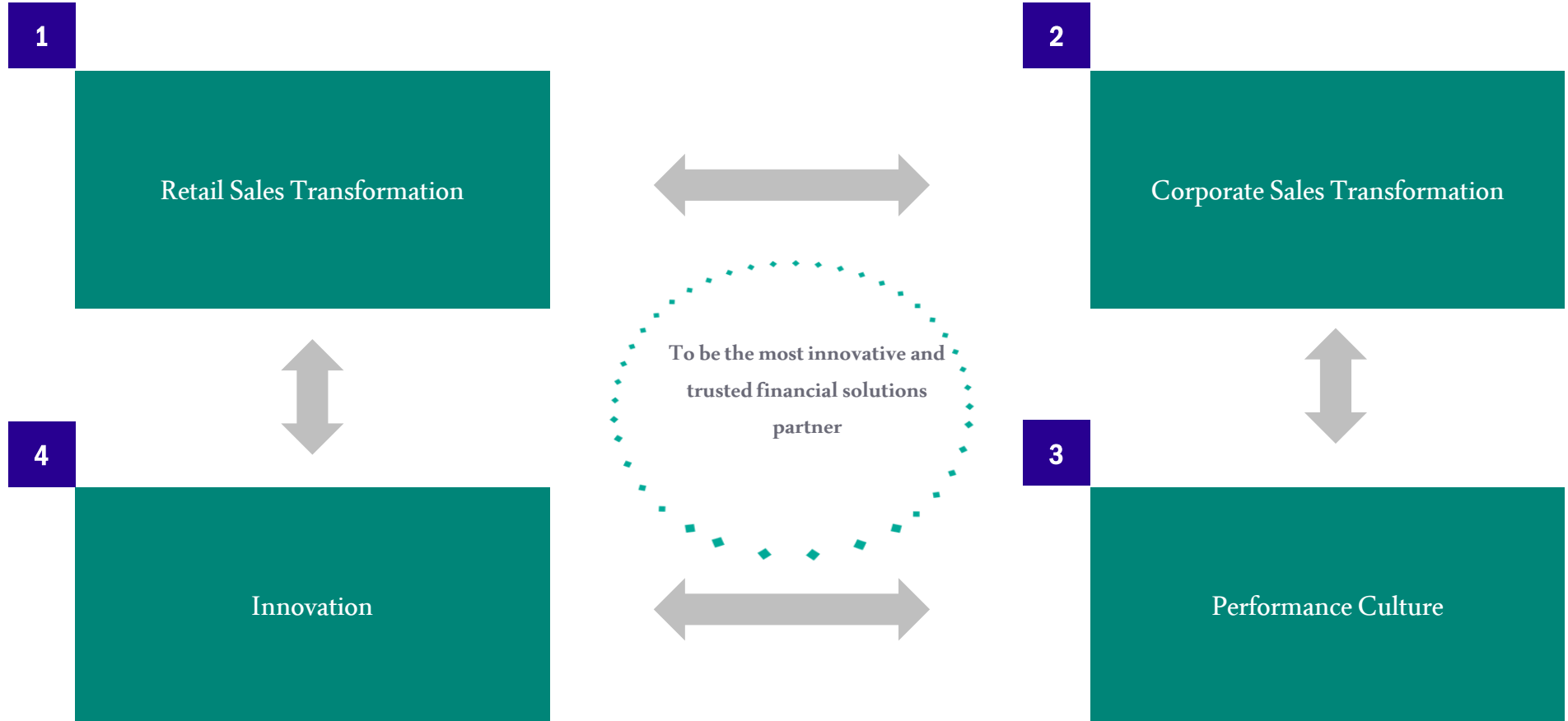
Asset Quality, Capital & Liquidity

- Cost of Risk improved to 0.53% for 9M 2019 from 0.71%
- Capitalization remained strong with CET1 of 16.1% and total CAR of 17.9%
- LCR of 165% and LDR (incl. Sukuk) of 91.5%*

*Regulatory LDR remains well within SAMA guidelines

Four key pillars of Riyad Bank's Transformation

To achieve the vision, the Bank is addressing gaps head-on

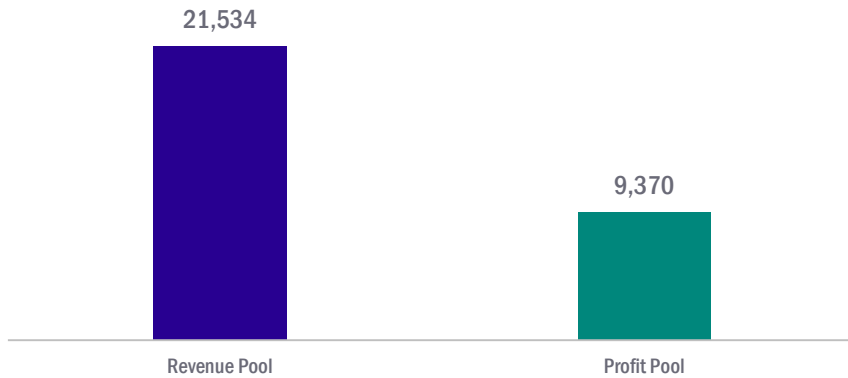


1 Retail Sales Transformation

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

Market Potential - KSA Retail Banking

1H 2019 Revenue and Profit Pool in SARmn



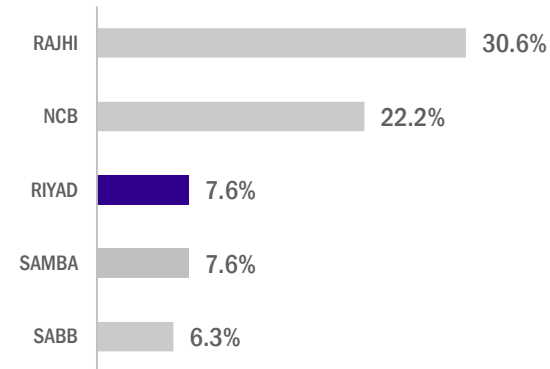
Retail Sales Transformation Priorities

- 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: 1H 2019 Financial Statements, Saudi Banks

