

Q2 2023 Results Presentation

Riyad Bank Presenters:

Mr. Tareq Al Sadhan, CEO

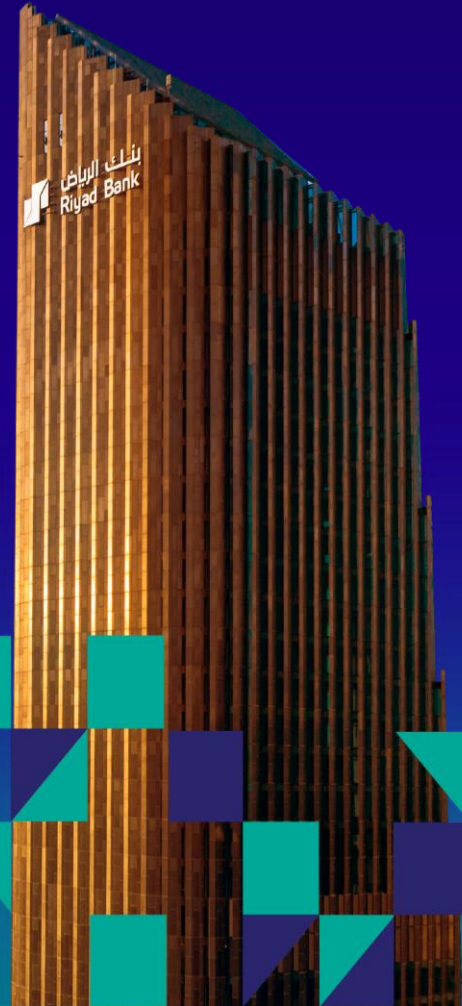
Mr. Abdullah Al Oraini, CFO

Dr. Naif Al Ghaith, Chief Economist

Ms. Najla Al Mutairi, Head of IR

Host:

Mr. Faisal Potrik, Head of Research – Riyad Capital



Riyad Bank is the third largest bank in Saudi Arabia



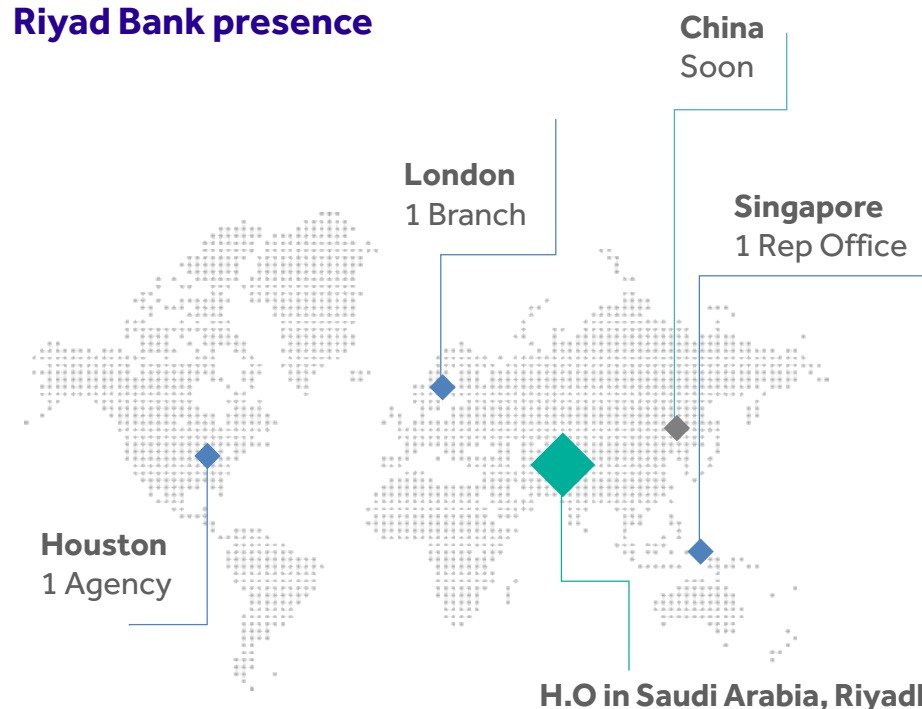
To be the most innovative & trusted financial solutions partner

6,549 Employees
31% Female employees

Q2 2023 Key Metrics

Assets SAR bn 389	Operating Income SAR bn Q2: 4.0 H1: 8.0	Cost / income Ratio 31.2%
Loans, Net SAR bn 263	Net Operating Income before Impairment & Zakat SAR bn Q2: 2.7 H1: 5.6	Cost of Risk 0.83%
Deposits SAR bn 272	Net Income SAR bn 2.0	T1 Capital 17.8%
SAMA LDR Ratio 78.1%	LCR 181%	QFI 10.3%

Riyad Bank presence

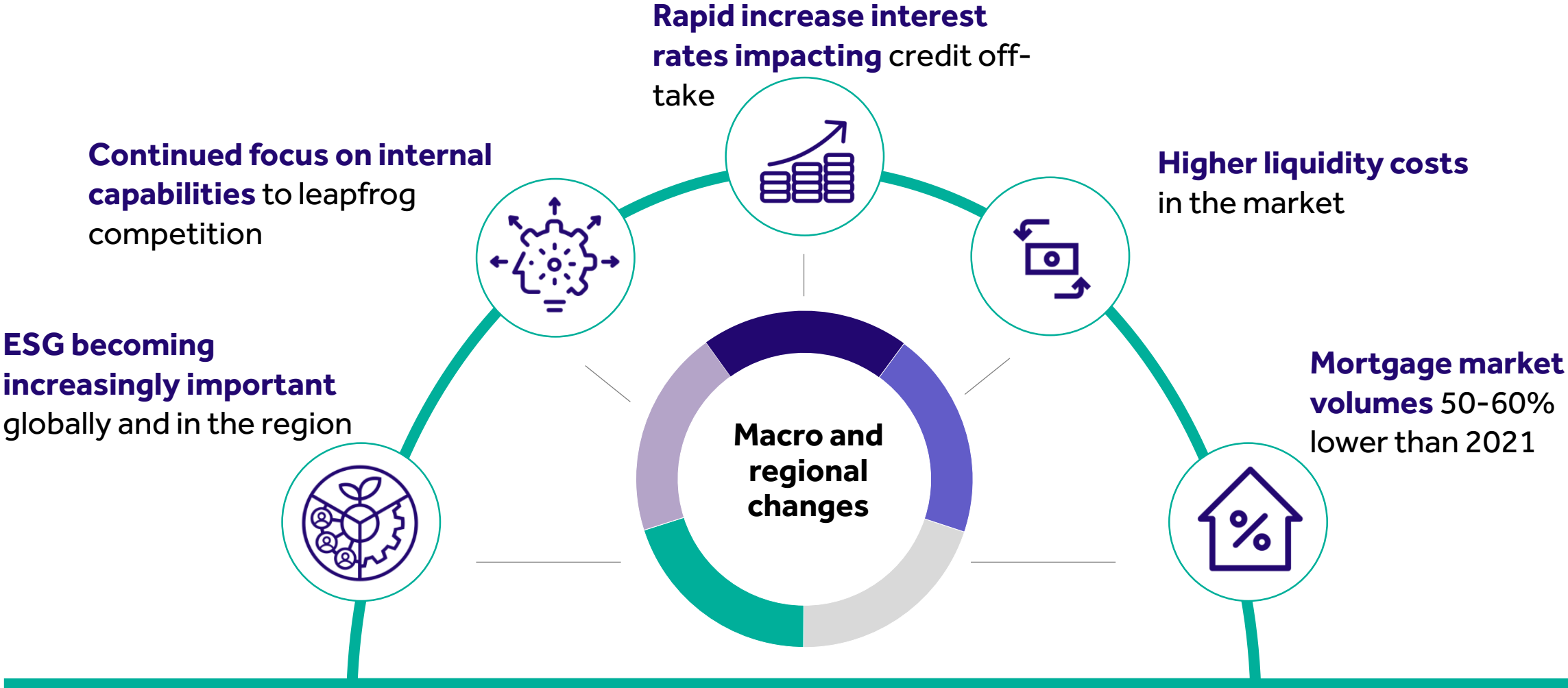


Rating	LT	ST	Outlook
S&P Global Ratings	A-	A-2	Stable
FitchRatings	A-	F2	Stable
MOODY'S	A2	P-1	Positive

Branches (Licensed)	338
*ATMs	2,223
*PoS	206,005

* Based on SAMA bulletin report for May 2023

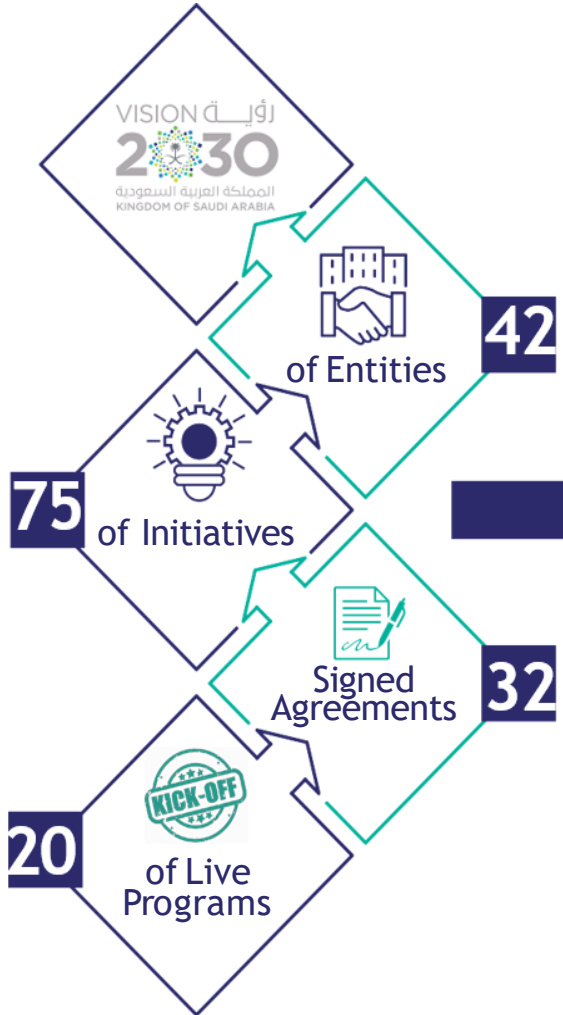
Recent changes in the macro and regional environment warranted a review of the strategy for 2025



