

Results Presentation

FY 2021 Earnings Call

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

Riyadh, 9th March 2022

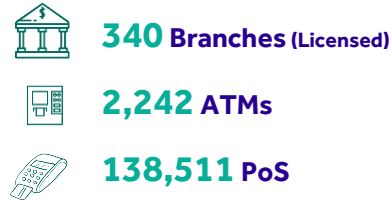


Riyad Bank is the Third Largest Bank in Saudi Arabia

FY 2021 Key Metrics



Third Largest Bank in Saudi Arabia

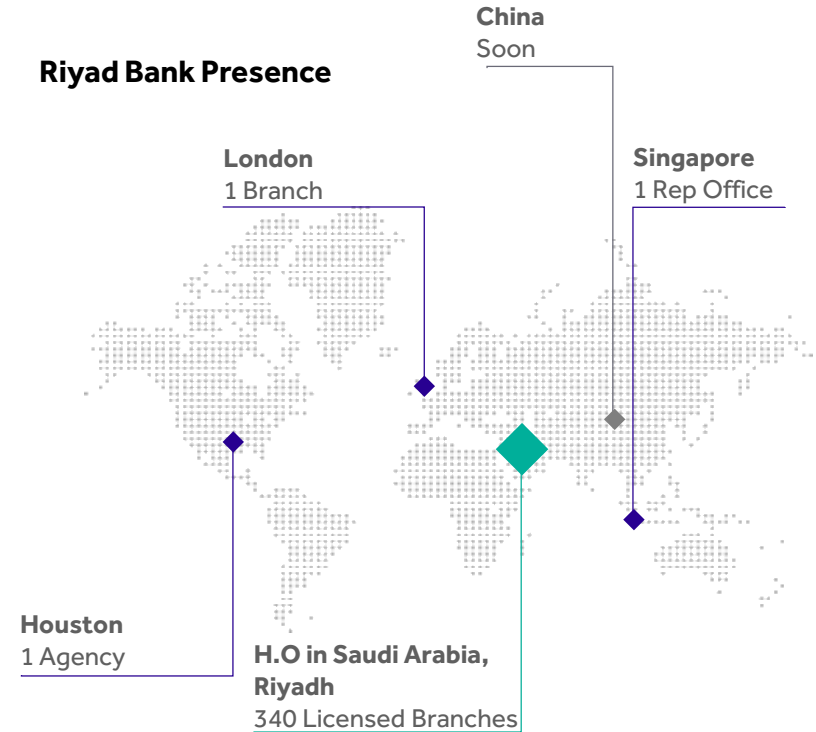


Ratings

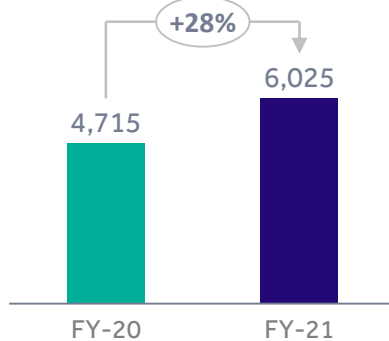
BBB+ S&P

BBB+ Fitch

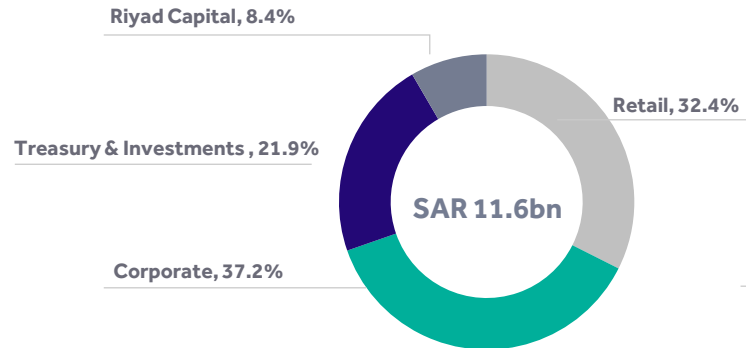
Riyad Bank Presence



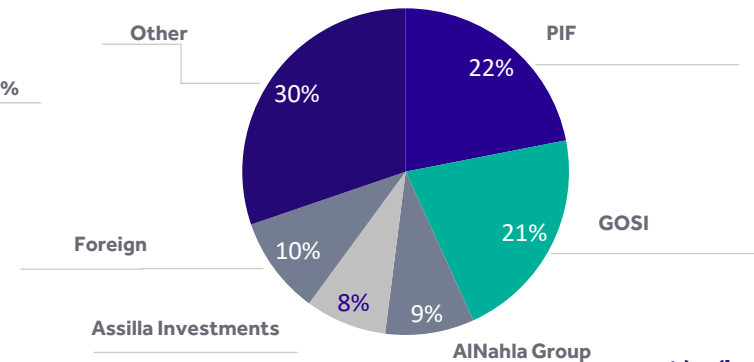
Net Income after Zakat (SARmn)



FY 2021 Operating Income Mix by Segment



Shareholder mix

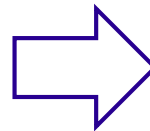


Management Highlights

FY 2021 Snapshot

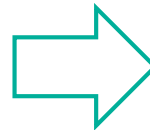


Strategy



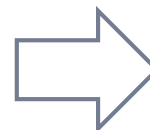
- Activated a new phase of the transformation 2025.
 - Value through innovation.
 - Enablement through next gen operating model.
 - Efficiency through digitization.

Financial Performance



- Net loans grew by 13.6% YoY to SAR 217 billion.
- Total Deposits grew by 4.3% YoY to SAR 212 billion.
- Total Operating Income increased by 3.2% YoY to SAR 11,568 million.
- Efficiency ratio reached 34.3%.
- Net Operating income before Impairments and Zakat at SAR 7,603 million.
- Net Income grew by 27.8% YoY mainly due to lower impairment charges for credit losses, higher fees and commission, gains on disposal of non-trading investments, net, and NSCI.

Asset Quality, Capital & Liquidity



- Cost of Risk decreased to 41 bps.
- Capitalization remained strong with CET1 of 15.8% and total CAR of 19.0%.
- LCR and NSFR Ratios reached to 168% and 116% respectively. Regulatory LDR stood at 81%



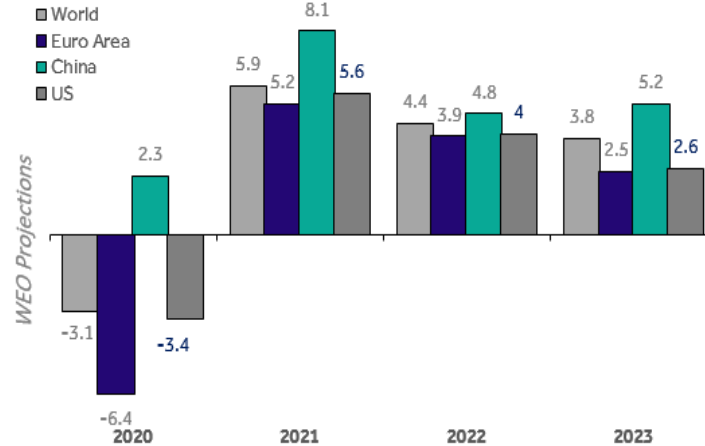
Macroeconomic Environment

Global Economy

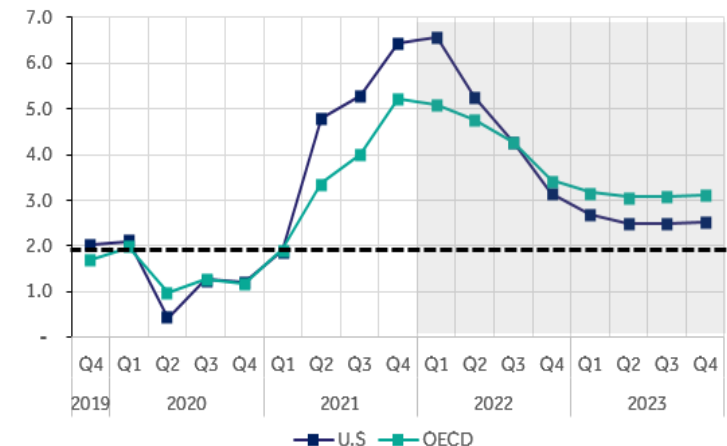
Key Highlights

- The global economy is projected to grow by 4.4 percent in 2022 and 3.8 percent in 2023 according to recent projections by IMF.
- Inflation continued to rise throughout the second half of 2021, driven by the ongoing supply chain disruptions, but is projected to stabilize above 2% for the medium term. However, the recent geopolitical development might pose a down risk and inflation continues for longer.
- The start of 2022 saw the rate of global economic expansion slow sharply to 51.4 in Jan, down from 54.3 in Dec, but remained in growth territory.
- IEA forecast global oil consumption increasing in 2022 and 2023 with increased supply from OPEC+ and shale would drive oil prices below \$75 per barrel in 2023.