Good challenger position

Top 5 Banks - Revenue Share in %



* Post SABB Alawal merger

Key Achievements

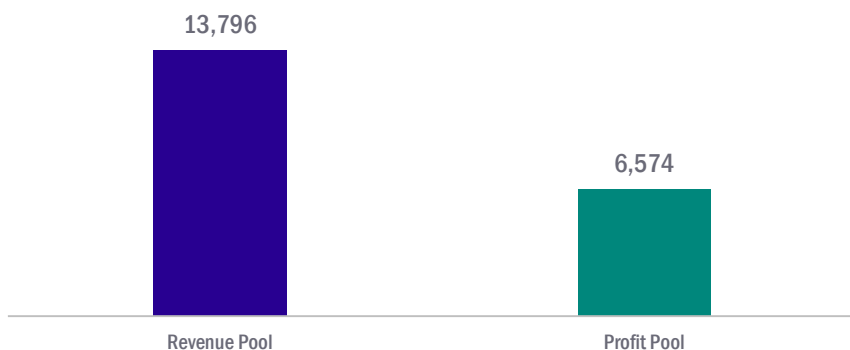
- Launched new version of Mobile Banking
- Fully digitized end to end account opening
- Digitized key customer journeys incl. personal finance, credit card and Western Union remittance
- Digital penetration increased to 33% - H1 2019
- Strengthen assets product suite with launch of Tahseel Overdraft 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

1H 2019 Revenue and Profit Pool in SARmn



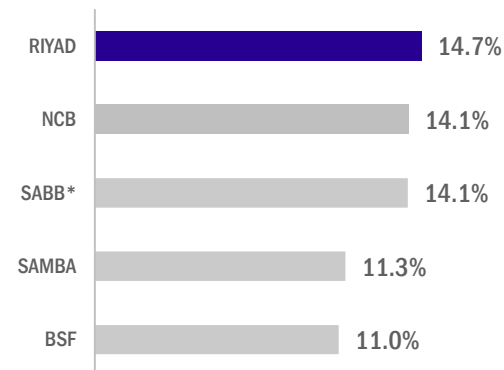
Corporate Sales Transformation Priorities

- 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

Source: 1H 2019 Financial Statements, Saudi Banks

Strong starting position

Top 5 Banks - Revenue Share in %



* Post SABB Alawal merger

Key Achievements

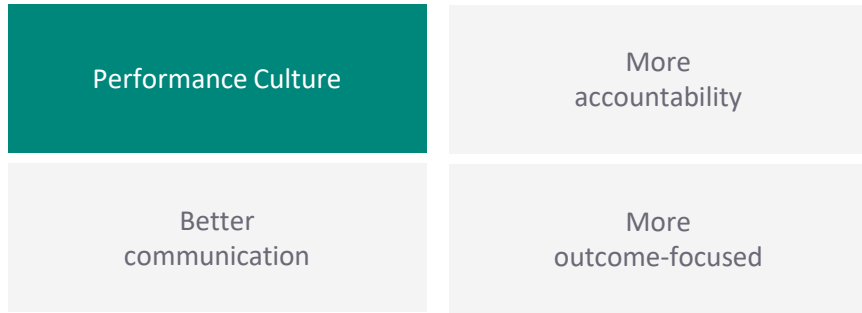
- During 1H 2019, despite the Total KSA Corporate Loans decreased by SAR 5 billion, Riyad Bank Loans increased by 9.5 billion.
- During 1H 2019, Riyad Bank share of Net Income increased from 10.3% to 14.7%.
- For Trade finance volumes, KSA Market size decreased by SAR 6.8 billion whereas Riyad Bank portfolio increased by SAR 1.9 billion, which resulted in an expansion of our market share.

3

Performance Culture

We are energising the entire organization to achieve our ambition

Shifting the bank's culture requires closing three gaps

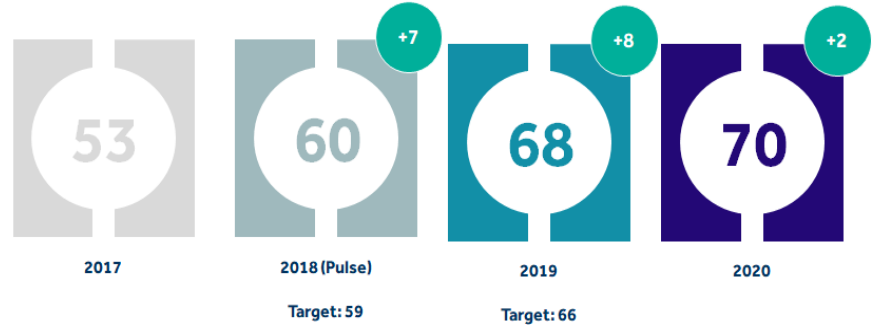


Performance Culture Priorities

- 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

Organizational Health Index (OHI) results



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

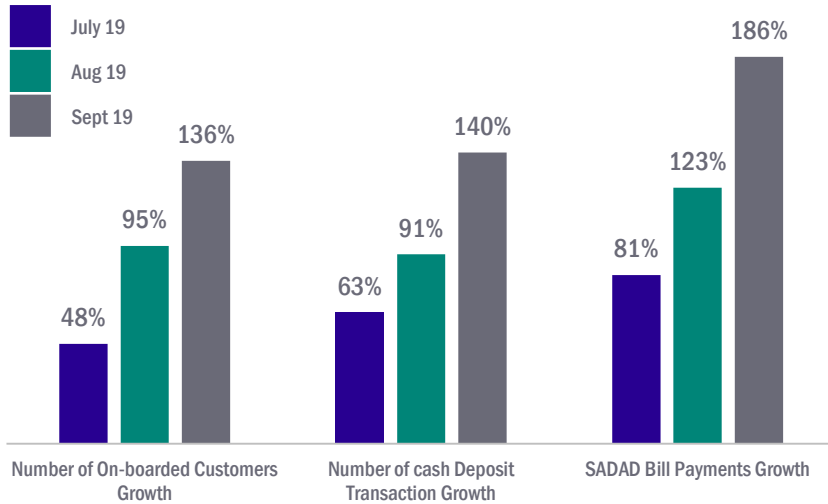
- Implementation of a Top Performers Retention Program that is designed to proactively retain and motivate high performers through a set of financial and non-financial benefits to employees rated "Above Expectation" and "Excellent".
- Development of a structured Employee Recognition program to increase levels of workplace motivation and engagement.
- 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.
- Extensive awareness for people managers to acquire Performance Management skills through a comprehensive and blended training solution such as broadcasted videos and Leaders' Performance Toolkit.