But our aspirations remain unchanged: Become the best bank in KSA



Vision 2030 initiatives RiyadBank is fully committed to the success of the National Agenda



The initiatives contribute to **96** KPIs of the Saudi vision 2030

<p>برنامج ريادة الشركات الوطنية</p> <p>Financial Support Initiative for NCPP Agency Services</p> <p>10 KPIs Signed</p> <p>14th Mar 2021</p>	<p>صندوق التنمية السياحية</p> <p>Tourism Development Fund</p> <ul style="list-style-type: none"> Program 100% Program 90% Agency program Tourism Partnership Program (TPP) Facility Guarantee Project Finance <p>25 KPIs Signed</p> <p>29th Apr 2021</p>	<p>spark</p> <p>مدينة الملك سلمان للطاقة King Salman Energy Park</p> <ul style="list-style-type: none"> Future initiatives for the present (10 initiatives) <p>25 KPIs Signed</p> <p>13th Jun 2021</p>	<p>صندوق التنمية العقارية</p> <p>REAL ESTATE DEVELOPMENT FUND</p> <ul style="list-style-type: none"> Financial Support Initiative for Real Estate Developers <p>11 KPIs Signed</p> <p>15th Jun 2021</p>	<p>إحد الغرى</p> <p>Massar Business Enablers Initiatives</p> <ul style="list-style-type: none"> Developing Execution Tools for NIDL Strategic Dimensions (5 Initiatives) We Finance, You Manufacture We Invest, You Manufacture <p>33 KPIs Signed</p> <p>03rd Nov 2021</p>	<p>برنامج تطوير الصناعة الوطنية والخدمات اللوجستية</p> <ul style="list-style-type: none"> Developing Execution Tools for NIDL Strategic Dimensions (5 Initiatives) We Finance, You Manufacture We Invest, You Manufacture <p>33 KPIs Signed</p> <p>18th Nov 2021</p>
<p>صندوق التنمية الثقافي</p> <p>Cultural Development Fund</p> <ul style="list-style-type: none"> Cultural development initiatives Culture Road Program <p>22 KPIs Signed</p> <p>21st Apr 2022</p>	<p>مؤسسة حديقة الملك سلمان</p> <p>King Salman Park Foundation</p> <ul style="list-style-type: none"> Supportive Initiatives for Developing Business Enablers <p>25 KPIs Signed</p> <p>18th May 2022</p>	<p>هيئة المدن والمناطق الاقتصادية الخاصة</p> <p>Economic Cities and Special Zones Authority</p> <ul style="list-style-type: none"> Developing Financial Initiatives and Solutions for Economic Cities <p>25 KPIs Signed</p> <p>28th Sep 2022</p>	<p>المركز الوطني للتخصيص</p> <p>NATIONAL CENTER FOR PRIVATIZATION & PPP</p> <ul style="list-style-type: none"> Developing Privatization' Opportunities and Projects <p>14 KPIs Signed</p> <p>6th Nov 2022</p>	<p>إمارة المنطقة الشرقية محافظة الأحساء</p> <p>HasaLink Initiatives</p> <ul style="list-style-type: none"> UBOUR Initiatives <p>33 KPIs Signed</p> <p>15th Feb 2023</p>	<p>وزارة النقل والخدمات اللوجستية</p> <p>Ministry of Transport and Logistic Services</p> <ul style="list-style-type: none"> UBOUR Initiatives <p>33 KPIs Signed</p> <p>20th Mar 2023</p>



From philanthropy to sustainability – ESG Highlights As of Q2-2023

Embedding corporate responsibility and sustainability into the Bank's strategy

<p>World Day to Combat Desertification we conduct a Seminar “ ظاهرة التصحر ابهرها وتداعيتها” in collaboration with Environmental Green Horizons Society in</p>	<p>750 M The world's first sustainable AT1 Sukuk and the first Sukuk on the BSM</p>	<p>214 Hours Bukra Ambassadors volunteering initiative: 92 volunteers</p>	<p>Al-Hajj intuitive “We care” As part of our social responsibility for community, Riyadh Bank contributed to Al-Hajj 1444H by distributing umbrellas to pilgrims</p>	<p>Updated guidelines to meet the needs of persons with disabilities</p>	<p>ISO/DIS 37301:2020 Compliance</p>
<p>Ramadan campaign In cooperation with جمعية إكرام لحفظ الطعام بمكة , we save 700,000 meals</p>	<p>6 Tons Recycling: First Quarter: Papers and plastic</p>	<p>SAR 13,904,613 Donation amount: Total 432,902 transactions</p>	<p>Innovation Challenge On 3 April we launched The Innovation Challenge initiative in collaboration with Saudi CSR</p>	<p>5 Independent Board Directors</p>	<ul style="list-style-type: none"> •Cyber security ISO/IEC 27001:2013 •(PCI DSS) Certification •ISO business Continuity. ISO22301:2019
<p>Leap 2023 Riyad Bank was recognized during Leap2023 conference for our contribution in مبادرة جهازك</p>	<p>Reduce With Us we launched “ Reduce With Us” initiative in order to reduce environmental pollution and carbon emissions by recycling used devices.</p>	<p>Iqdam We launched the second version of Iqdam program, which aim to hiring PWDs who aspire to continue their careers at Riyad Bank as full-time employees</p>	<p>ISO Proud to announce that we have recently obtained the ISO 26000 certification in social responsibility</p>	<p>5 Board Subcommittees</p>	<p>Diversity First female board member</p>
		<p>IMPACTHON Social investment challenge Sponsoring IMPACTHON Social investment challenge initiative launched in collaboration with المركز الوطني الغير ربحي</p>		<p>+15 new adopted governance policies and frameworks</p>	
<p>Environmental</p>		<p>Social</p>		<p>Governance</p>	



Economic environment



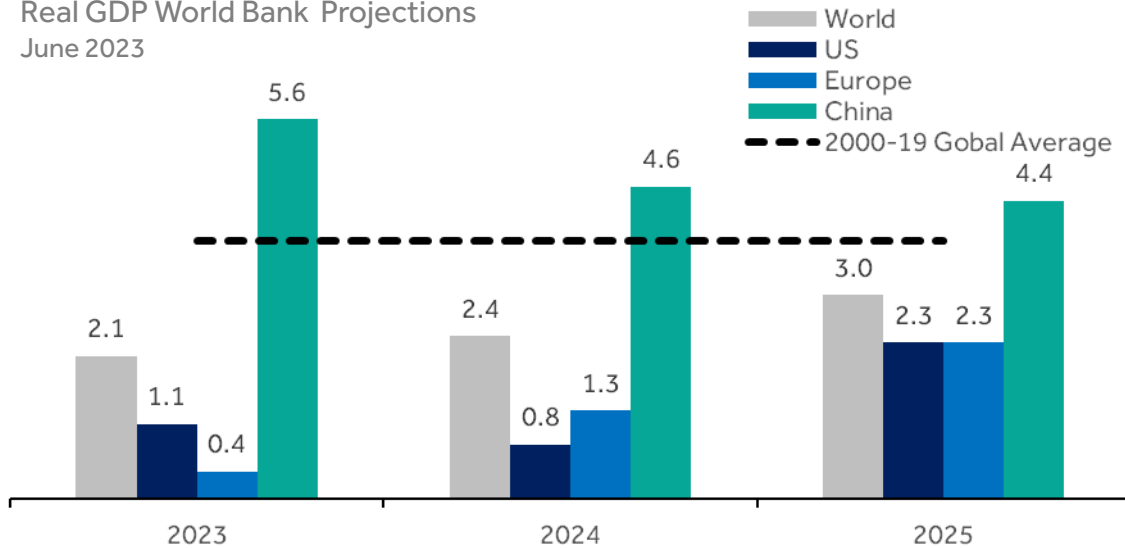
Global Growth has been Surprisingly Resilient



Global growth is projected to fall from 3.4% in 2022 to 2.1% in 2023, below the historical average (2000–19) of 3.8%. In 2024, global output is forecasted to rise to 2.4%, according to a recent projections by the World Bank

US and the EU 2023 real GDP projection has been markedly revised upward, still below potential with low contributions to global growth

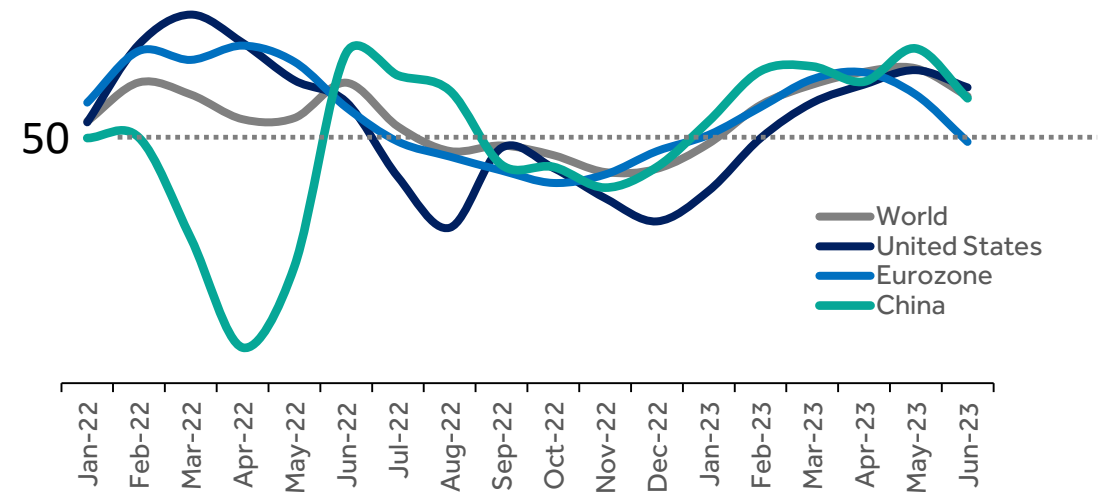
Real GDP World Bank Projections
June 2023