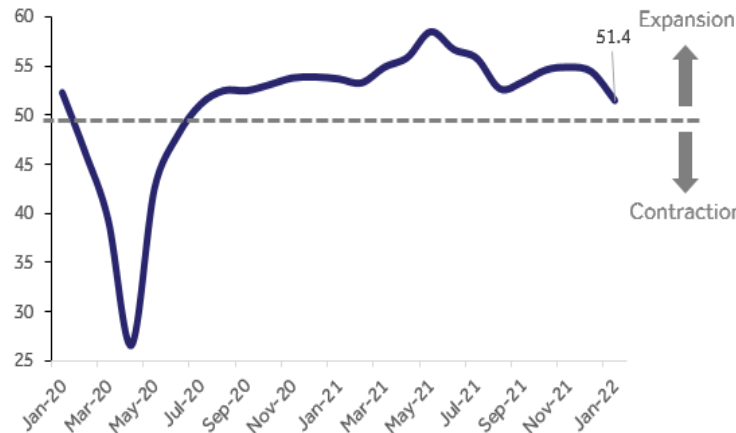
Global GDP to Grow by 5.9% in 2021 and 4.4% in 2022



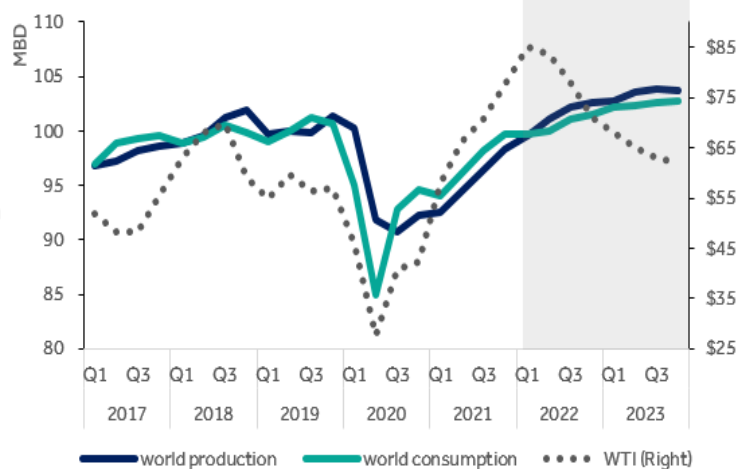
Inflation is Expected to Stabilize Above 2% in the Medium Term



Global PMI Slowed to 51.4 but Remained in Growth Territory



IEA Forecasts Supply will outstrip Demand in 2022 and 2023

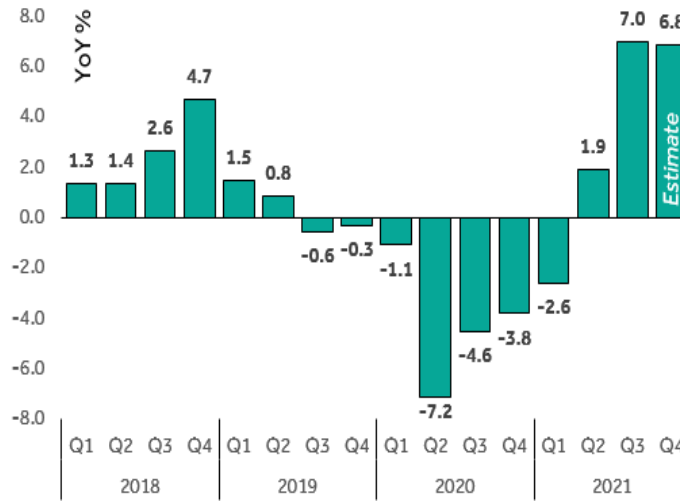


Domestic Economy 1/2

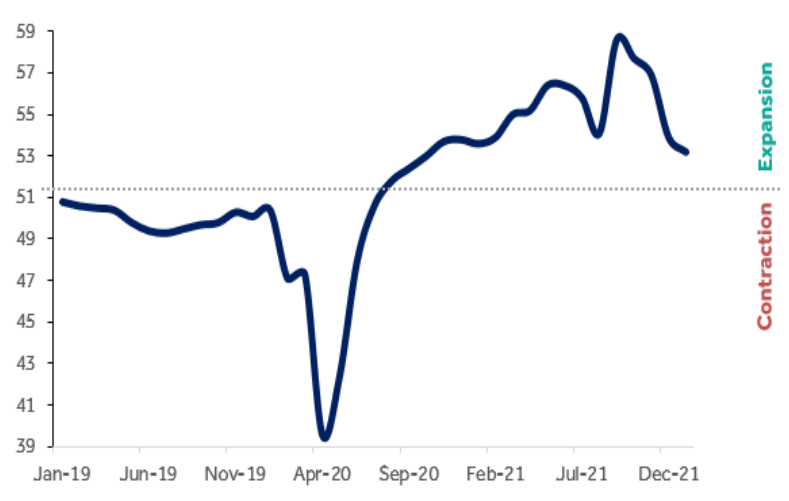
Key Highlights

- The bank projects real GDP to grow by 5.6% YoY in the 1st quarter of 2022 on the back of improved oil market conditions and non-oil economy compared to the same quarter of 2020. As a result, real GDP is projected to grow by 3% and 5% in 2021 and 2022, respectively.
- Saudi Arabia PMI for Jan 2022 fell to 53.2 points – its lowest level since Mar 2021 but still indicated a solid improvement in operating conditions across the non-oil private sector economy
- Headline CPI inflation increased by 3.1% in 2021 pushed by rising transport (10.3%) and communication (7.4%), and food and beverages (5.4%) costs. Inflation is projected to reach 1.8% and 1.9% in 2022 and 2023, respectively.

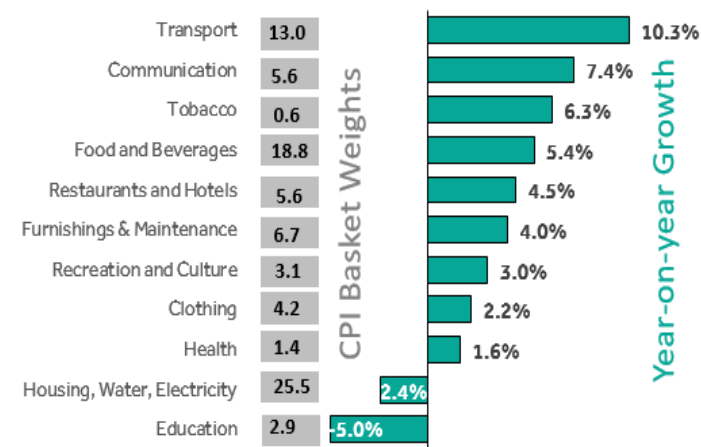
Real GDP is Projected to Grow by 5% in 2022



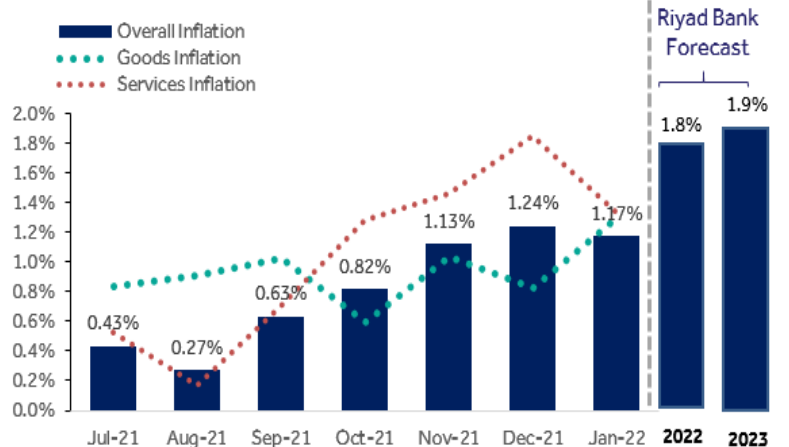
PMI Dropped to 53 pts but Still Indicates Expansion