4

Innovation

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

Digital Onboarding Growth % Trend during 3Q 2019



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

Innovation Priorities

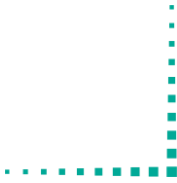
- To acquire new-to-bank customers through end-to-end digital onboarding journey
- To make a LEAP in digital sales & revenue
- To bring the next generation of support services by leveraging artificial intelligence (AI) and analytics
- To be the “Beloved Bank” for family, students and micro business
-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

Key Achievements

- Continue the improvement on Account Opening online without visiting branch for Individuals
- Release the new Self-Service (KIOSK)
- Implement debit card related services on Riyad Online with a delivery feature.
- 100 MSAR VC fund approved by CMA. Final nomination for 5 Fintech companies to be a business partner and a potential investment in Q4.
- Launched the Digital Partnership Program and platform will be live in November 2019

9M 2019 Key Highlights

9M 2019 Vs 9M 2018



Financial Highlights – Balance Sheet

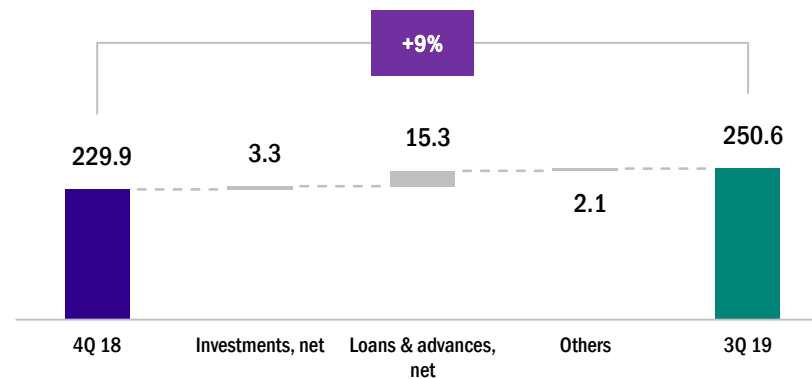
Healthy balance sheet growth from improved economic environment and focused execution of our transformation initiatives

Highlights

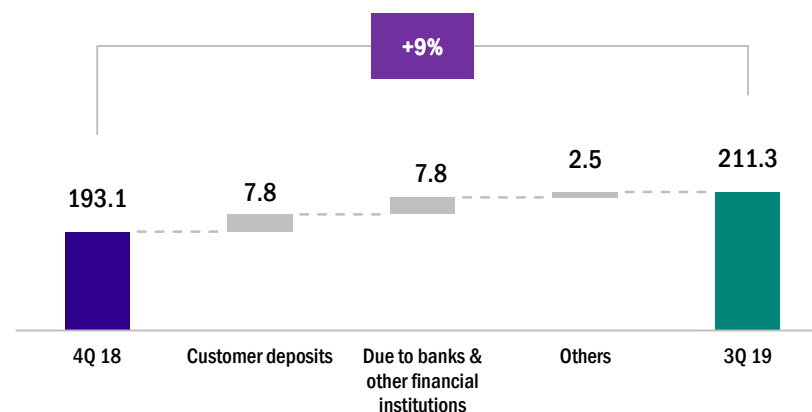
- Total assets increased by 9% in 2019 YTD as principally from a 10% increase in net loans and advances
- The 10% loan growth during 9M 2019 comprised both commercial (+7%) and consumer loans (+17%) expansion, reflecting an improved business performance .
- Deposits increased by 5% in 2019 YTD from both demand and other deposits (+6%) and time deposits (+17%)

SAR (mn)	3Q 2019	2Q 2019	QoQ % change	4Q 2018	YTD % change
Cash and balances with SAMA and financial institutions	26,803	28,959	-7%	27,352	-2%
Investments, net	51,314	50,153	+2%	47,993	+7%
Loans and advances, net	166,275	161,325	+3%	151,025	+10%
Total assets	250,573	246,116	+2%	229,900	+9%
Customer deposits	177,672	176,510	+1%	169,822	+5%
Debt securities in issue	4,043	4,003	+1%	4,004	+1%
Total liabilities	211,331	206,688	+2%	193,125	+9%
Total shareholders' equity	39,242	39,428	-0%	36,774	+7%
Risk weighted assets	244,074	238,446	+2%	227,915	+7%
Tier 1 ratio	16.1%	16.5%	-3%	16.1%	-0%
Loans to deposits ratio (incl. Sukuk)	91.5%	89.4%	+2%	86.9%	+5%

Total Assets Growth Drivers (SARbn)



Total Liabilities Growth Drivers (SARbn)



