

Riyad Bank Reports Net Income (after zakat) of SAR 4.0 Billion in H1 2023

- ◆ **Net income** (after Zakat) increased by 26.5% YoY.
- ◆ **Operating income** increased by 26.2% YoY mainly due to an increase in net special commission income, trading gains and exchange income, net.
- ◆ **Operating efficiency** reached 30.0%.
- ◆ **Cost of risk** at 0.83% compared to 0.39% in H1 2022.
- ◆ **Net loans and advances** grew by 9.8% YoY to SAR 263 billion across both commercial and consumer loans.
- ◆ **Customer deposits** grew by 14.7% YoY to SAR 272 billion.
- ◆ **Total assets** grew by 8.7% YoY to SAR 389 billion.
- ◆ **Capitalisation** remained strong with CET1 ratio at 15.8%, Tier 1 ratio at 17.8% and Total CAR ratio of 20.7%.
- ◆ **Comfortable liquidity** position with LCR of 181% and Loans to deposits ratio (incl. Sukuk) of 93.6%

Tareq A. Al Sadhan, CEO of Riyad Bank, said:

"Riyad Bank achieved a strong set of results in Q2 2023 mainly due to the revival of economic activity and positive jaws from higher total operating income growth. The bank continued to achieve its goals for the year and effectively engaged with its customers to provide innovative financial solutions.

Riyad Bank performance reflects the dedication and focus of our management team to make every effort to achieve the bank's strategic objectives. This strong performance demonstrates the effective and consistent execution of the bank's transformation agenda and its elevated 2025 strategy. Our ambitious strategy will be delivered across three key areas (Value through innovation, Efficiency through digitization and Enablement through next generation) by 2025.

We grew our retail and commercial portfolios, and delivered strong balance sheet and core income growth. We continue to focus on our commitment to make customers, shareholders and employees satisfied and exceed their expectations through continuous enhancement to our business and organization competences.

Our aspiration is to become one of the top Banks in KSA.

We believe that Riyad Bank's long-standing objectives are entirely consistent with Saudi Vision 2030 and is well positioned to deliver an outstanding value proposition for our customers, shareholders and employees."

Performance Highlights

Riyad Bank reported net income after Zakat of SAR 4,002 million for H1 2023, an increase of 26.5% over the corresponding period of 2022. Compared to the first quarter of 2023, net income after Zakat decreased by 1.9%

Income Statement Highlights

SAR (mn)	H1 2023	H1 2022	YoY % Change	Q2 2023	Q1 2023	QoQ % Change	Q2 2022	YoY % Change
Net special commission income	6,197	4,529	+36.8%	3,109	3,088	+0.7%	2,397	+29.7
Fee and other income	1,791	1,803	-0.7%	843	948	-11.1%	834	+1.1%
Total operating income, net	7,989	6,332	+26.2%	3,952	4,036	-2.1%	3,230	+22.4%
Operating expenses	(2,396)	(2,098)	+14.2%	(1,234)	(1,162)	+6.2%	(1,064)	+16.0%
Net operating income before impairment charges	5,593	4,234	+32.1%	2,718	2,874	-5.4%	2,166	+25.5%
Impairment charge for credit losses and other financial assets	(1,090)	(431)	+152.9%	(487)	(604)	-19.4%	(244)	+99.6%
Impairment charge for investments	(46)	(177)	-74.0%	(25)	(20)	+25.0%	(109.0)	-77.1%
Net operating income	4,457	3,626	+22.9%	2,206	2,250	-2.0%	1,813	+21.7%
Share of earnings of associates, net	5	(72)	-106.9%	4	1	+300.0%	(4)	+200.0%
Net income for the period before Zakat	4,461	3,553	+25.6%	2,210	2,252	-1.9%	1,809	+22.2%
Zakat for the period	(460)	(390)	+17.9%	(228)	(232)	-1.7%	(198)	+15.2%
Net income for the period	4,002	3,164	+26.5%	1,982	2,020	-1.9%	1,611	+23.0%
EPS	1.28	1.05	+21.9%	0.64	0.65	-1.5%	0.53	+20.8%
Return on average equity before Zakat	17.7%	15.1%	+2.6%	17.6%	18.22%	-0.62%	15.3%	+2.3%
Return on average assets before Zakat	2.4%	2.1%	+0.3%	2.3%	2.43%	-0.13%	2.0%	+0.3%
Net special commission margin	3.69%	2.93%	+0.8%	3.60%	3.72%	-0.12%	3.00%	+0.6%
Cost to income ratio	30.0%	33.1%	-3.1%	31.2%	28.8%	+2.4%	32.9%	-1.7%
Cost of risk	0.83%	0.39%	+0.4%	0.74%	0.92%	-0.18%	0.50%	+0.24%