2021 Inflation at 3.1% Pushed by Transport



Services Prices Increased in the Last Quarter of 2021

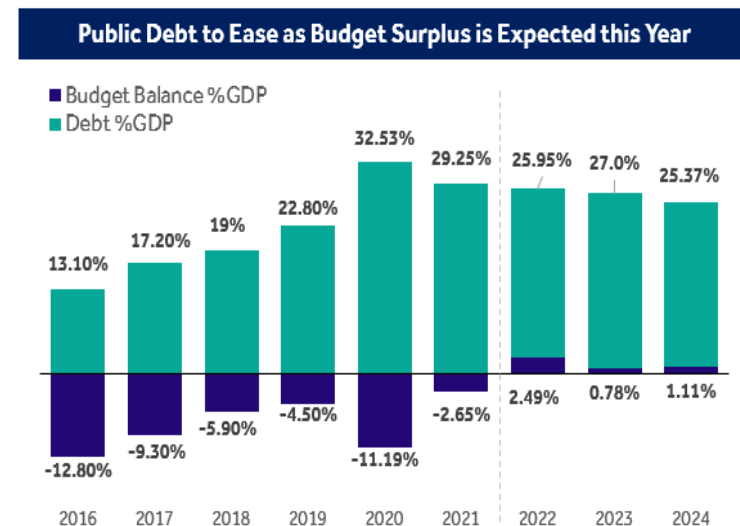
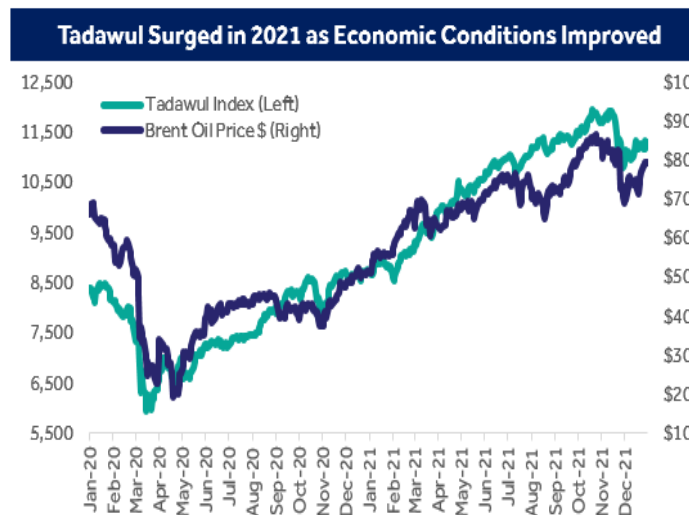
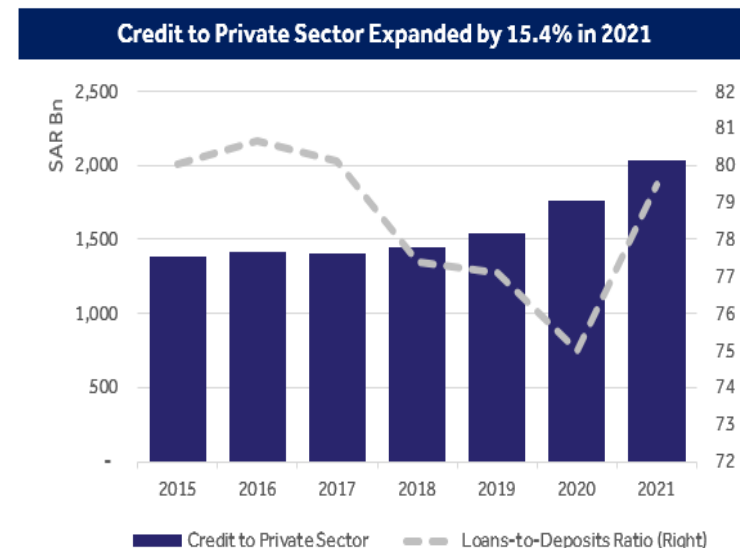
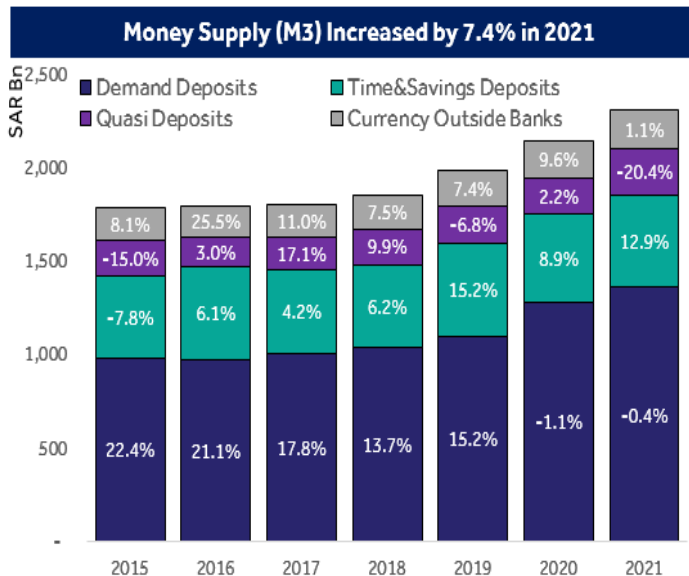


Source: IHS Markit, GASTAT, Staff Calculation

Domestic Economy 2/2

Key Highlights

- Money Supply (M3) Increased by 7.4% to reach 2.3 Tr in 2021 over increased demand deposits which expanded by 6% to amount to around 1.4 Tr.
- Loans-to-deposits ratio reached 80.3% in Dec 2021, the highest since March 2018 as credit provided to private sector increased by 15.2% YoY in Dec 2021.
- Saudi stock market (Tadawul) has been on the rise throughout 2021 and start of 2022 on the back of improved economic conditions and rebounded oil prices.
- MOF projects budget surplus of SAR90 bn this year on the prospect of increased revenues, therefore, public debt is projected to remain at SAR 938 bn level up to 2024



Source: SAMA, Bloomberg, GASTAT

* GASTAT Projections

Vision 2030 initiatives

Riyad Bank is fully committed to the success of the National Agenda



of Entities
33



of Initiatives
63



Signed Agreements
23



of Live Programs
15

The initiatives contribute to ...

96 KPIs of the Saudi vision 2030



- Program 100%
- Program 90%
- Agency program
- Tourism Partnership Program (TPP)
- Facility Guarantee
- Project Finance

25 KPIs

signed
28th Sep 2020



- Future initiatives for the present (10 initiatives)

25 KPIs

signed
13th June 2021



- Developing Execution Tools for NIDLP Strategic Dimensions (5 Initiatives)
- Finance to Manufacture
- Invest to Manufacture

12 KPIs

signed
17th Mar 2021



- Financial Support Initiative for NCPP
- Agency Services

10 KPIs

signed
14th Mar 2021



- Massar Business Enablers Initiatives

33 KPIs

signed
03rd Nov 2021



Strategy Update



MOST PROFITABLE



MOST EFFICIENT



BANK OF CHOICE



DIGITALLY ENABLED

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 Riyadh Bank in the top quartile of measure globally.

2021 -



Accelerate growth and innovation



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



Financial Results Overview





FY 2021 Key Highlights

FY 2021 Vs. FY 2020

<p>Balance Sheet</p>	<p>5.0%</p> <p>Total assets</p>	<p>13.6%</p> <p>Loan and advances, net</p>	<p>3.9%</p> <p>Investments, net</p>	<p>4.3%</p> <p>Customer deposits</p>	<p>0.3%</p> <p>Demand & other deposits</p>
<p>Income Statement</p>	<p>27.8%</p> <p>Net income</p>	<p>1.0%</p> <p>NSCI</p>	<p>9.5%</p> <p>Fee and other income</p>	<p>3.2%</p> <p>Total operating income</p>	<ul style="list-style-type: none"> ▪ Credit related impairment decreased by 56.7% . ▪ Cost of Risk in FY 2021 decreased to 41 bps from 107 bps in FY 2020.
<p>Asset Quality, Capital & Liquidity</p>	<ul style="list-style-type: none"> • NPL ratio 1.65 % and NPL coverage at 123.5% • Capital position: CET1 ratio of 15.8% and Total Capital Adequacy Ratio of 19.0%. • Strong funding and liquidity with Loans to deposits ratio (incl. Sukuk)) of 98.6% and Regulatory LDR stood at 81% , Net Stable Funding Ratio of 116% and Liquidity Coverage Ratio of 168%. • Leverage Ratio of 11.8%. 				



