

Chairman's Statement

Always with you. Growing and innovating.

2023 was a pivotal year for Riyad Bank. We strengthened the segments of Retail and Corporate Banking, accelerated digital banking, enriched the customer experience, and elevated our environmental, social, and governance (ESG) efforts. We participated in the transformation of the Kingdom's financial sector and supported significant initiatives that reflect our commitment to achieving Saudi Vision 2030 goals.

Accelerating Achievements

The exceptional achievements and financial results outlined in the 2023 Annual Report are a source of pride and reaffirm the position and reputation of Riyad Bank. Our dedicated team of elite bankers have proven their ability to compete not only in Saudi Arabia but across the region. Their passion, loyalty, talent, and creative thinking have perfectly executed the Bank's vision and strategy, yielding outstanding results for another year.

In 2023, we outperformed ourselves across all four pillars of our transformation strategy: to be the most profitable (in terms of return on equity, profit growth, and total return to investors), to become the most efficient, most innovative and digitally enabled, and to be the Bank of Choice for customers and employees.

Riyad Bank boasted net profit of SAR 8.0 Bn. in 2023, a growth of 15% compared to SAR 7.0 Bn. in 2022. We increased our return on equity significantly by growing our loan portfolio and improved our cost-to-income ratio through exceptional operational excellence.

We further asserted ourselves as the most innovative and digitally enabled bank in the Kingdom, spearheading numerous market-leading solutions and processes and elevating our digital maturity score. Our net promoter scores improved across the board, as well as our brand equity and brand value, demonstrating the trust we have built with our customers.

Our Vision, Our Identity

Riyad Bank's 2023 results affirm that we are well on our way to achieve our vision of becoming the most innovative and trusted financial solutions partner. We continue to develop our identity, "My Bank, always with you", creating value for all Stakeholders.

Our identity is intricately woven into the fabric of Saudi Vision 2030 and Riyad Bank's Transformation Strategy 2025. Together, the strategies outline a future of prosperity, marked by excellence, fueled by creativity, and led with unwavering leadership across every tier of our organization.



Riyad Bank has committed more than
SAR 21.2 Bn.
to Vision 2030-related projects

Supporting Vision 2030

As one of the largest financial institutions in the Kingdom of Saudi Arabia, Riyad Bank is an active participant in the realization of Saudi Arabia's Vision 2030. Our mission to help people, organizations, and society achieve their aspirations by being their trusted and caring financial solutions partner aligns with our responsibility to the Kingdom, reflecting our call to invigorate the national economy and create prosperity for all.



The 2023 Annual Report showcases Riyad Bank's outstanding achievements, with a 15% increase in net profit to SAR 8.0 Bn and significant strides in innovation and digitalization, reinforcing its position as a trusted financial partner aligned with Saudi Vision 2030 and the Bank's Transformation Strategy 2025.



Net profit increased by
15%



This year, we signed multiple agreements and entered partnerships to support economic diversification and job growth in line with the national strategy. Riyad Bank has committed more than SAR 21.2 Bn. to Vision 2030-related projects, with 80% of these commitments happening in 2023. This demonstrates our commitment to supporting visionary projects and enabling the Kingdom's ambitious development plans.

Riyad Bank is also playing an important role in promoting financial empowerment for the Kingdom's citizens. We are providing sustainable financing solutions for homebuyers, helping families to increase their household savings rate, and promoting financial literacy through diversified financial planning and product offerings. We are also facilitating seamless payments with solutions such as our digital wallet, Bouki, and integrated e-invoicing.

The Digital Innovation Center at Riyad Bank, operated by Jeel, achieved notable results in 2023, including launching new digital platforms, enhancing customer experiences, executing mobile platform, and improving internal processes for agile delivery.

Digital Banking and Innovation

As part of Vision 2030 goals and our company strategy, Riyad Bank is contributing to the wave of digital transformation across Saudi Arabia. This year, we solidified our position as a leading and innovative digital bank in 2023, using advanced technologies such as open banking and artificial intelligence (AI) to serve better our retail and corporate customers.

We increased our Digital Maturity Index score and adopted new solutions such as Microsoft Power BI and Medallia. We also established the Centre of Intelligence to focus on conversational AI and leveraged our open banking and Banking-as-a-Service model to create new value propositions and facilitate data sharing between businesses and financial service providers.

This year, we proudly launched Riyad Bank's innovation arm, Jeel Company. Operating as an independent business, Jeel is a digital catalyst for the fintech sector, supporting various Stakeholders with thought leadership, emerging technology, and research and development. It offers employees and participants a conducive environment and a holistic framework to create and scale innovative solutions for real-world challenges.