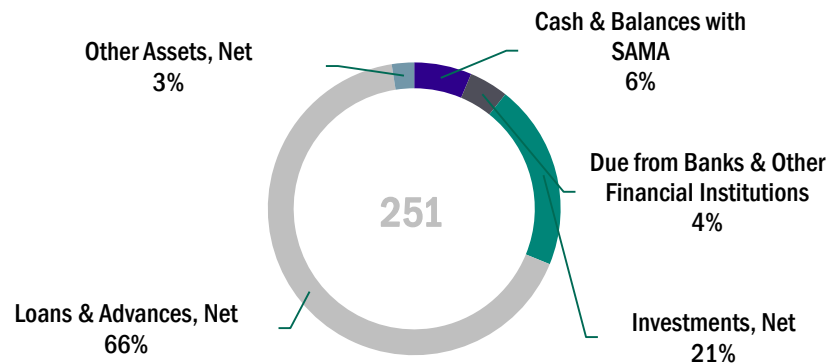
Assets & Lending

Strong loan growth reflecting increased economic activities

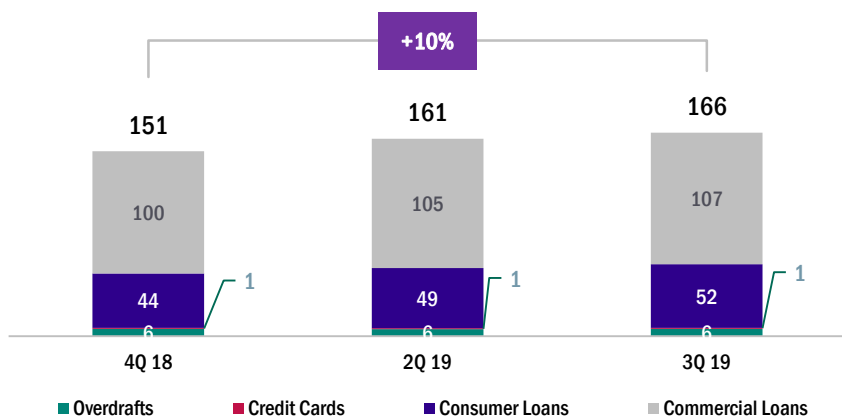
Highlights

- Total assets increased by 9% in 2019 YTD as principally from a 10% increase in net loans and advances
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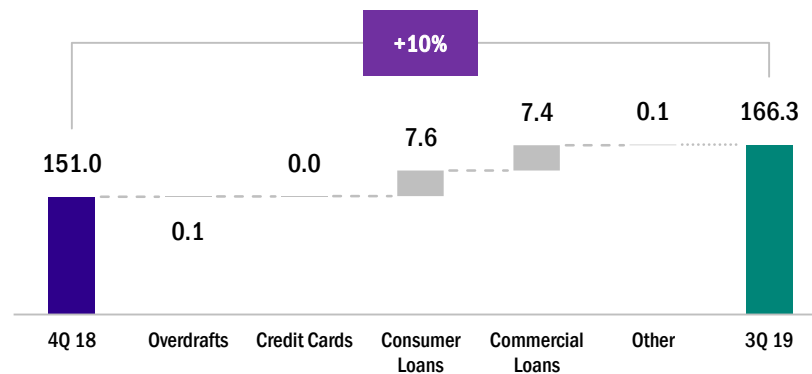
Total Assets Mix (SARbn)



Loans & Advances, Net by Type (SARbn)



Loans & Advances Growth Drivers (SARbn)



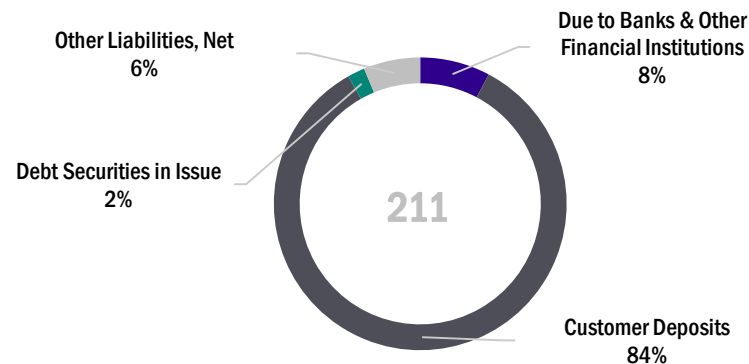
Liability and Funding

Continued strong growth in non commission bearing deposits

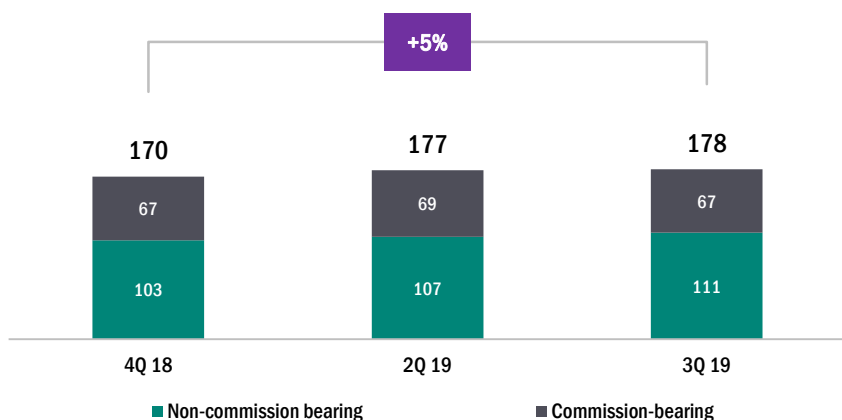
Highlights

- Customer deposits increased by 5% in 2019 YTD from demand and other deposits
- The percentage of non-commission bearing deposits to total deposits improved to 62% YTD

Total Liabilities Mix (SARbn)



Total Customer Deposits by Type (SARbn)



Customer Deposits Growth Drivers (SARbn)



Financial Highlights – Income Statement

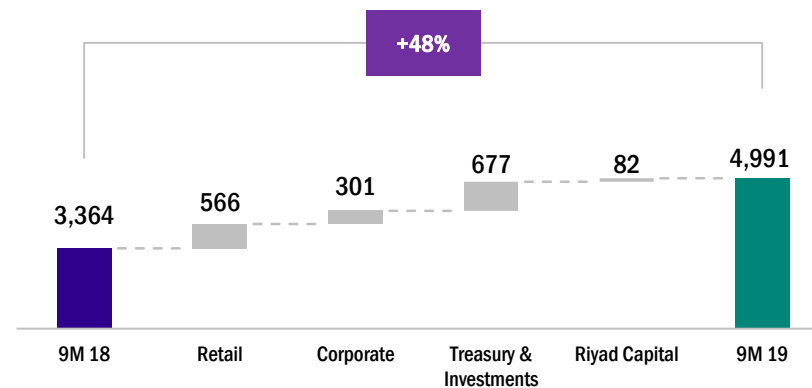
9M 2019 profit improvement driven by income growth and lower impairments

Highlights

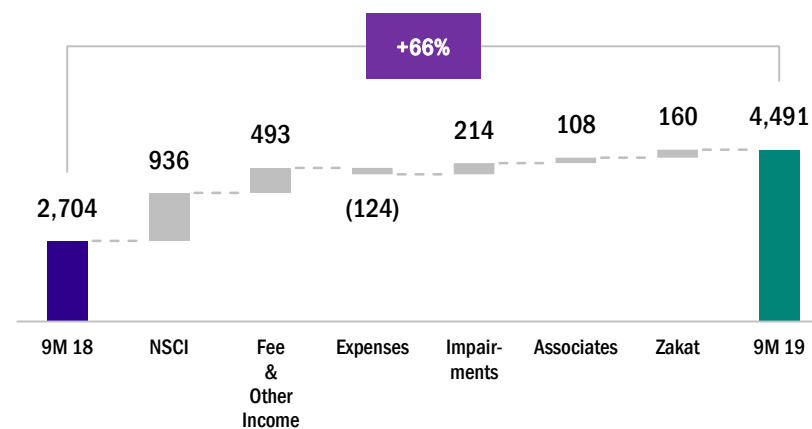
- 9M 2019 Net income increased by 66% YoY mainly driven by strong growth in total operating income of 22% and lower impairment charge on loan and investments.
- Operating income increased by 22% YoY on higher net special commission income and fee and other income.