MOST PROFITABLE



MOST EFFICIENT



BANK OF CHOICE



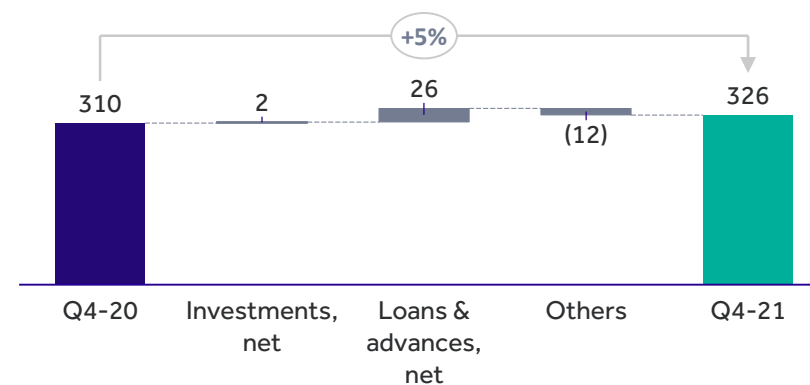
DIGITALLY ENABLED

Financial Highlights – Balance Sheet

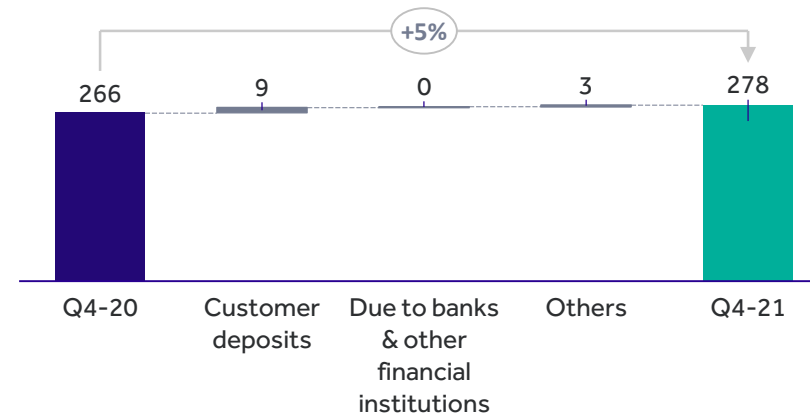
Balance sheet growth supported by continued growth in loans

SAR (mn)	4Q 2021	3Q 2021	QoQ % change	4Q 2020	YoY % change
Cash and balances with SAMA and financial institutions	43,232	44,414	-2.7%	55,579	-22.2%
Investments, net	58,637	57,451	+2.1%	56,450	+3.9%
Loans and advances, net	217,290	210,482	+3.2%	191,347	+13.6%
Total assets	325,736	318,657	+2.2%	310,088	+5.0%
Customer deposits	211,678	203,996	+3.8%	203,039	+4.3%
Debt securities in issue	8,717	8,648	+0.8%	5,684	+53.4%
Total liabilities	278,436	272,607	+2.1%	265,733	+4.8%
Total shareholders' equity	47,300	46,050	+2.7%	44,355	+6.6%
Risk weighted assets	298,475	287,216	+3.9%	268,134	+11.3%
Tier 1 ratio	15.8%	16.0%	-0.2%	16.5%	-0.7%
Total capital adequacy ratio	19.0%	19.3%	-0.3%	19.1%	-0.1%

Total Assets Growth Drivers (SARbn)



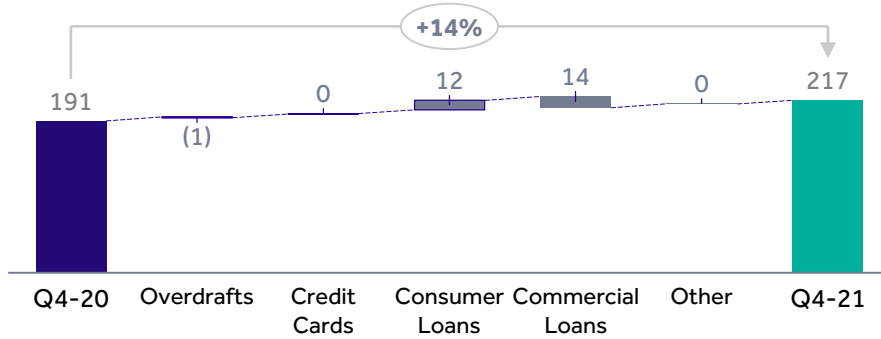
Total Liabilities Growth Drivers (SARbn)



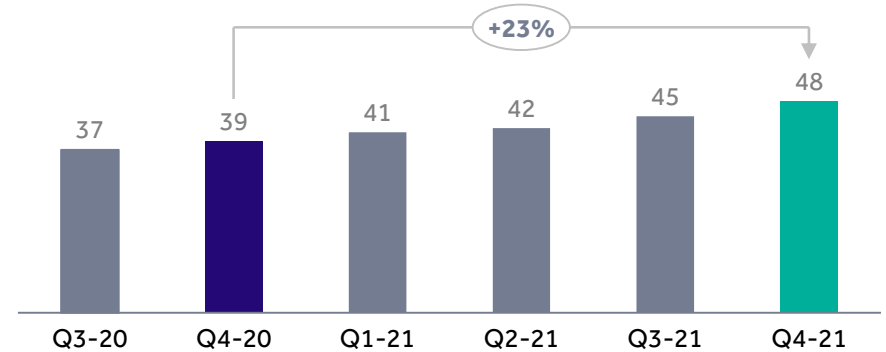
Assets & Lending

Loan growth mainly driven by commercial and Mortgage loans

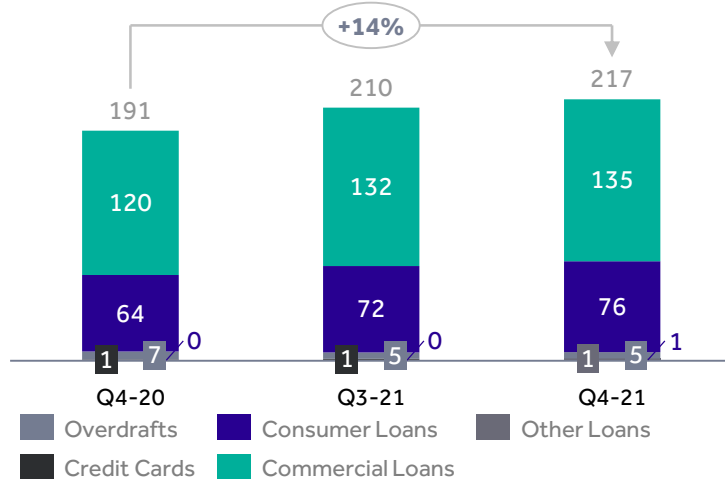
Loans & Advances Growth Drivers (SARbn)



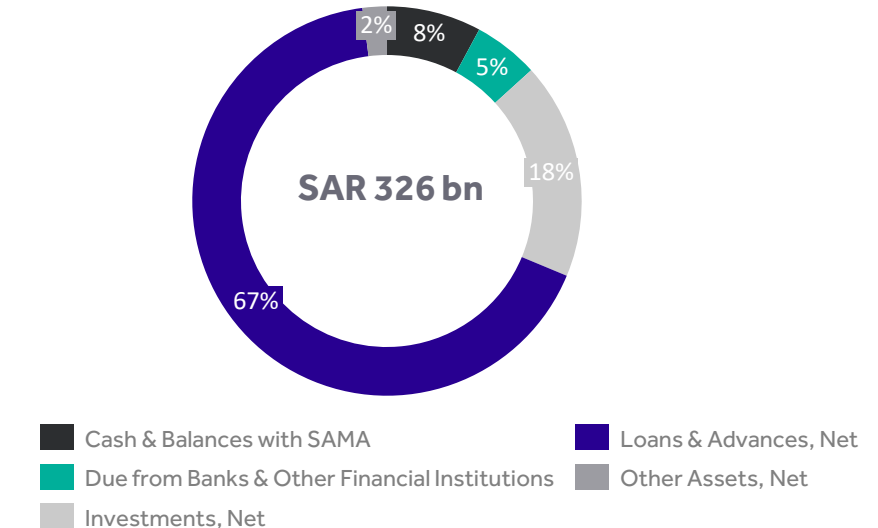
Mortgages Loans, Gross (SARbn)