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Total operating income amounted to SAR 7,989 million for H1 2023, an increase of 26.2% compared with corresponding period of last year. This improvement was mainly due to an increase in net commission income, trading gains and exchange income, net.

Total operating income for the second quarter of 2023 amounted to SAR 3,952 million, an increase of 22.4% compared with the second quarter of 2022 and of 2.1% decrease relative to the previous quarter.

Operating expenses totalled SAR 2,396 million for the first six months of 2023, an increase of 14.2% over the corresponding period in 2022 reflecting, the net effect of ongoing

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transformation and increased investments in future growth. Operating expenses for the second quarter of 2023 increased by 16.0% compared with the corresponding quarter in 2022 and 6.2% increase relative to the previous quarter.

The impairment charge for credit losses and other financial assets increased by 152.9% year-on-year to SAR 1,090 million. The cost of risk increased from 39bps YoY to 83bps. The non-performing loans ratio stood at 1.44%. While the non-performing loans coverage ratio spotted at 121% as at 30 June 2023.

Balance Sheet Highlights

SAR (mn)	Q2 2023	Q1 2023	QoQ % Change	Q4 2022	YTD % Change	Q2 2022	YoY % Change
Cash and balances with SAMA and financial institutions	59,313	63,644	-6.8%	53,980	+9.9%	56,293	+5.4%
Investments, net	56,388	54,695	+3.1%	52,196	+8.0%	53,538	+5.3%
Loans and advances, net	263,150	251,983	+4.4%	242,365	+8.6%	239,650	+9.8%
Other assets, net	10,385	10,303	+0.8%	11,112	-6.5%	8,473	+22.6%
Total assets	389,236	380,625	+2.3%	359,653	+8.2%	357,954	+8.7%
Customer deposits	272,269	257,277	+5.8%	240,007	+13.4%	237,477	+14.7%
Debt securities in issue	8,768	8,673	+1.1%	8,758	+0.1%	8,716	+0.6%
Other liabilities, net	16,378	58,840	-72.2%	54,715	-70.1%	62,347	-73.7%
Total liabilities	331,545	324,790	+2.1%	303,480	+9.2%	308,504	+7.5%
Total shareholders' equity	51,128	49,270	+3.8%	49,602	+3.1%	46,636	+9.6%
Tier 1 Sukuk	6,563	6,565	-0.03%	6,571	-0.1%	2,814	+133.2%
Total Equity	57,691	55,835	+3.3%	56,173	+2.7%	49,450	+16.7%
Risk weighted assets	322,121	312,670	+3.0%	310,425	+3.8%	301,635	+6.8%
CET1 ratio	15.8%	15.7%	+0.1%	15.9%	-0.1%	15.5%	+0.3%
Tier 1 ratio	17.8%	17.8%	0.0%	18.1%	-0.3%	16.4%	+1.4%
Total capital adequacy ratio	20.7%	20.7%	0.0%	21.1%	-0.4%	19.5%	+1.2%
Liquidity coverage ratio (LCR)	181%	187%	-6.0%	182.0%	-1.0%	172.0%	+9.0%
Basel III leverage ratio	12.2%	11.9%	+0.3%	12.8%	-0.6%	11.2%	+1.0%
Loans to deposits ratio (incl. Sukuk)	93.6%	94.7%	-1.1%	94.9%	-1.3%	96.2%	-2.6%
NPL ratio	1.44%	1.52%	-0.1%	1.72%	-0.28%	1.66%	-0.2%
NPL coverage ratio	121%	117%	+4.0%	112.0%	+9.0%	119%	+2.0%

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Total assets reached SAR 389,236 million as at 30th June 2023, up year-on-year by 8.7% mainly from growth in loans.