Source: World Bank Global Economic Prospect June 2023

Most global economic activity (PMIs) and new orders show signs of stabilizing at start of 2023, except for Eurozone

Headline PMI's



Source: S&P Global

Global PMI

52.7
June 2023

54.4
May 2023

Fed Funds (Upper)

5.25%
June 2023

5.00%
Mar 2023

USD Index

103.3
June 2023

103.1
May 2022

3M LIBOR

5.55%
June 2023

5.34%
Apr 2023

10y Treasury Yield

3.73%
June 2023

4.00%
Mar 2023

Brent Oil Price

\$73.4/pb
June 2023

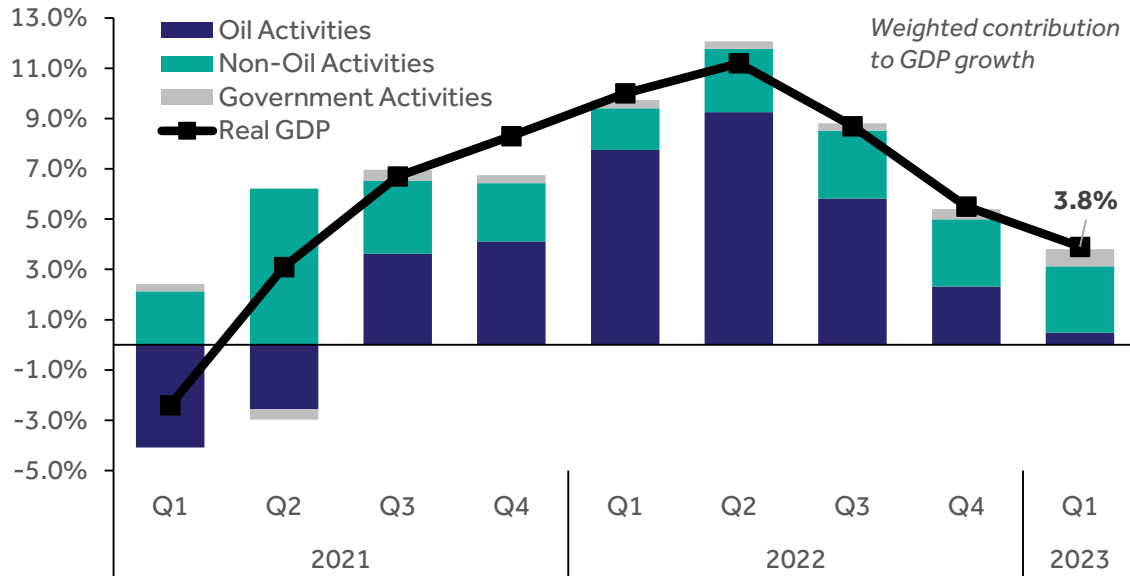
\$82.3/pb
Apr 2023

Non-oil Economy Continues to Show Strong Growth



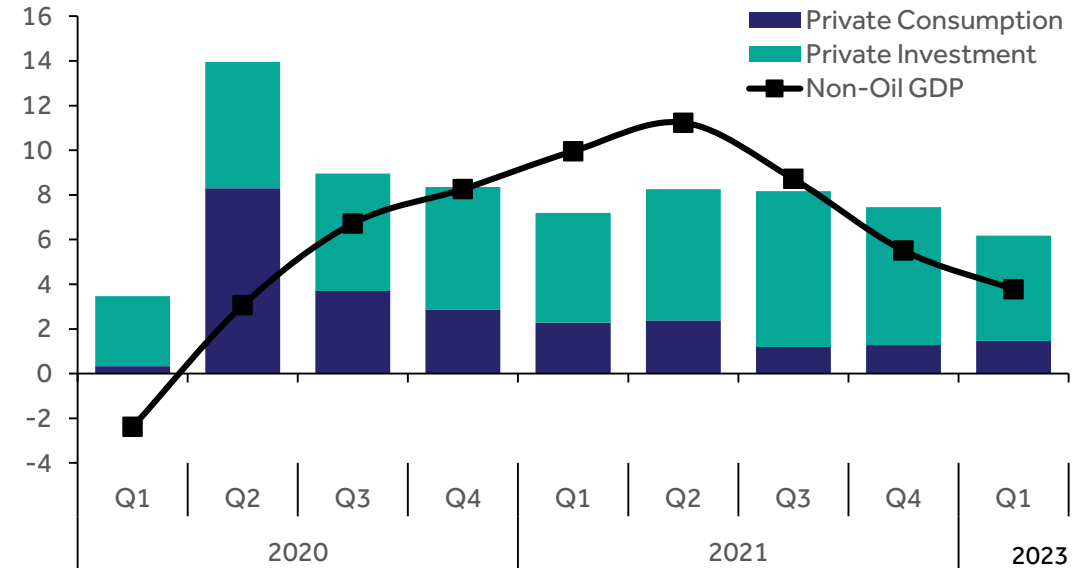
The real economy grew by 3.8% YoY in the first quarter of 2023, driven by 5.4% increase in non-oil activities while oil activities rose by 1.4%. Government activities increased by 4.9%, the highest since 2018.

Real GDP rose by 3.8% YoY in the first quarter of 2023, largely driven by buoyant non-oil activities growth



Source: GASTAT

Supply chain disruptions seems to be faded and contributed to the slowdown in inflation.



Source: GASTAT, Riyadh Bank

Real GDP Growth

8.7%
2022

Riyad Bank PMI

3.2%
2021

REPO Rate

59.6
June 2023

Money Supply YoY

58.5
May 2023

Credit Growth YoY

5.75%
June 2023

Fiscal Balance % of GDP

5.25%
Mar 2023

9.1%
May 2023

10.0%
Mar 2023

11.8%
May 2023

11.8%
Mar 2023

2.6
2022

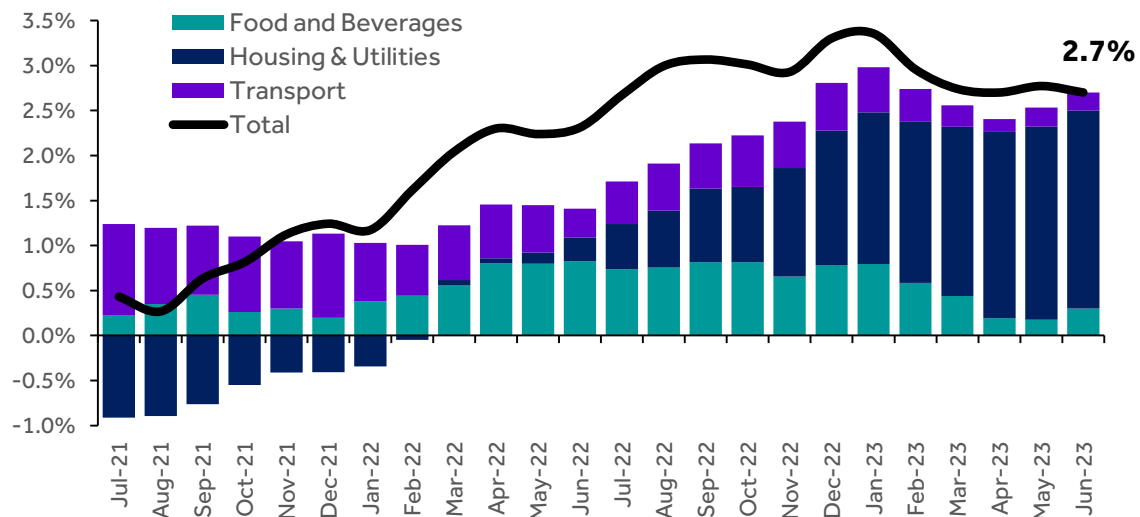
-2.3
2021

Moderate Price Pressures Remain on Strong Demand



Headline inflation remains elevated and was driven mainly by an increase in housing rents which increased by 9.1% from a year earlier. However, improved supply chains have helped cool output prices for goods.

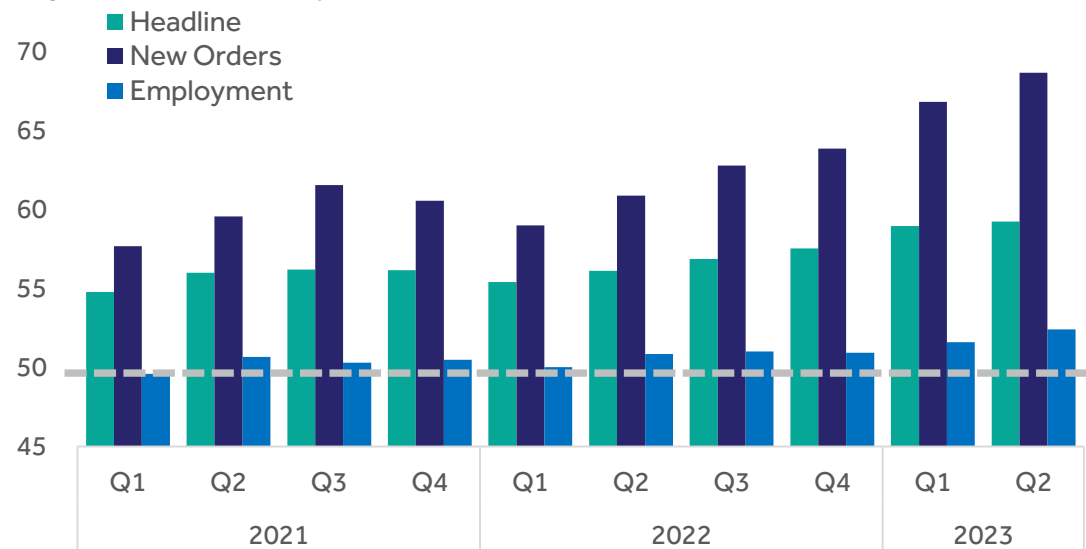
CPI Inflation eased to 2.7% YoY in June from 2.8% in May, with rents and food prices continue to increase



Source: GASTAT

Riyad Bank PMI accelerated further in the 2nd quarter to signal strong performance by the non-oil sector

Riyad Bank PMI and components



Source: Riyad Bank

Real GDP Growth

8.7%
2022

Riyad Bank PMI

3.2%
2021

59.6
June 2023

58.5
May 2023

REPO Rate

5.75%
June 2023

5.25%
Mar 2023

Money Supply YoY

9.1%
May 2023

10.0%
Mar 2023

Credit Growth YoY

11.8%
May 2023

11.8%
Mar 2023

Fiscal Balance % of GDP

2.6
2022

-2.3
2021



Financial results overview



H1 2023 Key highlights







H1 2023 Vs. H1 2022

Balance Sheet

+8.7%	+9.8%	+5.3%	+14.7%	+1.9%
				
Total assets	Loan and advances, net	Investments, net	Customer deposits	Demand & other deposits

Income Statement

+26.5%	+36.8%	-0.7%	+26.2%	<ul style="list-style-type: none"> ▪ Credit related impairment increased by 153.2% . ▪ Cost of Risk in H1 2023 increased to 83 bps from 39 bps in H1 2022.
				