Empowering the Success of MSMEs

In alignment with the Kingdom's efforts to drive innovation and economic growth, Riyad Bank remains committed to fostering micro, small, and medium enterprises (MSMEs). With 45 branches for MSMEs, In 2023 we launched the Riyad Bank Center for SMEs as well as a new standalone center in Al Khobar. Our dedicated centers provide specialized financial services and support for this critical yet underserved segment which represents an important pillar of the economy and Saudi Vision 2030. We have also proudly launched digital account opening for startups, further facilitating their ease of doing business.

For seven years in a row, Riyad Bank has ranked first in terms of the value of financing and guarantees given through the Kafala Finance Guarantee Program for SMEs. This year, we signed new partnership agreements with government agencies such as the General Authority for Small and Medium Enterprises and the Eastern Region Municipality to provide financing to MSMEs. We also established a credit portfolio worth USD 1 Bn. to finance entities in the communications and information sector.

Social responsibility

Riyad Bank is committed to advancing our sustainability journey for the benefit of our people, partners and country. Bukra, our comprehensive and long-term corporate social responsibility (CSR) program, is aligned with local and global best practices including Vision 2030 and the United Nations Sustainable Development Goals. With support from executive leadership, I lead a dedicated CSR Committee to oversee the Bank's sustainability objectives and risks.

In 2023, we continued to improve our CSR strategy and initiatives, covering various ESG aspects. We further established Riyad Bank as a leader in sustainable finance, growing our net Green and Renewable loan commitments by over SAR 16 Bn.. We also achieved ISO 26000 certification, which recognizes Riyad Bank's socially and environmentally responsible standards and practices.

We held our inaugural Social Responsibility Forum in March, which enhanced our understanding and collaboration on CSR issues. In the year ahead, we will launch our ambitious Sustainability strategy and three-year roadmap with the aim to "Help Saudi Arabia Thrive".

In 2023, we also upheld our commitments to being a responsible employer, increasing female representation in the workforce, hiring persons with disabilities, and maintaining one of the highest Saudization rates in the Kingdom. Further, as part of our role in environment, we launched Al Hilal tree planting initiative, aligning with environmental the Kingdom's goals of sustainability and ecological responsibility.



Riyad Bank Center for SMEs was launched

A Challenging and Dynamic Banking Sector

Despite the global economic challenges faced in 2023, including ongoing crises impacting the world economy and challenges of integration into the digital economy, we witnessed significant transformations in the banking sector. The demand for online banking services increased, which also raised the potential for cybersecurity risks. In the Kingdom and beyond, financial institutions raced to enhance innovation and technology to deliver more efficient and secure services.

The year 2024 will bring new and complex challenges to the banking sector and the economy at large. We face ongoing crises, security threats, geopolitical uncertainties, and slow economic growth coupled with inflation. In this context, banks have a vital role to play in fostering economic recovery, promoting development, and stimulating the economy. We should work to support MSMEs, increase investment, and forge strategic partnerships and alliances, especially in the technology sector.

The banking sector will also need to accelerate digital transformation to provide more innovative and customer-centric banking services. Moving forward, sustainability and technology will be the key drivers of the banking and economic sectors' challenges and opportunities, both globally and locally.

At Riyad Bank, we are committed to providing innovative solutions that cater to the needs of Saudi businesses and help boost the national economy. Through our relentless efforts in digital transformation, we deliver more efficient and competitive banking services that enhance the sustainability of our financial performance and achievements. We continue to build on the Bank's legacy and exceed the expectations of our customers, shareholders, and partners.

Acknowledgments

On behalf of all of us at Riyad Bank, I would like to extend sincere thanks and appreciation to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud and to His Royal Highness Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud, Prime Minister - may Allah protect them and take care of them.

We would also like to express gratitude to the Ministry of Finance, the Saudi Central Bank, and the Capital Market Authority, for the support and assistance they provide to the banking sector, propelling us forward each year.

Abdullah Mohammed Al-Issa

Chairman of the Board

CEO's Message

Sustaining excellence, Always with you.

We are pleased to present our Annual Report for the year 2023, a year marked by excellence and resilience at Riyad Bank. Despite the economic headwinds that affected the global and regional markets, we delivered outstanding results and achieved our strategic objectives.

Riyad Bank faced the increasing challenges of 2023 with determination and agility, advancing towards our Transformation 2025 Strategy goals. We strengthened our position as the bank of choice, by providing high-quality services to our individual and corporate customers, achieving robust financial results, empowering digitalization, and fostering a culture of innovation.