Loans & Advances, Net by Type (SARbn)



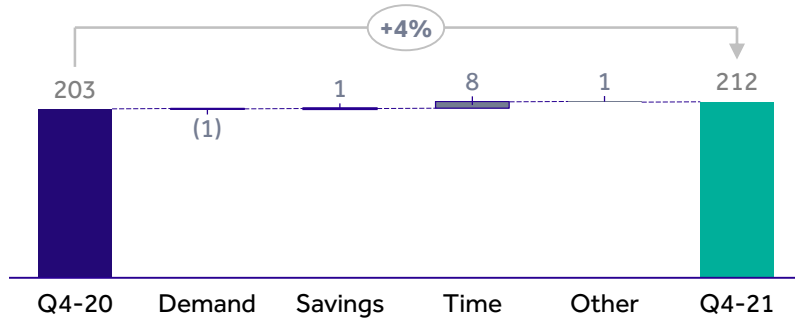
Total Assets Mix (SARbn)



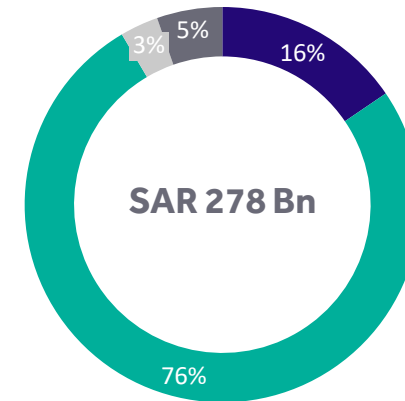
Liabilities and Funding

Stable Funding Profile

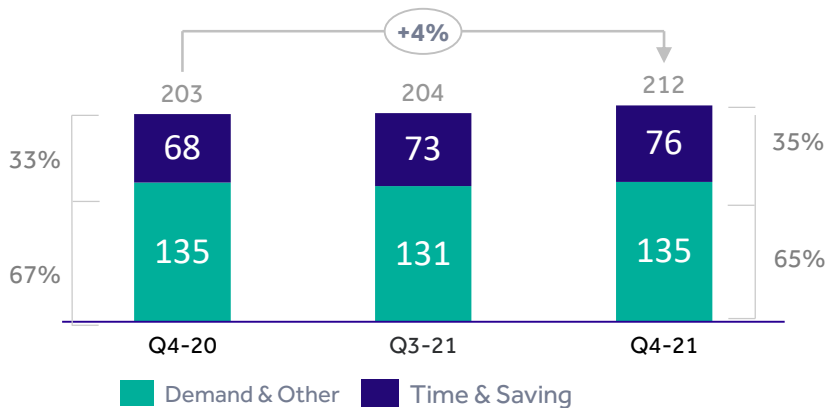
Customer Deposits Growth Drivers (SARbn)



Total Liabilities Mix (SARbn)



Total Customer Deposits by Type (SARbn)



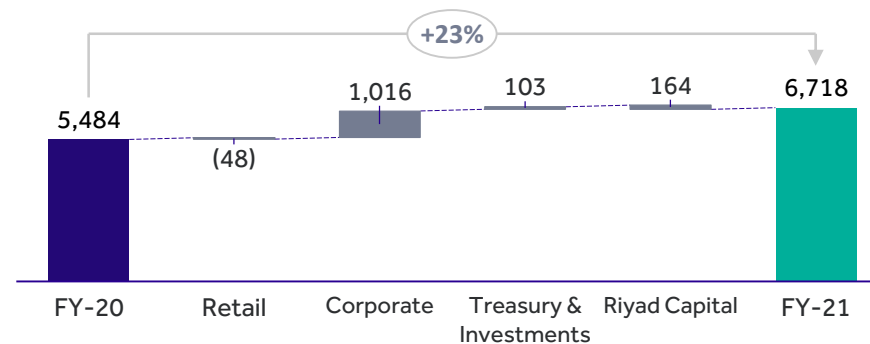
- Due to Banks & Other Financial Institutions
- Customer Deposits
- Debt Securities in Issue
- Other Liabilities, Net

Financial Highlights – Income Statement

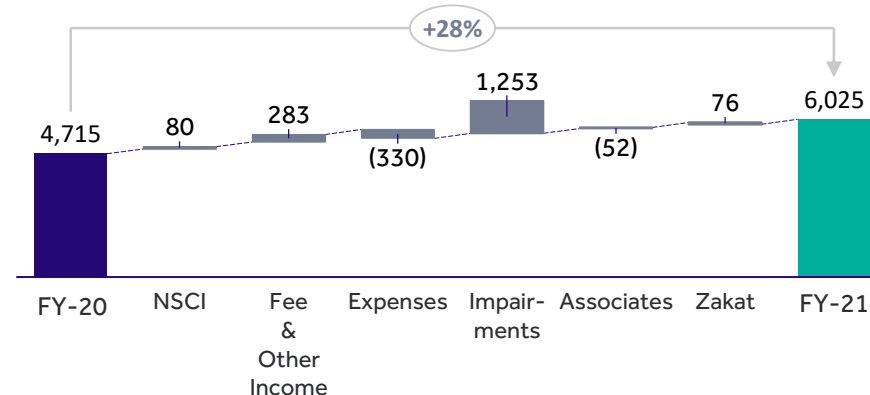
Net income growth due to higher operating income and lower impairment charges

SAR (mn)	FY 2021	FY 2020	YoY % change	4Q 2021	3Q 2021	QoQ % change
Net special commission income	8,293	8,214	+1.0%	2,070	1,982	+4.4%
Fee and other income	3,275	2,992	+9.5%	880	835	+5.4%
Total operating income, net	11,568	11,205	+3.2%	2,949	2,817	+4.7%
Operating expenses	(3,965)	(3,635)	+9.1%	(963)	(1,008)	-4.5%
Net operating income before impairment charges	7,603	7,571	0.4%	1,987	1,808	9.8%
Impairment charge for credit losses and other financial assets	(851)	(2,062)	-58.7%	(259)	(108)	+140.5%
Impairment charge for investments	(2)	(44)	-95.6%	25.2	38.9	-35.3%
Net operating income	6,751	5,465	+23.5%	1,753	1,740	+0.8%
Share of earnings of associates, net	(32)	19	-267.8%	0	(13)	-100.4%
Net income for the period before Zakat	6,718	5,484	+22.5%	1,753	1,727	+1.5%
Zakat for the period	693	769	-9.9%	136	184	-26.3%
Net income for the period	6,025	4,715	+27.8%	1,617	1,543	+4.8%
EPS	2.01	1.57	+28.0%	0.54	0.51	+5.9%
ROAE before Zakat	14.7%	12.9%	+1.8%	15.0%	15.2%	-0.2%
ROAA before Zakat	2.1%	1.9%	+0.2%	2.2%	2.2%	0.0%
Cost to income ratio	34.3%	32.4%	+1.9%	32.6%	35.8%	-3.2%

Net Income before Zakat Growth Drivers by Segment (SARmn)



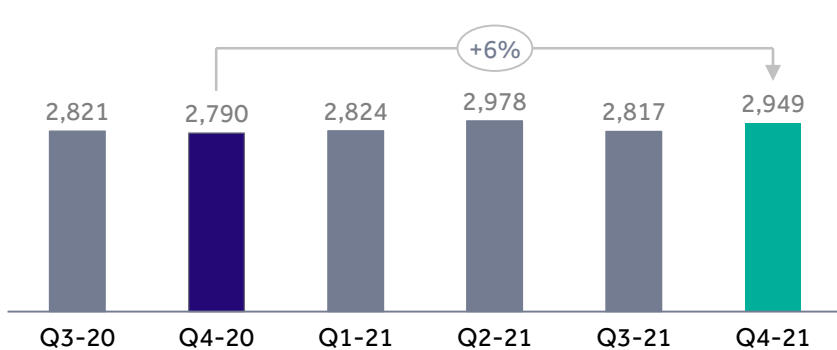
Net Income after Zakat Growth Drivers by Type (SARmn)