Net income	NSCI	Fee and other income	Total operating income	

Asset Quality, Capital & Liquidity

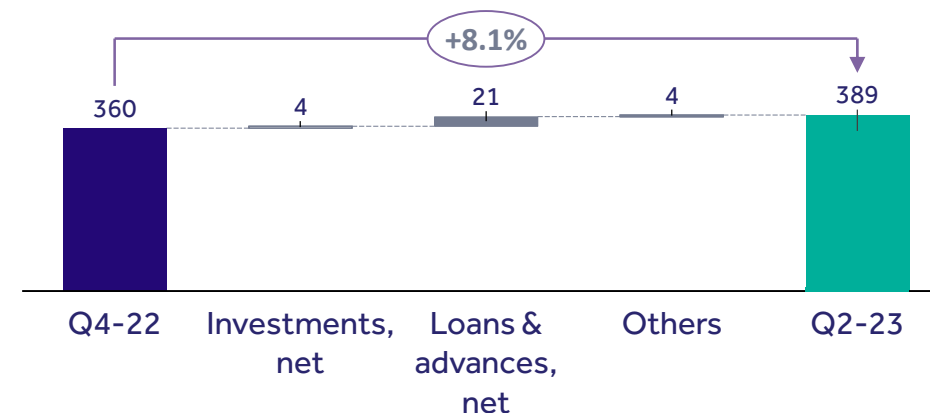
- NPL ratio 1.44 % and NPL coverage at 121%
- Capital position: CETI ratio of 15.8% ,Tier 1 CAR of 17.8% and total CAR of 20.7%.
- Strong funding and liquidity with Loans to deposits ratio (incl. Sukuk)) of 93.6% and Regulatory LDR stood at 78.1% , Net Stable Funding Ratio of 117% and Liquidity Coverage Ratio of 181%.
- Leverage Ratio of 12.2%.

Financial highlights – Balance sheet

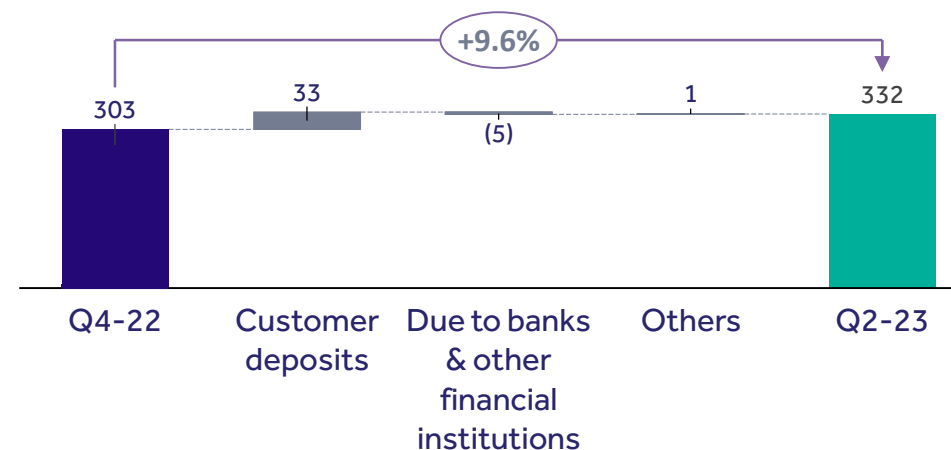
Stable balance sheet performance

SAR (mn)	Q2 2023	Q1 2023	QoQ % Change	Q2 2022	YoY % Change
Cash and balances with SAMA and financial institutions	59,313	63,644	-6.8%	56,293	+5.4%
Investments, net	56,388	54,695	+3.1%	53,538	+5.3%
Loans and advances, net	263,150	251,983	+4.4%	239,650	+9.8%
Other assets, net	10,385	10,303	+0.8%	8,472	+22.6%
Total assets	389,236	380,625	+2.3%	357,954	+8.7%
Customer deposits	272,269	257,277	+5.8%	237,477	+14.7%
Debt securities in issue	8,768	8,673	+1.1%	8,716	+0.6%
Other liabilities, net	50,508	58,840	-14.2%	62,311	-18.9%
Total liabilities	331,545	324,790	+2.1%	308,504	+7.5%
Total shareholders' equity	51,128	49,270	+3.8%	46,636	+9.6%
Tier 1 Sukuk	6,563	6,565	-0.03%	2,814	+133.2%
Total Equity	57,691	55,835	+3.3%	49,450	+16.7%
Risk weighted assets	322,121	312,670	+3.0%	301,635	+6.8%
CET1 ratio	15.8%	15.7%	+0.1%	15.5%	+0.3%
Tier 1 ratio	17.8%	17.8%	0.0%	16.4%	+1.4%
Total capital adequacy ratio	20.7%	20.7%	0.0%	19.5%	+1.2%
Liquidity coverage ration (LCR)	181%	187%	-6.0%	172.0%	+9.0%
Basel III leverage ratio	12.2%	11.9%	+0.3%	11.2%	+1.0%
Loans to deposits ratio (incl. Sukuk)	93.6%	94.7%	-1.1%	96.2%	-2.6%

Total Assets Growth Drivers (SARbn)



Total Liabilities Growth Drivers (SARbn)

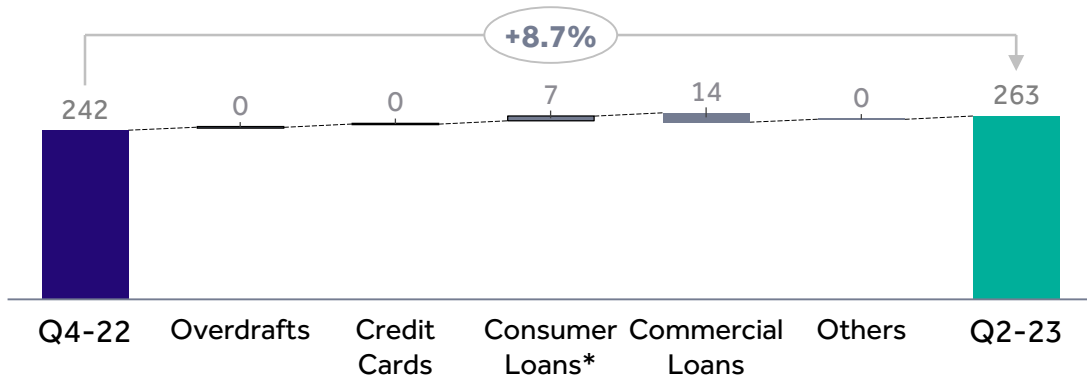


Assets & lending

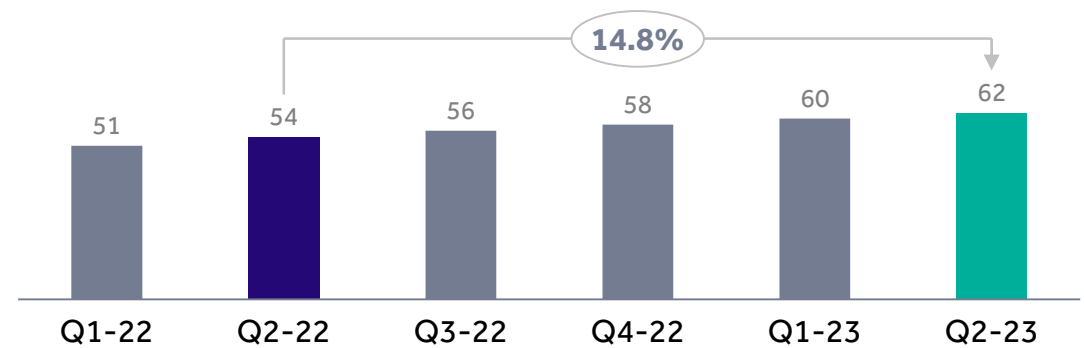
Loan growth mainly driven by Commercial and Mortgage loans



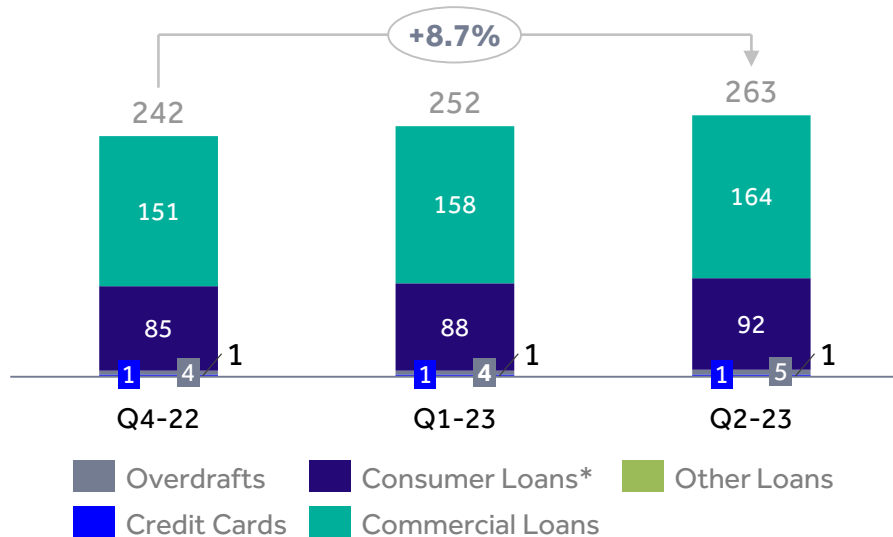
Loans & Advances, Net Growth Drivers (SARbn)