SAR (mn)	3Q 2019	2Q 2019	QoQ % change	3Q 2018	YoY % change
Net special commission income	2,034	1,963	+4%	1,717	+18%
Fee and commission income	728	707	+3%	563	+29%
Total operating income, net	2,763	2,670	+3%	2,281	+21%
Operating expenses	(903)	(820)	+10%	(808)	+12%
Impairment charge for credit losses and other financial assets	(201)	(228)	-12%	(308)	-35%
Impairment charge for investment	4	35	-90%	(10)	-134%
Net operating income	1,662	1,656	+0%	1,154	+44%
Share of earnings of associates	14	14	+3%	11	+30%
Net income for the period before Zakat	1,676	1,670	+0%	1,165	+44%
Zakat for the period	170	170	+0%	220	-23%
Net income for the period	1,506	1,500	+0%	945	+59%
EPS	0.50	0.50	+0%	0.32	+59%
Cost to income ratio	32.7%	30.7%	+6%	35.4%	-8%

Net Income before Zakat Growth Drivers by Segment (SARmn)



Net Income Growth Drivers by Type (SARmn)



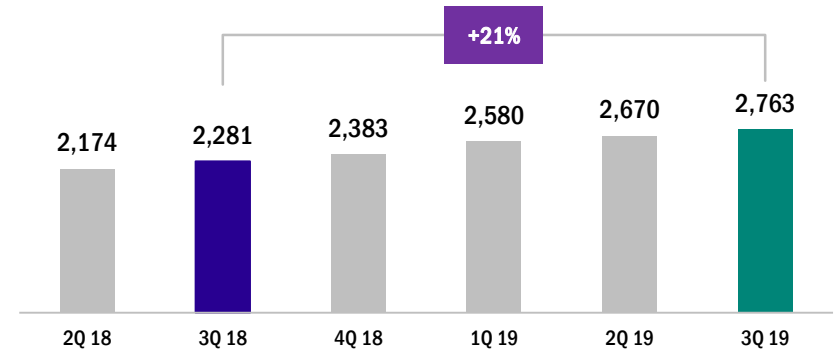
Income Trends (1)

9M 2019 Income growth across all business segments

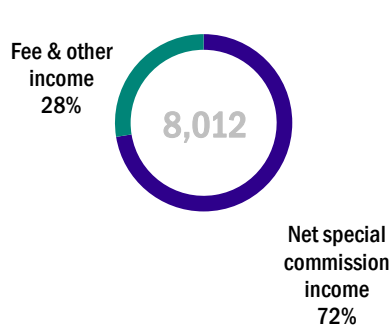
Highlights

- Total operating income for 9M 2019 rose by 22% YoY
- Income growth was driven by:
 - > Retail banking (+19%) across both fee and net special commission income due to growth in loans and deposits
 - > Corporate Banking (+20%) across both fee and net special commission income due to growth in volumes
 - > Treasury & Investments (+25%), from higher average investment balances and increased investment yields
 - > Riyadh Capital (+42%) mainly due to higher fee income from asset management activities

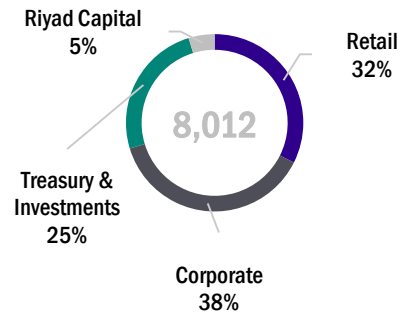
Total Operating Income, Net (SARmn)



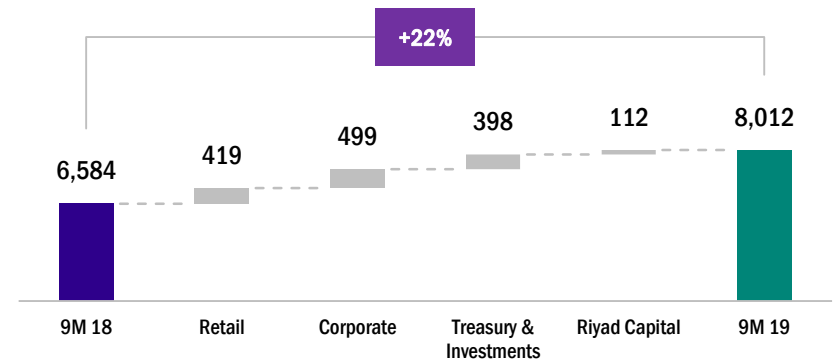
9M 19 Operating Income Mix by Type (SARmn)



9M 19 Operating Income Mix by Segment (SARmn)



Total Operating Income Growth Drivers by Segment (SARmn)



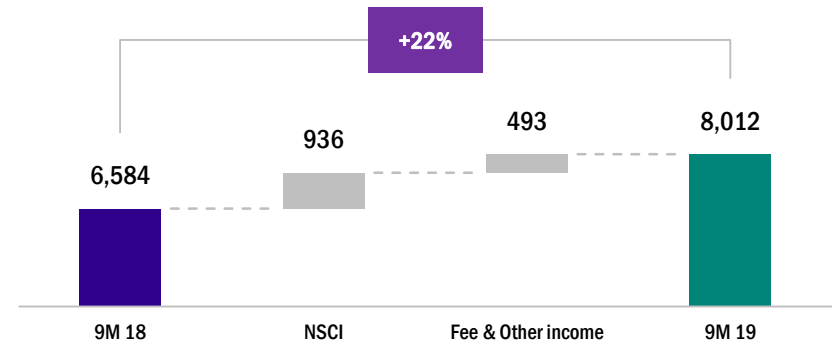
Income Trends (2)