Riyad Bank also played a vital role in supporting the national economy and the Saudi Vision 2030, by creating a conducive business environment and stimulating economic growth. We launched several initiatives, invested in strategic projects, and supported micro, small, and medium-sized enterprises (MSMEs). Moreover, we expanded our social responsibility efforts by developing, empowering, and training local communities.

Financial Performance

The year 2023 was marked by challenges that affected the global and regional economies. The global banking sector was one of the most influential sectors, accordingly, Riyad Bank responded proactively by adopting effective risk management practices, such as hedging against market fluctuations and increasing cash reserves to cope with interest rate hikes. This strategy enabled us to safeguard a substantial part of our portfolio value, as well as to capitalize on timely disposal of our investments, which generated considerable capital gains and preserved our capital.

Despite the circumstances, Riyad Bank achieved remarkable and solid financial results across all sectors in 2023. We recorded a net profit of SAR 8.0 Bn., representing a growth rate of 15% compared to 2022. Additionally, net loans and advances recorded a growth of 13% compared to 2022 driven by 15% growth in corporate loans and 11% in consumer loans.

Accelerating Digitalization

In 2023, Riyad Bank continued its journey towards digital transformation, achieving remarkable milestones that reinforced its market leadership. The Bank leveraged the latest financial technologies, such as open banking and artificial intelligence (AI) solutions, to enhance its digital banking infrastructure. This enabled the Bank to deliver superior services and products that catered to the dynamic needs of retail and corporate banking customers in the digital era.

The digital transformation and innovation initiatives launched by the Bank were diverse and inclusive, reflecting its commitment to excellence and achieving customer satisfaction. Our digital maturity index improved significantly, despite the implementation of more controls and restrictions to counter fraudulent activities and mitigate associated risks. Some of the notable achievements in this area were the implementation of the Microsoft Power BI for creating bank wide dashboards and the Medallia system for supporting decision-making.

Riyad Bank's innovation arm, Jeel, also reached new heights in 2023, playing a crucial role in advancing the Bank's digital transformation agenda. Jeel introduced various prototypes, applications, and improvements to the Bank's core operations and processes. We also reinforced the internal innovation platform by launching Molhem, which empowered all Riyad Bank employees to submit innovative solutions to enhance the Bank's social responsibility initiatives. So far, over 400 employees have participated in the platform, proposing 85 creative ideas.



Riyad Bank's 2023 Annual Report highlights resilience and excellence despite global challenges, achieving strategic objectives, enhancing services, supporting economic growth, and expanding social responsibility efforts in line with Saudi Vision 2030.



Net Profit

SAR 8.0 Bn.



Our efforts were recognized by several prestigious awards, such as the 'Best Innovation in Digital Banking Services Award' for 2023 in Saudi Arabia at the MEA Finance Awards. The Bank also received the 'Best Big-Data Applications' award from the Public Investment Fund and Informatica Foundation, as well as a certificate of appreciation from the Middle East Summit on Artificial Intelligence and Banking Analytics.

Artificial Intelligence Center

In 2023, we established the Artificial Intelligence and Advanced Analysis Centre, a strategic initiative that aims to position Riyad Bank as a leader and pioneer in data analysis and AI at the local and regional levels.

The Center reflects the Bank's continuous efforts to harness the power of advanced technologies to optimize its operations and services. It employs state-of-the-art machine learning technologies and AI techniques that can process and comprehend natural language, enabling the Bank to enhance its processes and increase customer satisfaction.

Open Banking and Banking-as-a-Service

In 2023, we pursued our journey to foster a culture of innovation and create new value propositions based on the open banking and Banking-as-a-Service (BaaS) model. The open banking model stands out by making a significant mark on our operations and boosting efficiency by enabling secure and smooth data sharing between companies and financial service providers.

We reached a significant milestone in 2023 when we obtained official authorization to offer open banking services in compliance with the regulatory framework issued by the Saudi Central Bank (SAMA). As a result, we implemented a variety of open banking services for retail banking customers, in line with our strategy to meet customer needs.

Corporate Banking

In 2023, Corporate Banking at Riyad Bank delivered outstanding performance, achieving unprecedented growth and remarkable results. The segment's assets grew by 15.2%, and net income rose by 23.3%, accounting for 62.0% of the Bank's total income. This success was driven by Corporate Banking's focus on offering credit facilities to SMEs and supporting large projects.

Corporate Banking played a vital role in supporting Vision 2030 by financing activities and backing various strategic initiatives that boost economic development and generate employment opportunities in the Kingdom. Additionally, the Bank funded green energy projects, totaling 22 projects with a combined value of SAR 105 Bn., with Riyad Bank's total contribution amounting to SAR 23 Bn.