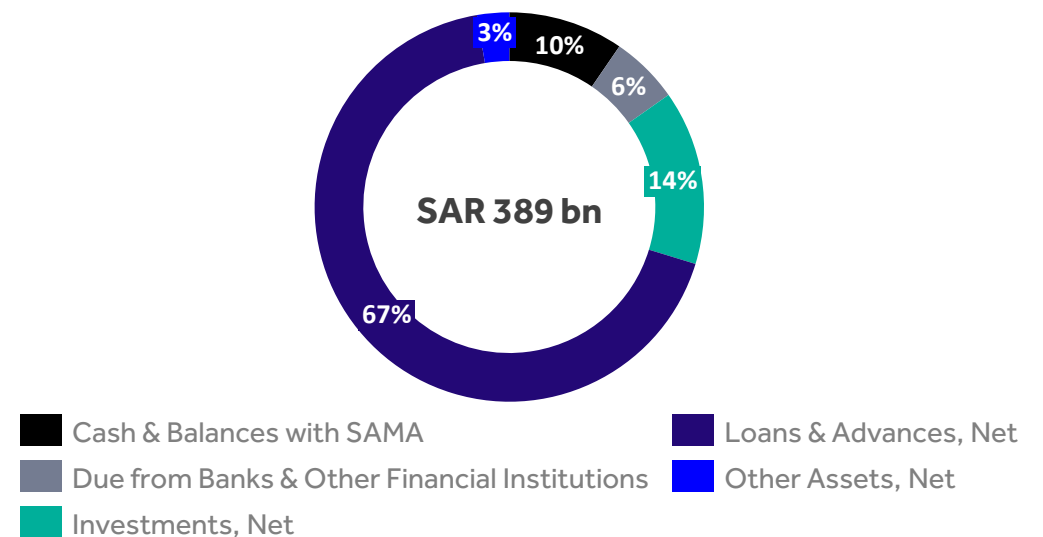
Mortgage Loans, Gross (SARbn)



Loans & Advances, Net by Type (SARbn)



Q2 2023 Total Assets Mix (SARbn)



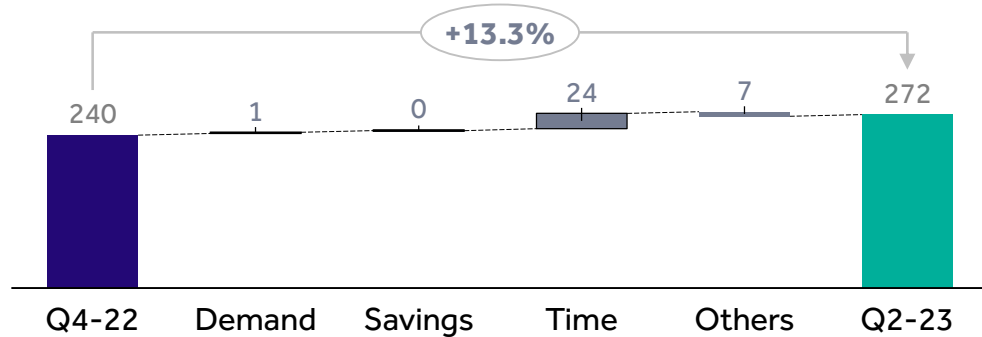
*Includes mortgages

Liabilities and funding

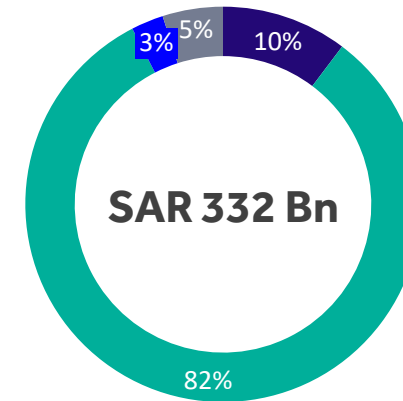
Stable funding profile



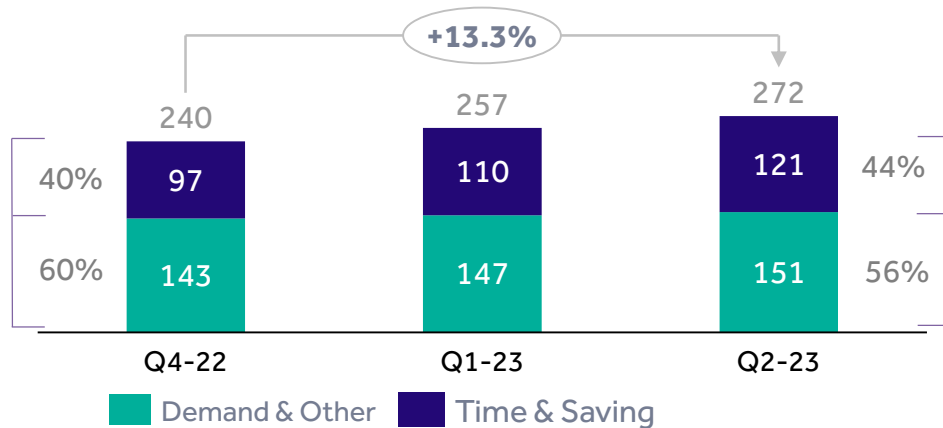
Customer Deposits Growth Drivers (SARbn)



Q2 2023 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

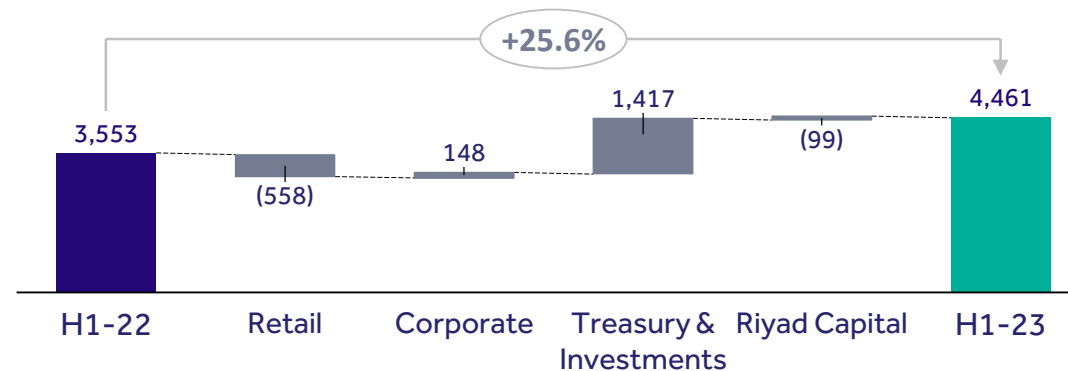
Financial highlights – Income statement

Net income growth mainly due to higher operating income

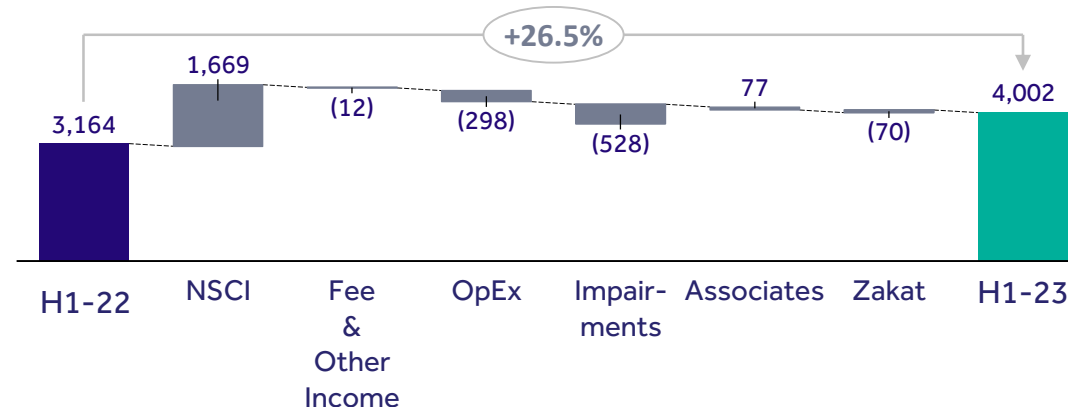


SAR (mn)	H1 2023	H1 2022	YoY % Change	Q2 2023	Q1 2023	QoQ % Change
Net special commission income	6,197	4,529	+36.8%	3,109	3,088	+0.7%
Fee and other income	1,791	1,803	-0.7%	843	948	-11.1%
Total operating income, net	7,989	6,332	+26.2%	3,952	4,036	-2.1%
Operating expenses	(2,396)	(2,098)	+14.2%	(1,234)	(1,162)	+6.2%
Net operating income before impairment charges	5,593	4,234	+32.1%	2,718	2,874	-5.4%
Impairment charge for credit losses and other financial assets	(1,090)	(431)	+152.9%	(487)	(604)	-19.4%
Impairment charge for investments	(46)	(177)	-74.0%	(25)	(20)	+25.0%
Net operating income	4,457	3,626	+22.9%	2,206	2,250	-2.0%
Share of earnings of associates, net	5	(72)	+106.9%	4	1	+300.0%
Net income for the period before Zakat	4,461	3,553	+25.6%	2,210	2,252	-1.9%
Zakat for the period	(460)	(390)	+17.9%	(228)	(232)	-1.7%
Net income for the period	4,002	3,164	+26.5%	1,982	2,020	-1.9%
EPS	1.28	1.05	+21.9%	0.64	0.65	-1.5%
ROAE before Zakat	17.7%	15.1%	+2.6%	17.6%	18.22%	-0.6%
ROAA before Zakat	2.4%	2.1%	+0.3%	2.3%	2.43%	-0.1%
Cost to income ratio	30.0%	33.1%	-3.1%	31.2%	28.8%	+2.4%