Income growth from healthy balance sheet growth and margin expansion

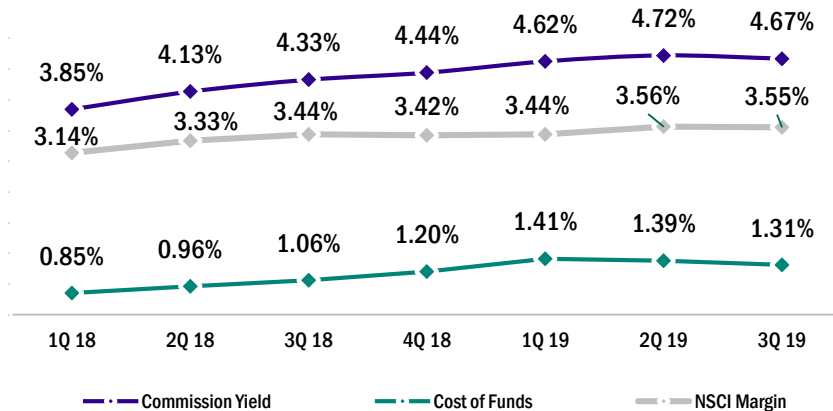
Highlights

- 9M 2019 operating income growth of 22% principally driven by 19% growth in net special commission income, while 29% fee and other income growth further contributed
- The net special commission margin increased by 11 bps YoY to 3.55% for 3Q 2019
- Fee and other income grew by 29%, supported by increased customer activity and volumes as well as higher investment-related income

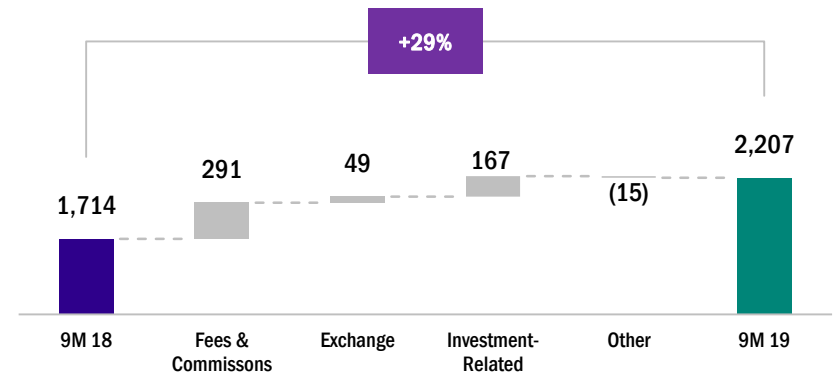
Total Operating Income Growth Drivers by Type (SARmn)



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

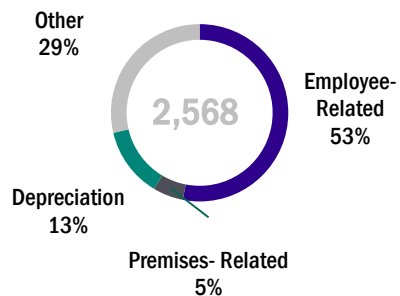
Highlights

- Operating expenses for 9M 2019 increased 5% YoY to SAR 2,568 million.
- The cost to income ratio improved by 507 bps to 32.0% for 9M 2019

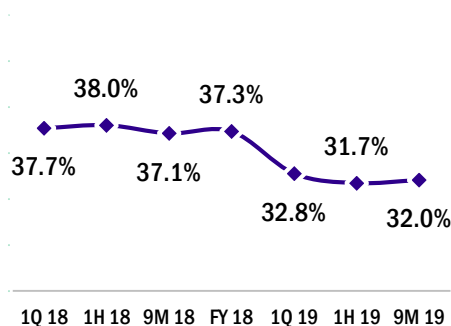
Operating Expenses Growth Drivers by Type (SARmn)



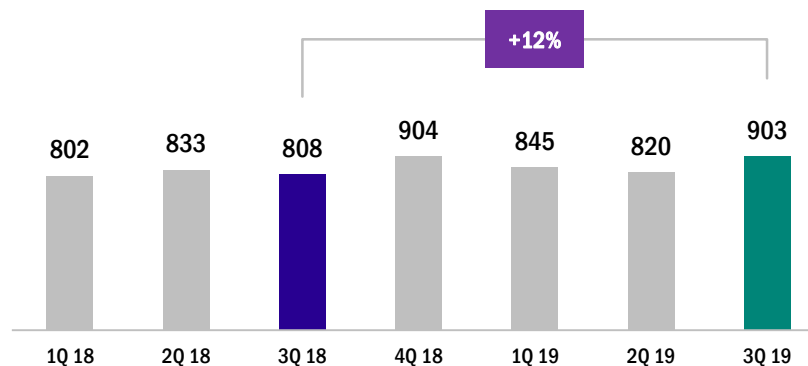
9M 19 Operating Expenses Mix by Type (SARmn)



Cost to Income Ratio (YTD %)



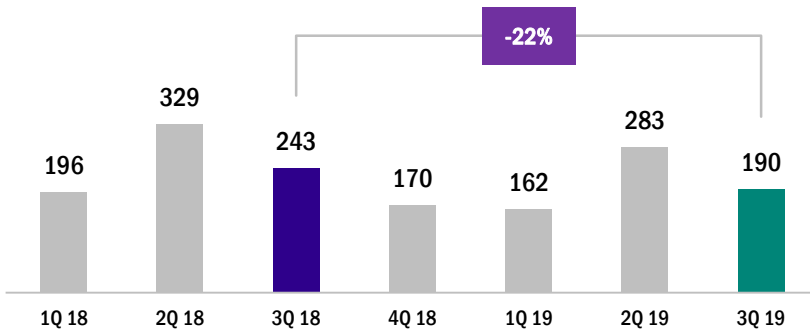
Operating Expenses (SARmn)