As part of the Bank's Transformation 2025 Strategy, approximately 90% of total financial transactions executed by our customers are now conducted through our digital channels. This achievement is attributed to the enhancements made to our Global Transaction Banking services and the integration of new technologies in cash management, corporate credit cards, and trade finance.

Supporting MSMEs

In 2023, Riyad Bank played a crucial role as a key supporter for MSMEs. As of the fourth quarter of 2023, we held 22% of the market share in credit facilities for MSMEs, according to SAMA. This year, the Bank achieved its goal of launching a USD 1 Bn. credit portfolio to finance entities in the communications and information sector within seven months.

Moreover, we expanded our local presence in Saudi Arabia, reaching 45 branches dedicated to serving MSMEs by the end of the year. We also reduced the average response time for credit approval to 48 hours for 50% of customers in this segment. Additionally, the total cross-selling activities across the retail banking reached 220 activities in 2023.

Furthermore, at the start of 2023, we enabled an electronic account opening service for MSMEs, in line with our plan to offer more digital products and services tailored for this customer segment.

Retail Banking

Despite facing a challenging business environment in 2023, the segment overcame the slump in credit growth and profit margin erosion by expanding its deposit base and growing its mortgage and personal loans. Retail Banking remained a key driver of the Bank's overall performance this year, contributing 35% of the net loans and advances.

The Division continued to grow its assets and liabilities significantly, responding to a market shift from current accounts to savings and term deposits.



Retail Banking NPS grew by

10%

Retail liabilities registered a growth of 9% by December 2023 year on year, while consumer lending grew by 5% year on year. Mortgage lending was the Division's prime product again with 11% growth in 2023. Overall, Retail Banking increased its customer base by 10% year on year by December 2023.

Improvements in customer service were significant, with improvements across the board in customer net promoter scores (NPS). The overall Retail Banking NPS grew by 10% since 2022.

As part of our ongoing commitment to delivering quality products in the banking sector, we unveiled an electronic platform that allowed current and new customers to apply for Riyad Bank's Hilal credit cards online. The year also saw the launch of other innovative products, such as AI-Fursan credit cards, which offered holders unique travel.

Moreover, we added the electronic safe deposit box service for private and affluent banking customers, and enhanced the service provided to our customers.

Private Banking

In 2023, our highly competent Private Banking and Relationship Managers served our customers through dedicated centres in Riyadh, Jeddah, and Al Khobar. This result in an increase of 23% in the number of individual and private customers compared to 2022. The total deposits of Private Banking customers grew by 16% year-on-year in December 2023, while the total relationship value with customer increased.

Exclusive banking services were offered through 39 Diamond Banking centers and 144 Golden Banking service offices across the Kingdom, with the specific goal of attracting customers and boosting current deposits.

Treasury and Investments

Treasury and Investments was a significant contributor to Riyad Bank's growth in 2023, accounting for 16% of the total operating income. Treasury Division contributed SAR 1,512 Mn. of net special commission income an increase of 51% compared 2022. Additionally, Investments, net stood at SAR 58 Bn. as on December 2023, a 11% increase compared to December 2022. Meanwhile, total liabilities were SAR 43 Bn., a 62% increase compared to the previous year.

In 2023, Treasury and Investments demonstrated its resilience and agility in managing the Bank's investment portfolio amid rising interest rates. We achieved remarkable growth in our commission income due to the successful implementation the Global Markets Strategy Plan. We also strengthened our position in the local derivatives market, closing a mega SAR interest rate swap, where we acted as both a hedge provider and a hedge coordinator for the first time.

We secured a number of major deals that showcased Riyad Bank's strong capabilities and reputation in the financial market. This included a syndicated senior unsecured term facility of USD 1.2 Bn. with a group of international banks, which will support the Bank's growth and diversification of its funding base.

In 2023, Treasury and Investments undertook a significant organizational revamp to align with the changing business and regulatory environment. We also signed several new treasury relationship master agreements with domestic and international banks, and we have several more in the pipeline.

Acknowledgements

In conclusion, I have the honor of extending our deep gratitude to the wise leadership of the Kingdom, represented by the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud and to His Royal Highness Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud, Prime Minister - may Allah protect them and take care of them.. I would also like to extend my sincere thanks and appreciation to SAMA, the Capital Markets Authority of Saudi Arabia, as well as our Chairman and all the Members of our outstanding Board of Directors for their vision, support, and guidance.

Furthermore, I would like to thank our Stakeholders and customers for their trust, and every member of the Riyad Bank family for their dedication and contributions during this successful year. We look forward to another year full of prosperity and achievements. Through our combined effort, service, and commitment we will make further progress towards becoming the bank of choice in the Kingdom by 2025.

Nadir S. Al-Koraya

Chief Executive Officer