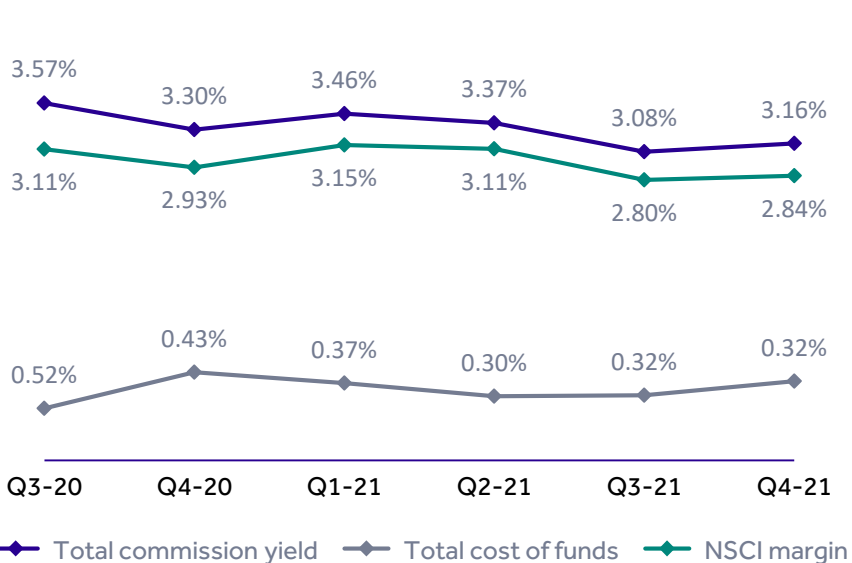
Income Trends

Income growth supported by stable balance sheet growth

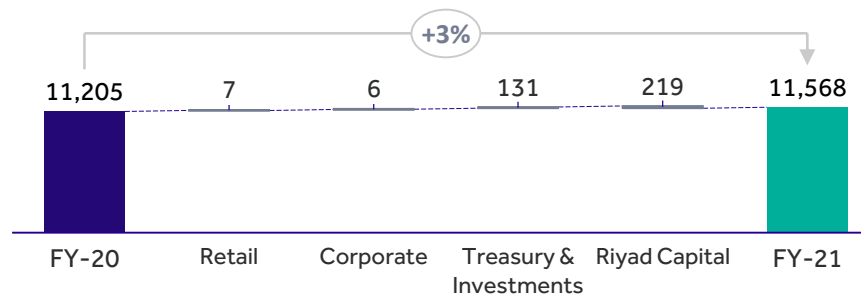
Total Operating Income, Net (SARmn)



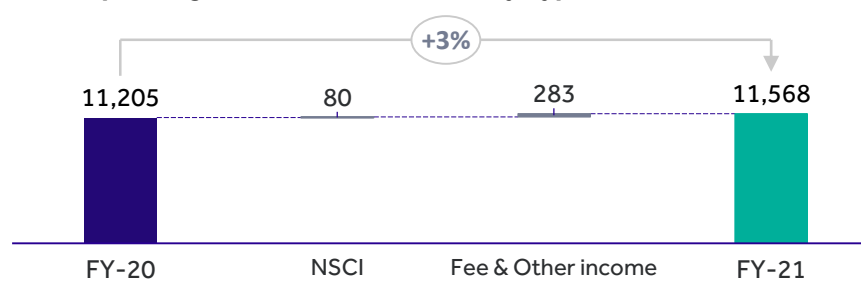
NSCI Margin, Yields and Funding Costs (%)



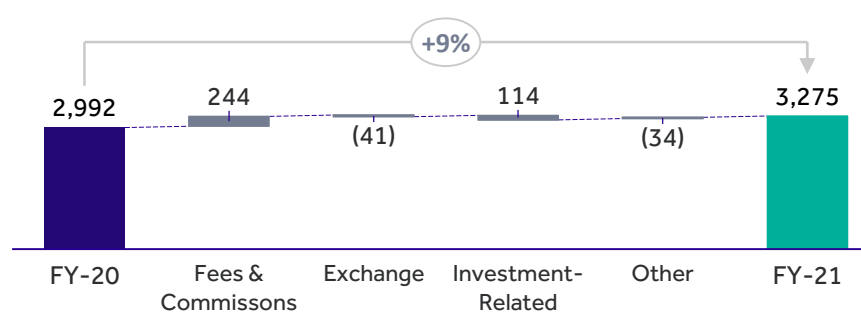
Total Operating Income Growth Drivers by Segment (SARmn)



Total Operating Income Growth Drivers by Type (SARmn)



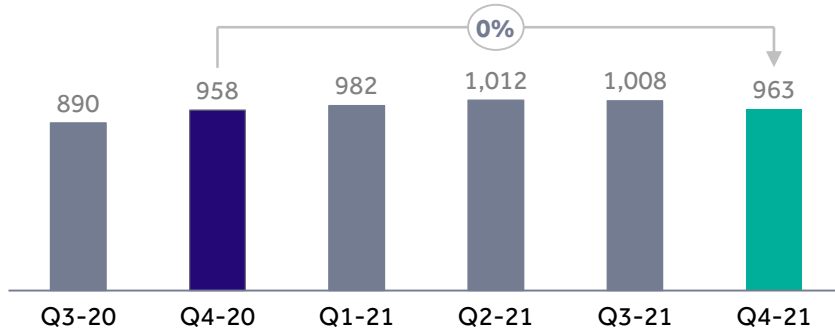
Fee & Other Income Growth Drivers by Type (SARmn)



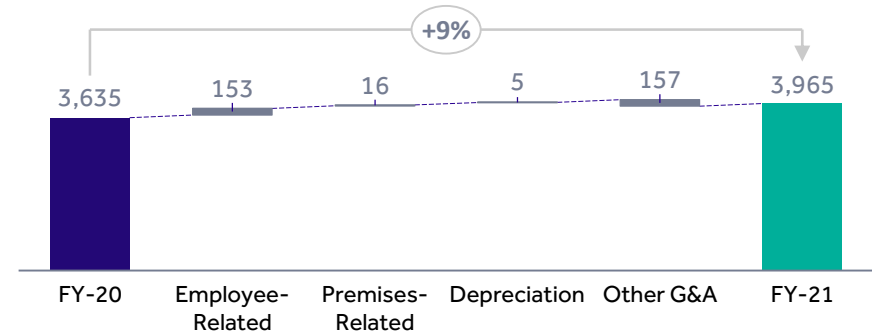
Expenses Trends

Continued cost efficiency despite banks' investment in its Transformation Program

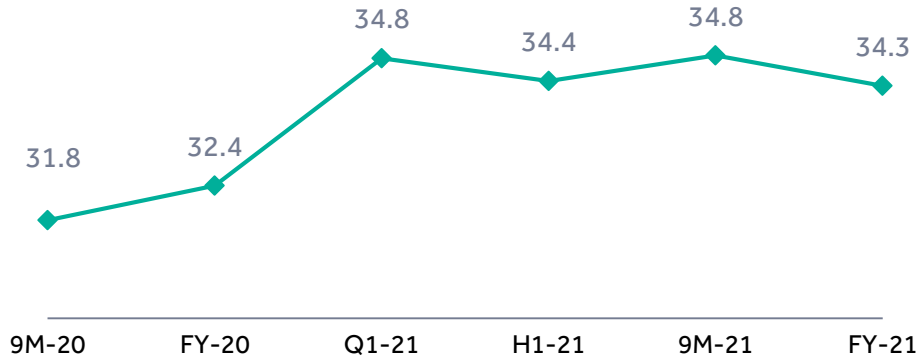
Operating Expenses (SARmn)