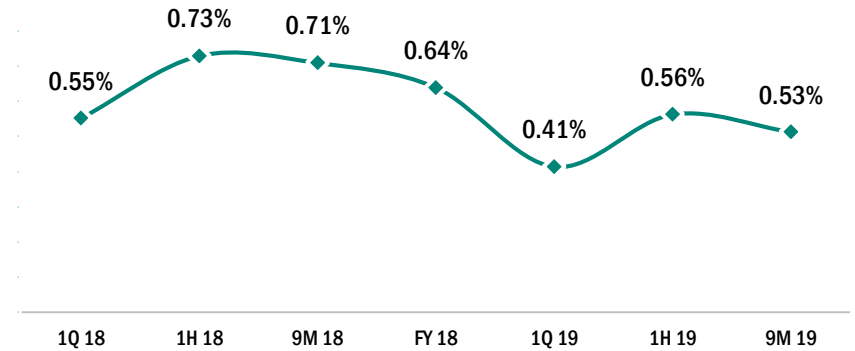
Credit Quality

Stable credit quality trends continued in 2019

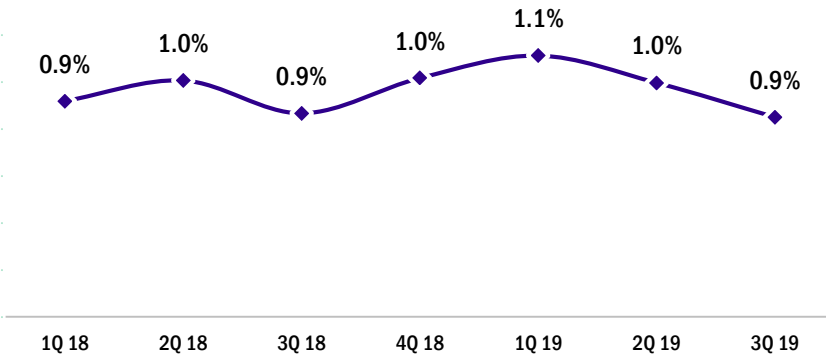
Impairment Charge for Credit Losses, Net (SARmn)



Cost of Risk (YTD %)

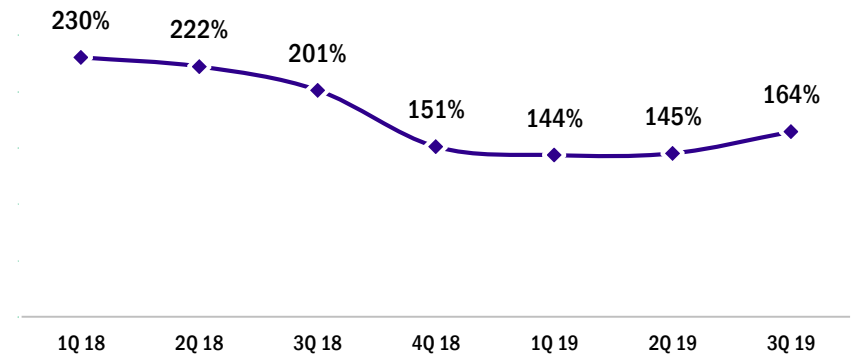


NPL Ratio (%)



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

NPL Coverage (%)



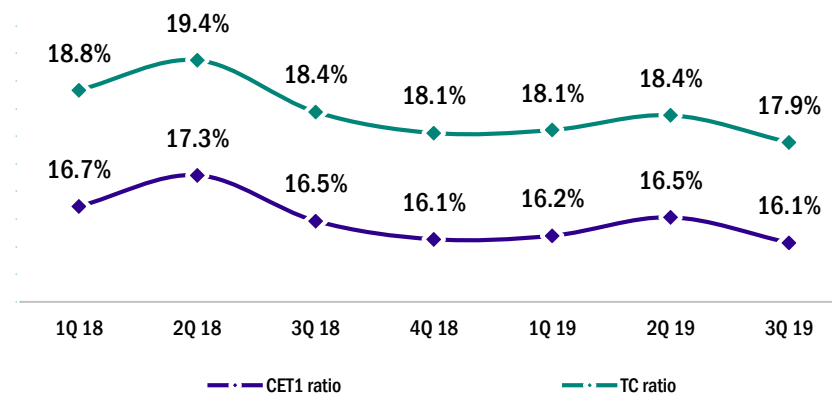
Capitalization

Capitalization comfortably above regulatory minima and continued to support growth

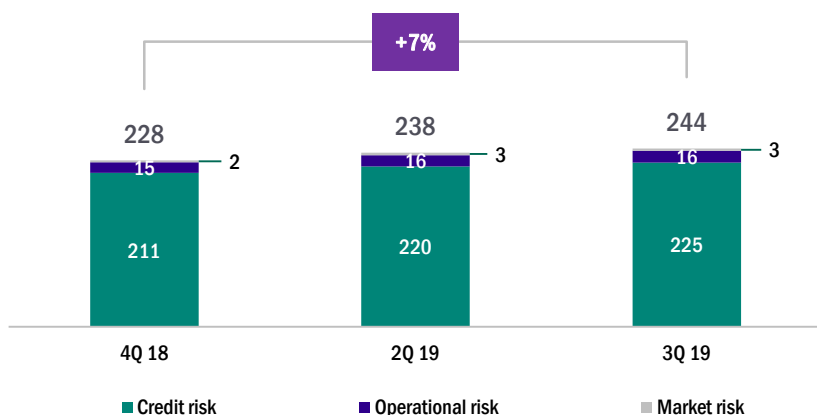
Highlights

- The CET1 capital ratios stood at 16.1% YTD, while the total capital adequacy ratio was 17.9%
- The decrease in CET1 ratio from 16.5% to 16.1% in 3Q 2019 is mainly due to the 2019 interim dividend distribution.