Net Income before Zakat Growth Drivers by Segment (SARmn)



Net Income after Zakat Growth Drivers by Type (SARmn)

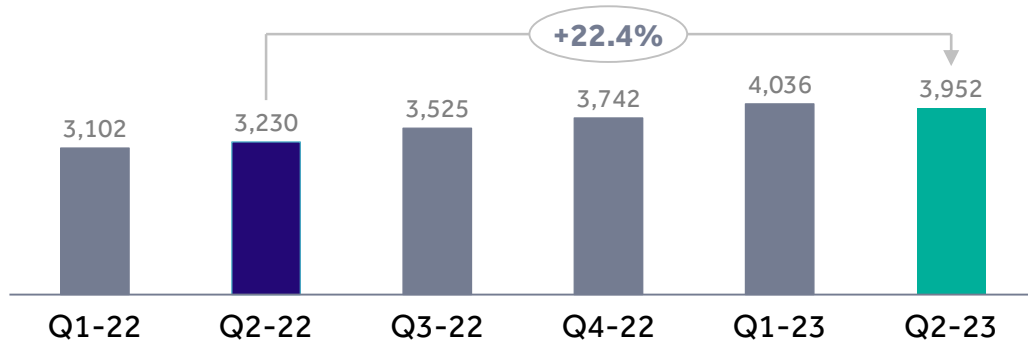


Income trends

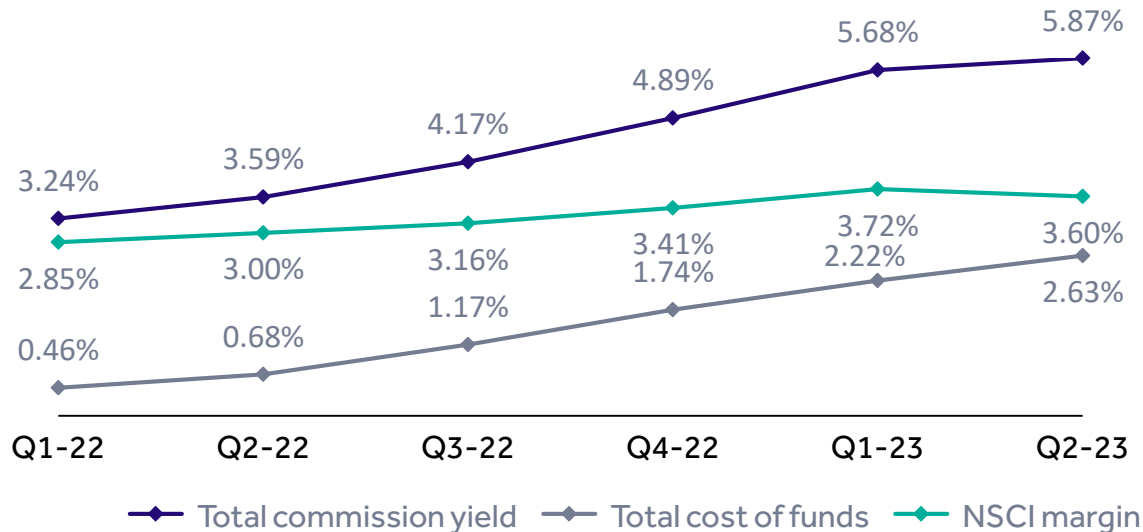
Income growth supported by stable balance sheet growth



Total Operating Income, Net (SARmn)

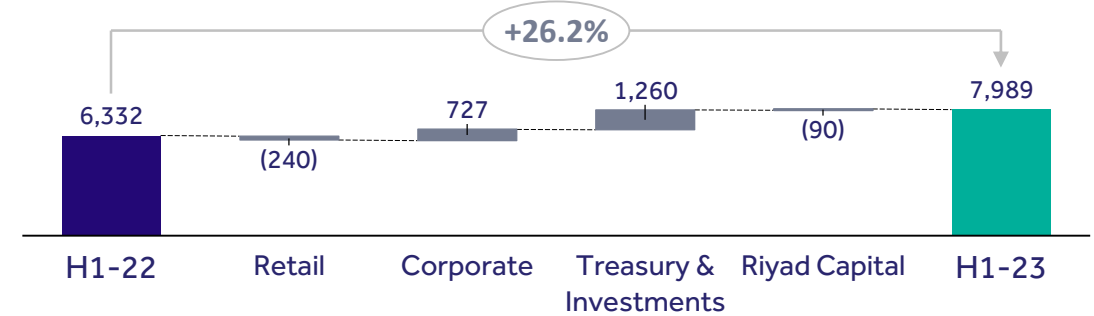


NSCI Margin, Yields and Funding Costs (%)*

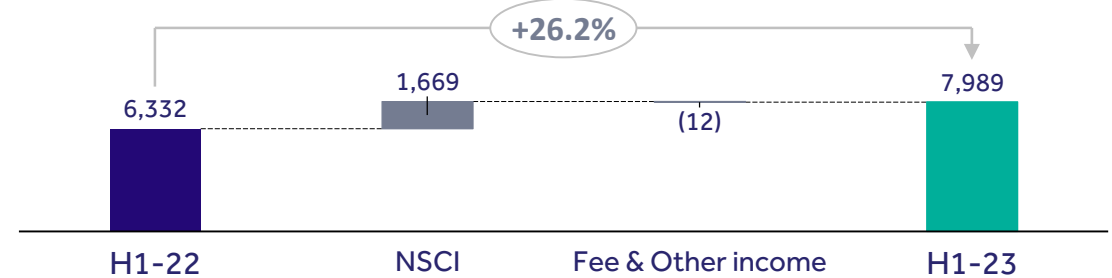


*average for the quarter

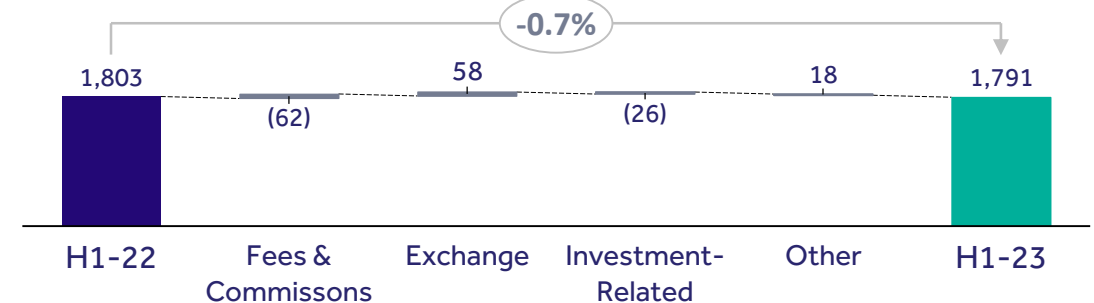
Total Operating Income Growth Drivers by Segment (SARmn)



Total Operating Income Growth Drivers by Type (SARmn)



Fee & Other Income Growth Drivers by Type (SARmn)

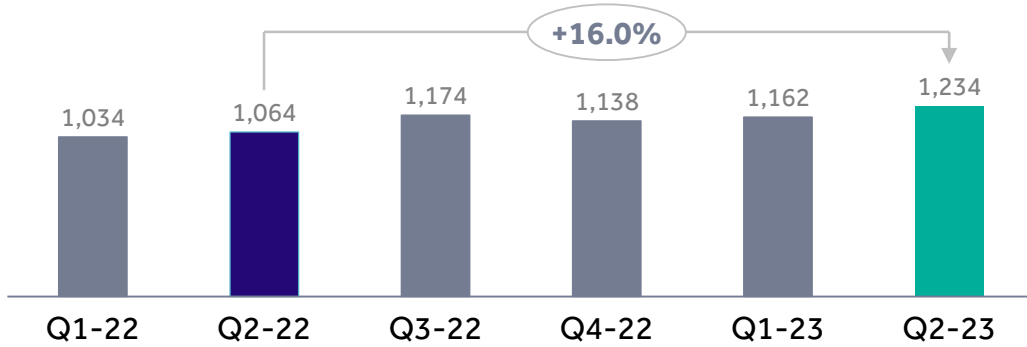


Expenses trends

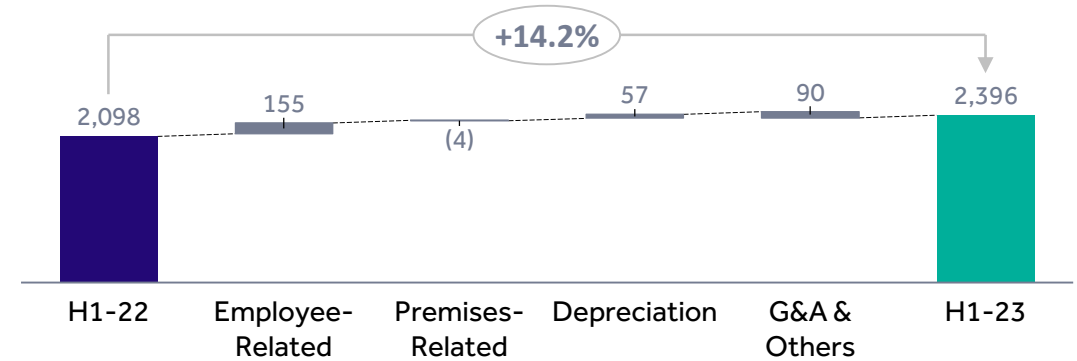
Improved cost efficiency despite Banks' investment in its Transformation Program