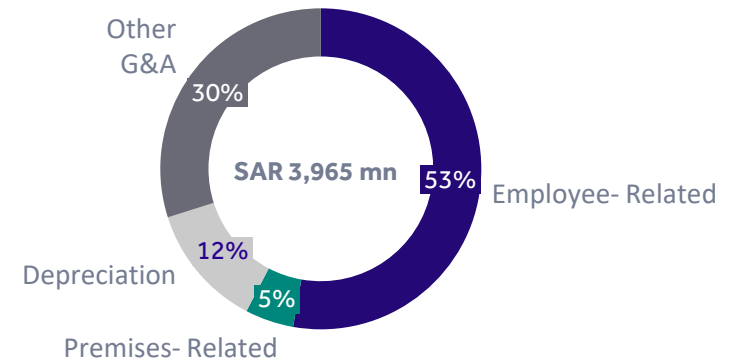
Operating Expenses Growth Drivers by Type (SARmn)



Cost to Income Ratio (YTD %)



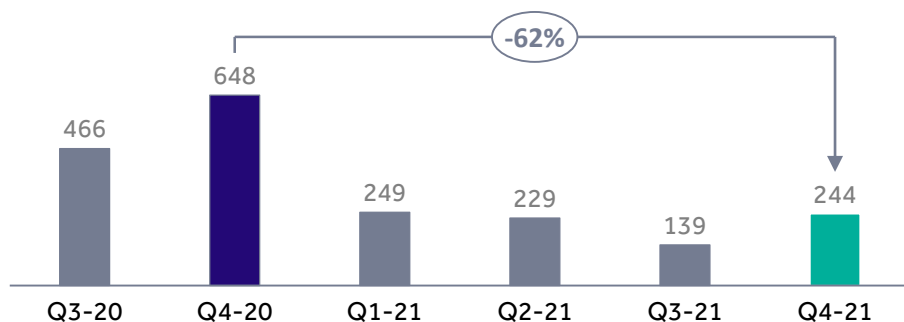
FY 2021 Operating Expenses Mix by Type (SARmn)



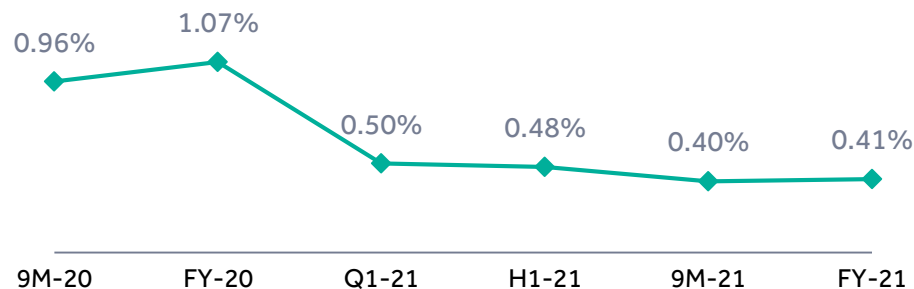
Credit Quality

Stable asset quality trends with solid NPL coverage ratio

Impairment Charge for Credit Losses, Net (SARmn)

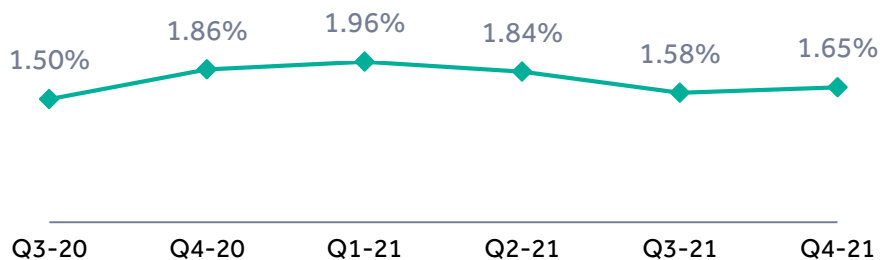


Cost of Risk (YTD %)

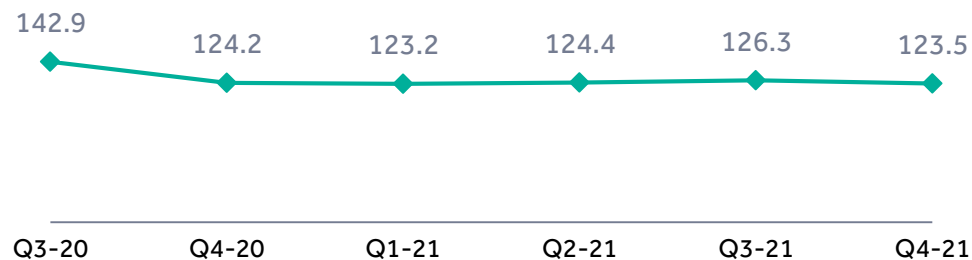


Cost of Risk calculation =
$$\frac{\text{Annualized YTD Impairment charge for credit losses, net}}{\text{Avg gross loans and advances}}$$

NPL Ratio (%)



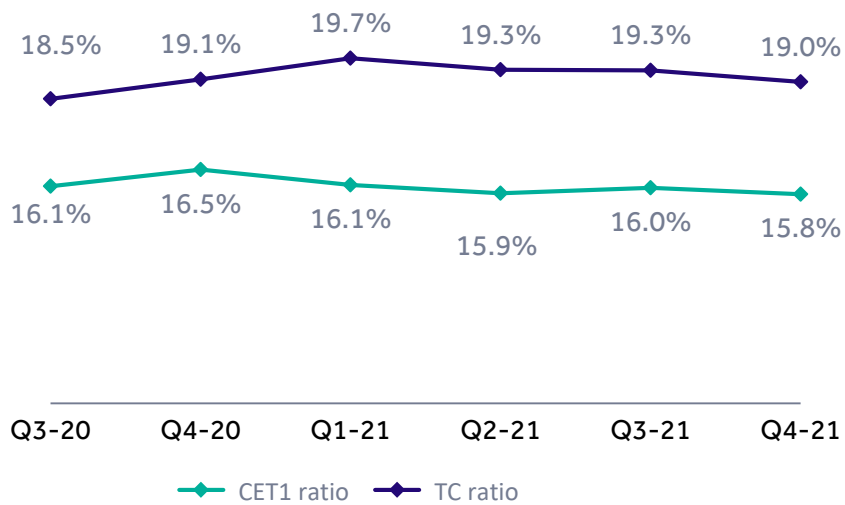
NPL Coverage (%)



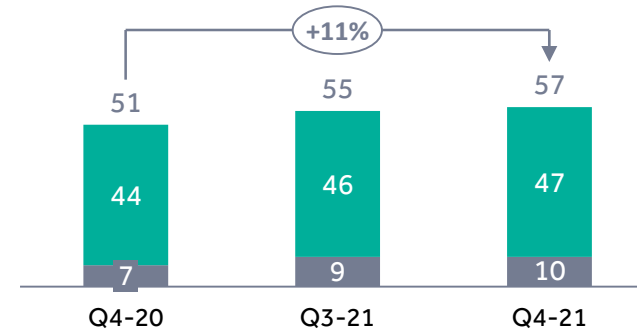
Capitalization

Capitalization well above regulatory minima and continues to support growth

Capital Ratios (%)

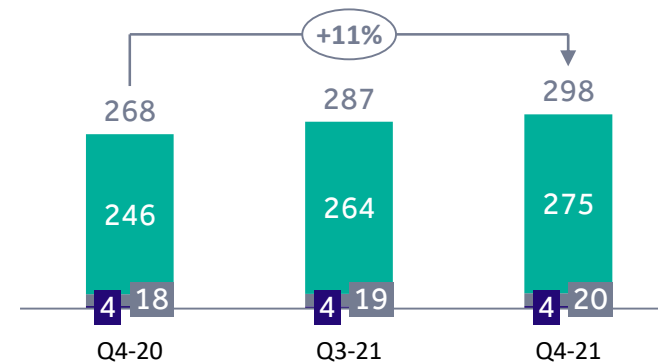


Capitalization (SARbn)



Common equity tier 1 capital Tier 2 capital

Risk Weighted Assets (SARbn)