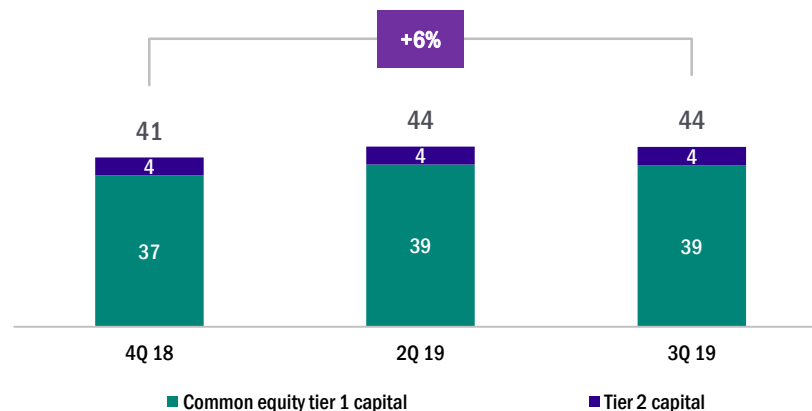
Capital Ratios (%)



Risk Weighted Assets (SARbn)



Capitalization (SARbn)



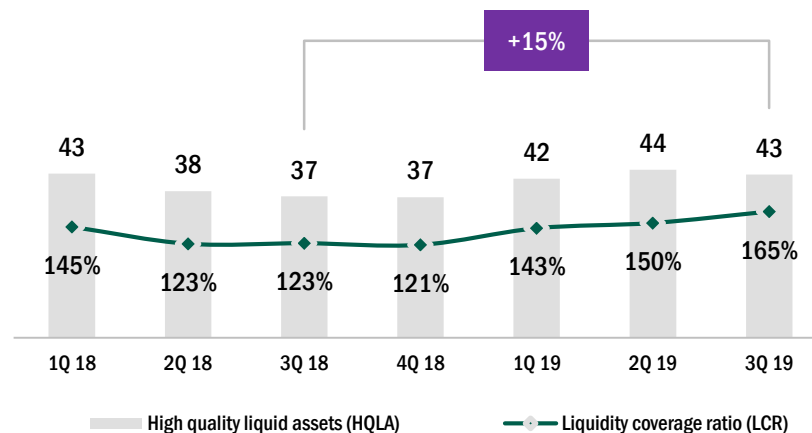
Liquidity

Liquidity continues to be at comfortable levels

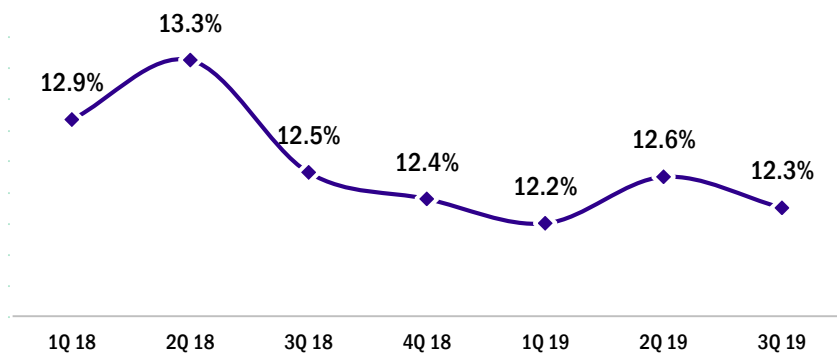
Highlights

- Liquidity remains well within regulatory limits during 3Q 2019
- The liquidity coverage ratio increased to 165% during 9M 2019
- The loans to deposit ratio stood at 94% as at 3Q 2019, while the loans to deposit (including Sukuk) ratio was 92%. Regulatory LDR remains well within SAMA guidelines.

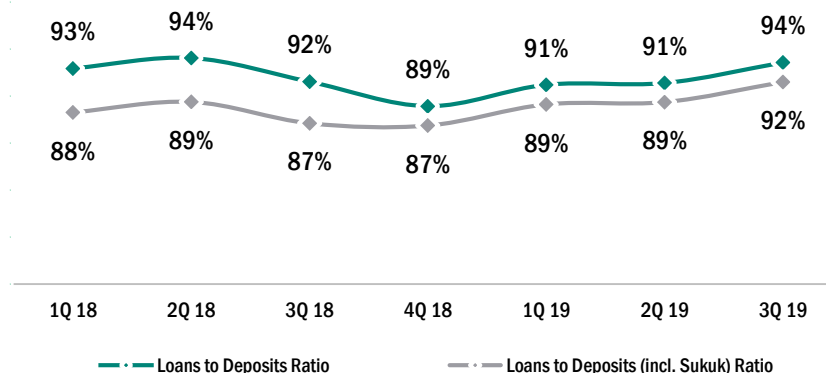
HQLA and Liquidity Coverage (SARbn/%)



Basel III leverage Ratio (%)



Loans to Deposit Ratios (%)



Riyad Bank Guidance

Outlook for FY 2019 is expected to remain unchanged

<i>Guidance Metric</i>	2018	9M 2019	2019 Guidance
Loans, Net	SAR 151 Bn	SAR166 Bn (+10% YTD)	Low double digit % growth
NSCI Margin (%)	3.33%	3.55%	+10bps to 15bps
Cost to Income (%)	37.3%	32.0%	Below 35%
Cost of Risk (%)	0.64%	0.53%	0.40% to 0.60%*
CET1 (%)	16.1%	16.1%	16.0% to 16.4%

* Based on new calculation



Q&A



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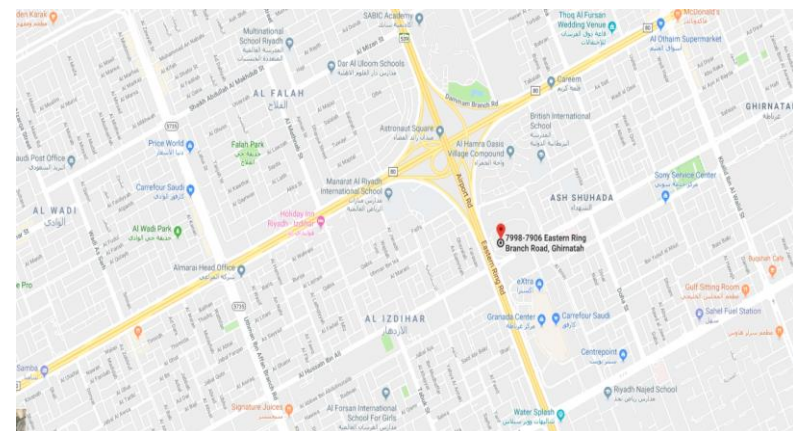
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