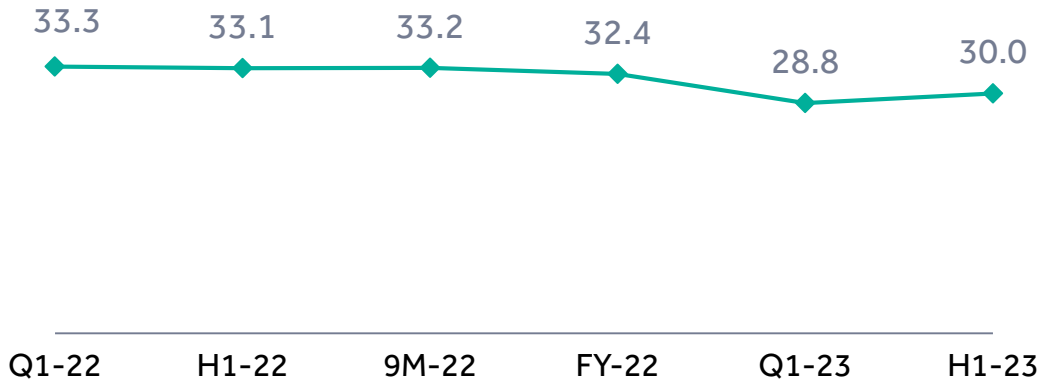
Operating Expenses (SARmn)



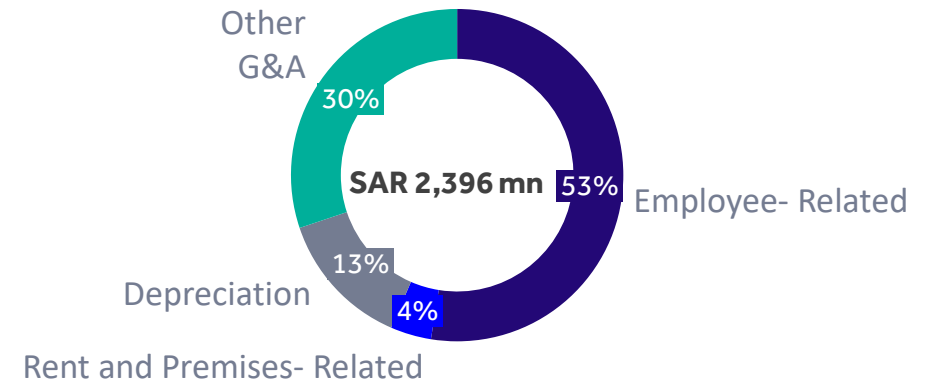
Operating Expenses Growth Drivers by Type (SARmn)



Cost to Income Ratio (YTD %)



H1 2023 Operating Expenses Mix by Type (SARmn)

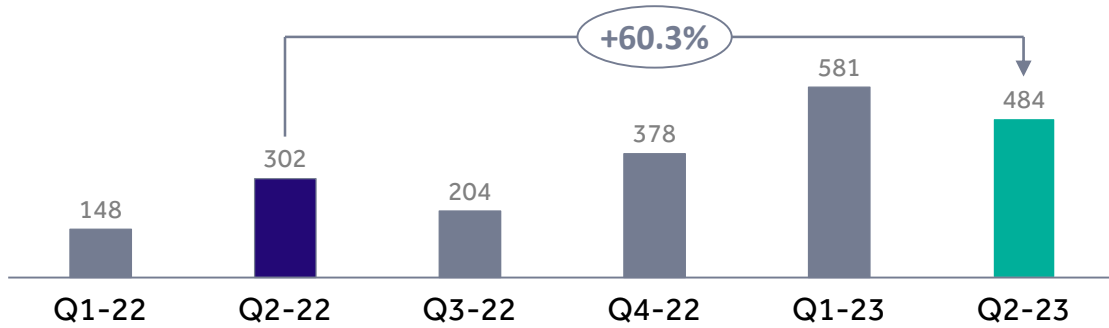


Credit quality

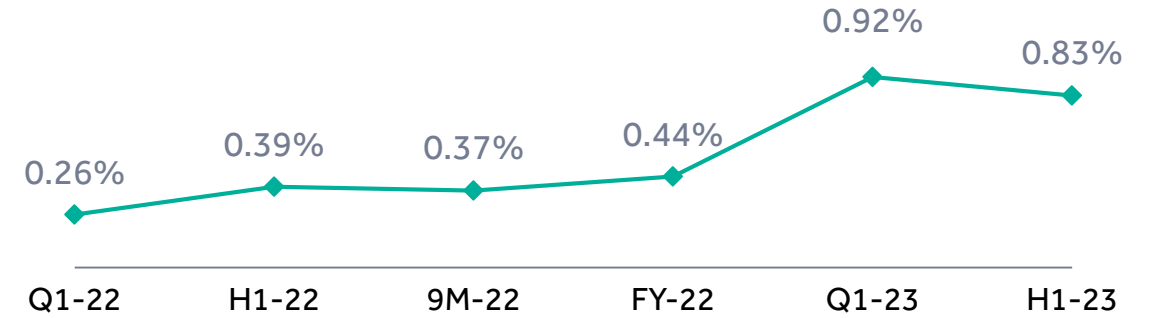
Stable asset quality trends with solid NPL coverage ratio



Impairment Charge for Credit Losses, Net (SARmn)

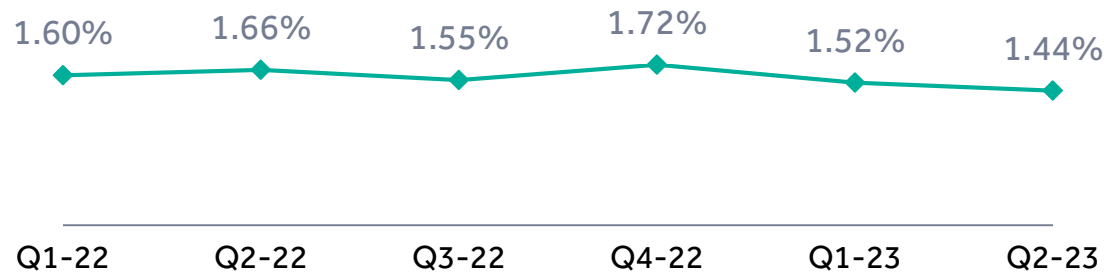


Cost of Risk (YTD %)

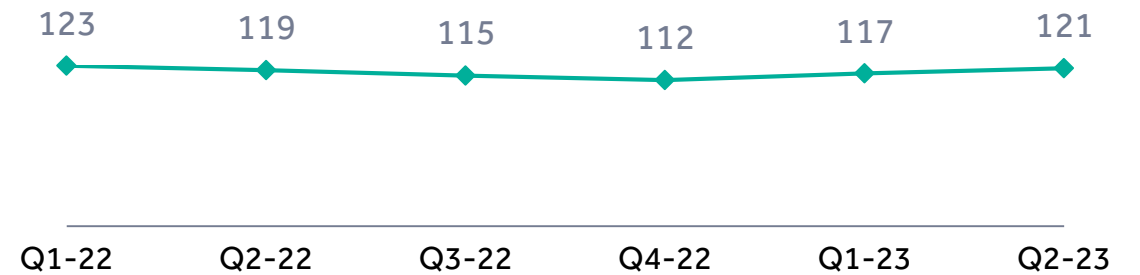


$$\text{Cost of Risk calculation} = \frac{\text{Annualized YTD Impairment charge for credit losses, net}}{\text{Avg gross loans and advances}}$$

NPL Ratio



NPL Coverage (%)

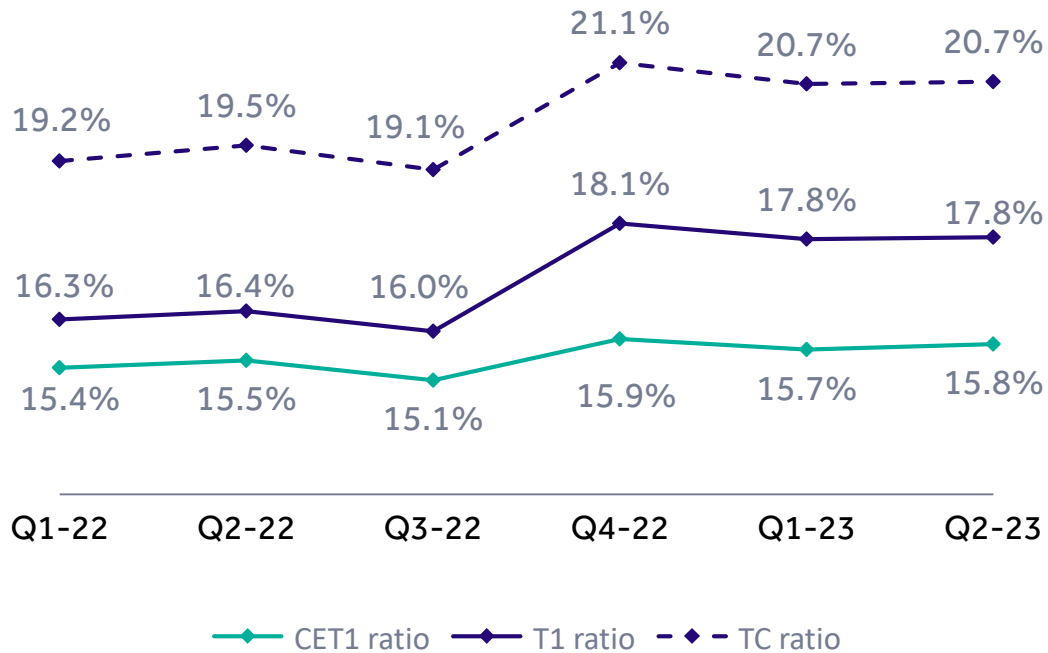


Capitalization

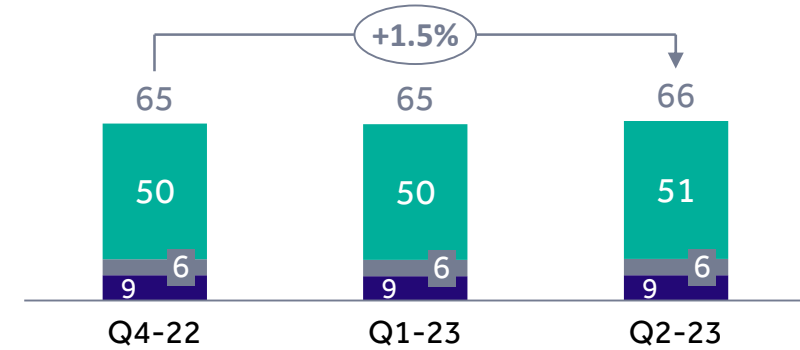
Capitalization well above regulatory minima and continues to support growth