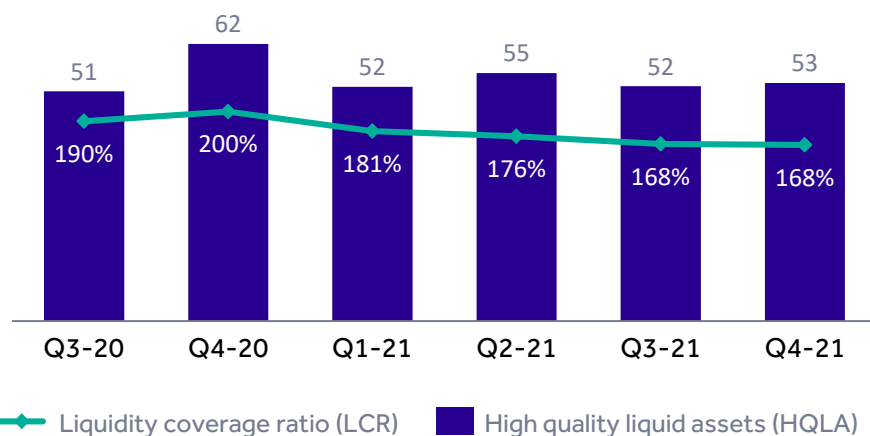


Credit risk Operational risk Market risk

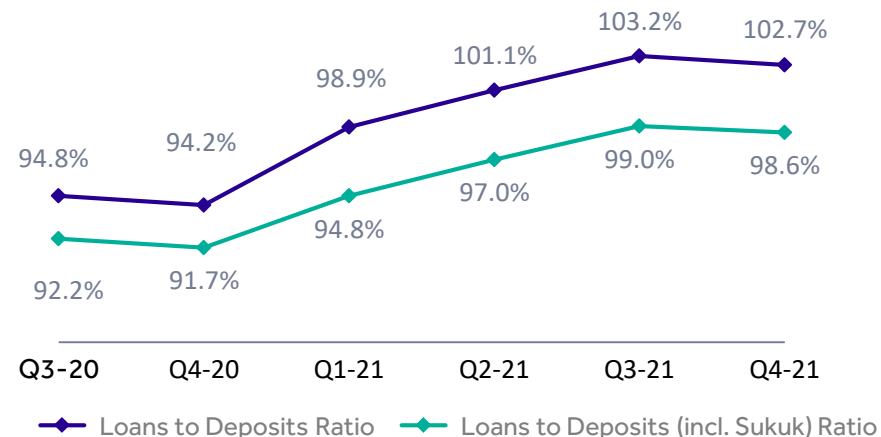
Liquidity

Liquidity continues to be at comfortable levels

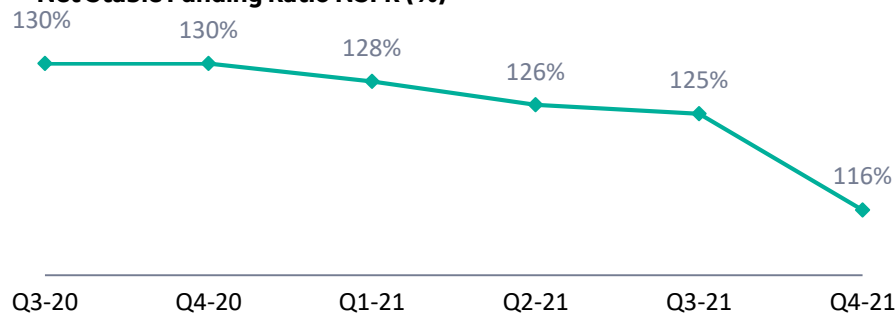
HQLA and Liquidity Coverage (SARbn/%)



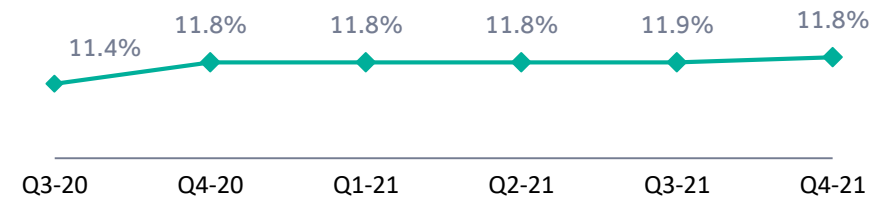
Loans to Deposit Ratios (%)



Net Stable Funding Ratio NSFR (%)



Basel III leverage Ratio (%)



2021 Outlook



2022 Guidance

Riyad Bank Guidance

Guidance Metric	FY 2020	2021 Updated Guidance	FY 2021	2022 Guidance
Loans, Net	SAR 191 Bn (+10% YoY)	High single digit %- low double digit % growth	SAR 217 Bn (+13.6% YoY)	Mid teens
NSCI Margin (%)	3.13%	-10bps to -20bps	2.97%	0 bps - +10 bps
Cost to Income (%)	32.4%	Below 34%	34.3%	Below 35%
Cost of Risk (%)	1.07%	0.4% to 0.6%	0.41%	40 bps -60 bps
CET1 (%)	16.5%	Above 15%	15.8%	Above 15%
ROAE Before Zakat (%)	12.9%	Above 13%	14.7%	Above 14.5%



Appendix



Riyad banks' commitment to Environmental, Social and Governance (ESG) factors, started well before global trends



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"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: **395** volunteers / Total **811** Hours
- Donation accounts: Total **410,954** transactions – **SAR 15,646,855.29**
- +80 Awareness messages on different international days
- Back to School Campaign as part of International Day of Charity in collaboration with مؤسسة ركائز للتفأول; distributed **2000** school bags to charity organizations in 10 different cities around the Kingdom
- Organ Donation Campaign: **87** employees
- Blood Donation: two blood donation campaigns in 5 cities and 6 locations: **549** donors donated **247,050 ML** of blood contributing to save **1,647**
- Received Mowaamah Golden Certificate; Best standards and practices in creating work environments suitable for people with disabilities. Hired **19** new employees with different disabilities.
- In collaboration with Saudi Corporate Social Responsibility Center: **30** training courses and workshops in financial literacy/ **123,255** beneficiaries.
- Signed agreement with Madac Academy for robotics laboratory: expected +1,000 annually to benefit from the laboratory.
- Renewed the agreement with King Faisal Specialist Hospital to fund the Center for Autism Research for 1 Year with the amount of SAR 10,000,000.
- In collaboration with the Stage, Riyad Bank sponsored an initiative to deliver enrichment content virtually and live. 6 live shows discussing different topics including: entrepreneurship, empowering people with disabilities, economy and financial management, saving and investment, SMEs support, and financial technology.

With Bukra, the Bank is targeting the following UNSDGs:



Environmental

- Recycling: From January till date: Papers and plastic **5045 KG** Saved **35,315** gallons of water, **85.7** trees, **11.6 cubic meters** of landfill, **20.18 tons** of CO2 and **20.180 KW** of energy
- Recycled **57%** of consumed papers in HO Granada
- Saved **30%** of electricity consumption and **20%** of cost in HOR
- Beach Cleaning: we collaborated with A community group to clean Salman Bay in Jeddah. Recycled: **38 KG** of glass, **54 KG** of paper and **178 KG** of plastic.
- Riyad Bank collaborated with Ertiq Organization to recycle **488** PC-hardware items.
- Green and Renewable Banking: **SAR 7.4 Billion** Riyad Bank's financing contribution

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



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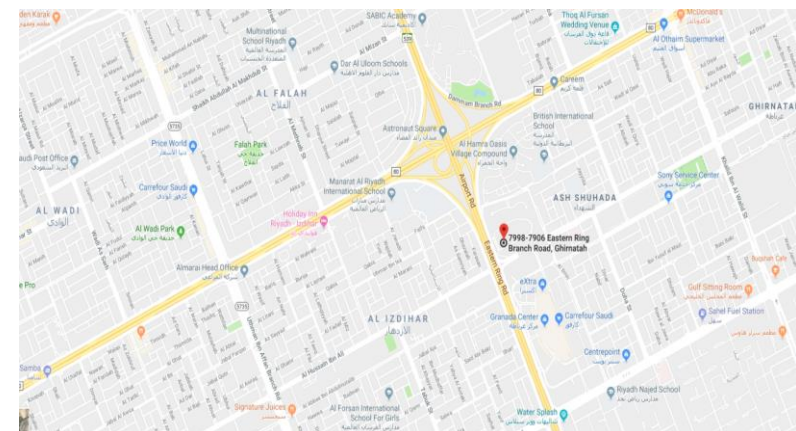
<https://www.riyadbank.com/en/about-us/investor-relations>

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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