Capital Ratios (%)

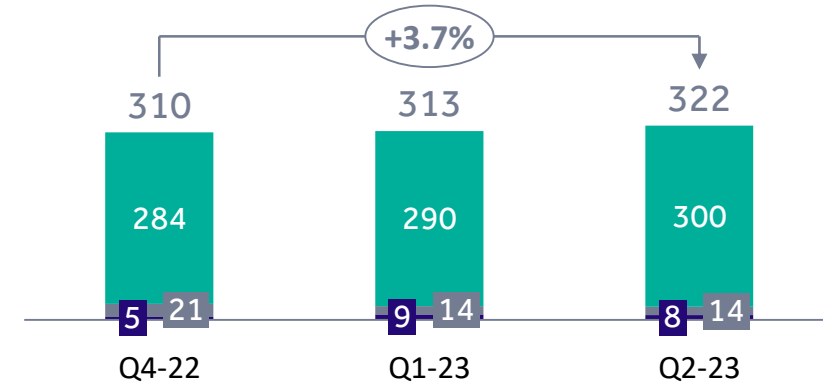


Capitalization (SARbn)



Common equity tier 1 capital Tier 1 capital Tier 2 capital

Risk Weighted Assets (SARbn)



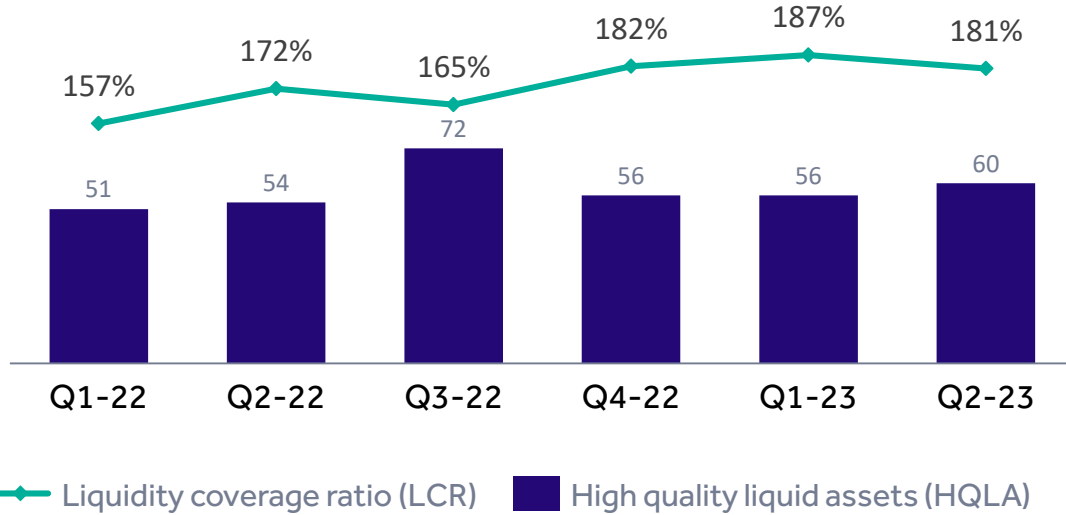
Credit risk Operational risk Market risk

Liquidity

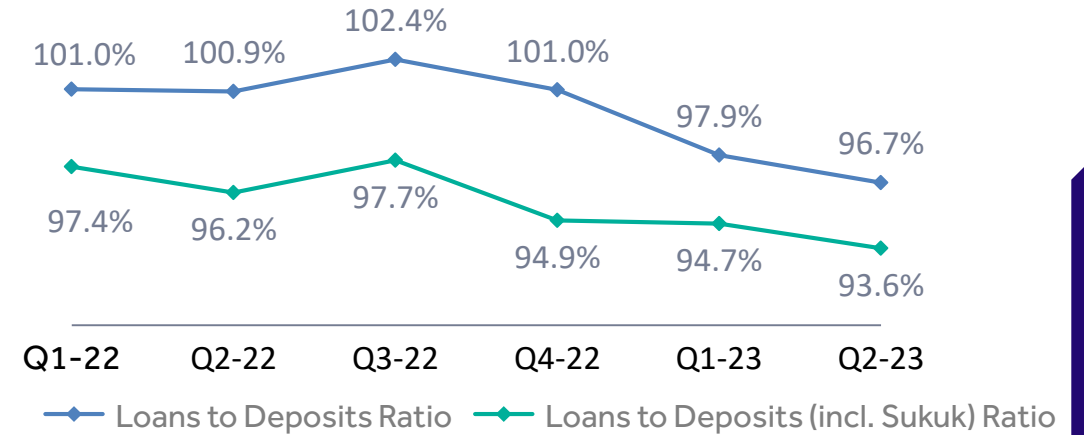
Liquidity continues to be at comfortable levels



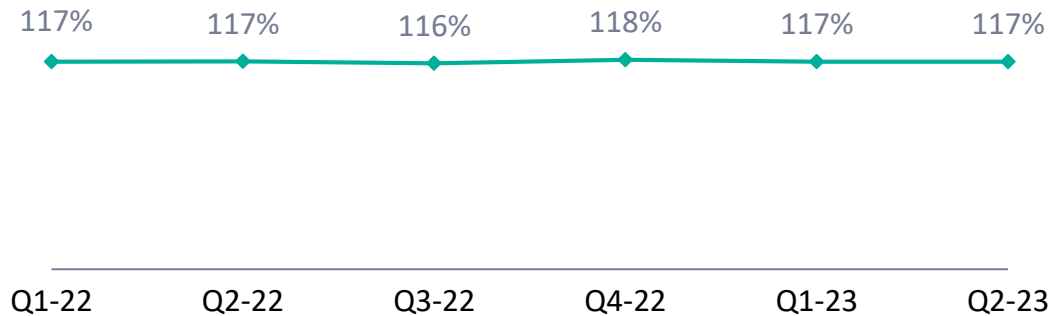
HQLA and Liquidity Coverage (SARbn/%)



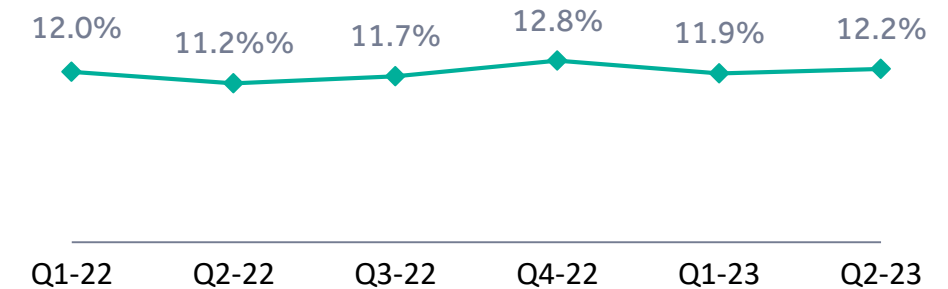
Loans to Deposit Ratios (%)



Net Stable Funding Ratio NSFR (%)



Basel III leverage Ratio (%)



Guidance



FY 2023 Guidance



Guidance Metric	FY 2022	Guidance	H1 2023	Guidance (Revision)
Loans, Net	SAR 242 Bn (+11.5% YoY)	High Single to Low Double Digit	SAR 263 Bn (+9.8% YoY)	High Single to Low Double Digit
NSCI Margin (%)	3.11%	+40 bps – +60bps	3.69%	+40 bps – +60bps
Cost to Income (%)	32.4%	Below 33%	30.0%	Below 31%
Cost of Risk (%)	0.44%	60 bps – 80 bps	0.83%	70 bps – 90 bps
CET1 (%)	15.9%	Above 15%	15.8%	Above 15%
ROAE before Zakat (%)	16.3%	Above 17%*	17.7%	Above 17%*

* ROAE after Zakat is above 15%

Q&A



Appendix



Riyad Bank contact



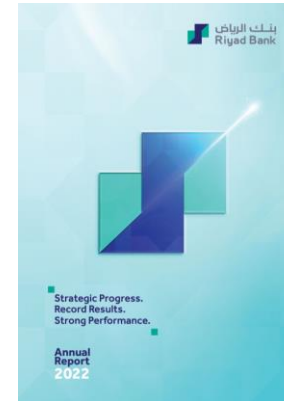
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Annual 2022 Report



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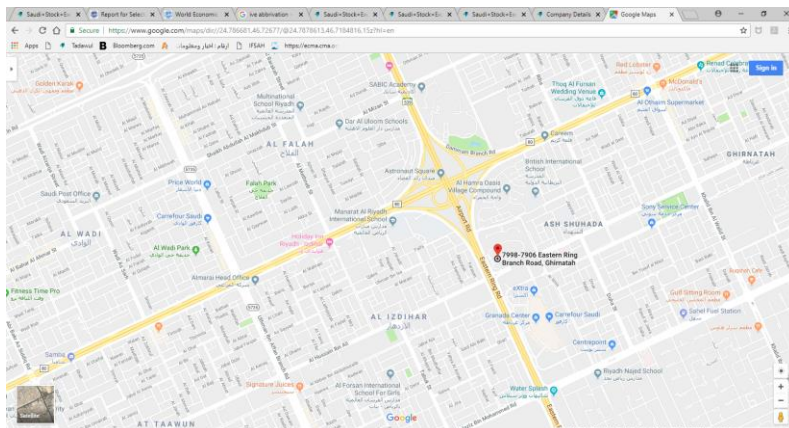
ESG 2021 Report



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