Net loans and advances grew by 9.8% year-on-year to reach SAR 263,150 million as at 30th June 2023 from both commercial and consumer loans.

Customer deposits rose by 14.7% year-on-year to reach SAR 272,269 million as at 30th June 2023.

Riyad Bank continued to maintain a strong capitalisation and comfortable liquidity position. The Bank's Common Equity Tier 1 (CET1), Tier 1 and total capital adequacy ratios stood at 15.8%, 17.8% and 20.7%, respectively as at 30th June 2023. The liquidity coverage ratio and the loans to deposit ratio (including Sukuk) stood at 181% and 93.6%, respectively.

Outlook

The Kingdom continues its growth driven by non-oil sector with a steeply upward growth trajectory which can be seen on the Riyad Bank Purchasing Managers' Index readings. Despite tighter monetary conditions, demand and supply balance seemed robust, spurred by the ongoing Giga projects around the Kingdom. This has accelerated employment and wages growth to historical level. Going forward, we expect the private sector to grow beyond 2022 levels on the back of favourable market conditions.

Segmental Performance Highlights

Retail Banking

Riyad Bank's retail business serves the customers with all their banking needs, including accounts services, mortgages, personal loans, auto financing and credit cards. Through 338 branches, 2,223* ATMs and 206,005* points of sale, as well as all the digital channels that customers expect, including online, mobile, and smart watches. Retail Banking accounts for 23.5% of the Group total operating income.

SAR (million)	H1 2023	H1 2022	YoY % Change	Q2 2023	Q1 2023	QoQ % Change
Total assets	108,010	98,178	+10.0%	108,010	103,721	+4.1%
Total liabilities	110,712	102,974	+7.5%	110,712	107,099	+3.4%
Net special commission income	1,790	2,013	-11.1%	850	940	-9.6%
Fee and other income, net	84	101	-16.8%	37	47	-21.3%
Operating income	1,874	2,114	-11.4%	887	987	-10.1%
Operating expenses	(1,542)	(1,405)	+9.8%	(781)	(761)	+2.6%
Impairment charge	(301)	(120)	+150.8%	(130)	(171)	-24.0%
Net income (loss) before Zakat	31	589	-94.7%	-24	55	-143.6%

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Retail Banking Net Special Commission income decreased YoY by 11.1% despite growth in total assets and deposits. Operating income decreased by 11.4% mainly due to lower Net Special Commission income.

Operating expenses reached SAR 1,542 million in H1 2023, a 9.8% increase year-on-year.

Impairment charge for Retail Banking amounted to SAR 301 million in H1 2023, as compared to SAR 120 million in H1 2022.

Net income before Zakat for H1 2023 decreased by 94.7% year-on-year to SAR 31 million mainly due to higher Impairment charge and lower operating income.

*Based on SAMA bulletin report for May-2023

Corporate Banking

Riyad Bank's corporate banking covers all customer organisations from the most recent start-up to the largest multinational that includes account services, loan facilities, time deposits, cash management, employees' solutions, project finance and trade finance. The Bank offers tailored services to help its customers to grow and achieve their objectives. Corporate Banking accounts for 40.9% of the Group's total operating income.

SAR (million)	H1 2023	H1 2022	YoY % Change	Q2 2023	Q1 2023	QoQ % Change
Total assets	175,940	163,261	+7.8%	175,940	170,171	+3.4%
Total liabilities	190,159	171,975	+10.6%	190,159	188,830	+0.7%
Net special commission income	2,476	1,767	+40.1%	1,234	1,242	-0.6%
Fee and other income, net	792	773	+2.5%	391	401	-2.5%
Operating income	3,268	2,541	+28.6%	1,625	1,643	-1.1%
Operating expenses	(586)	(484)	+21.1%	(305)	(280)	+8.9%
Impairment charge	(789)	(311)	+153.7%	(358)	(432)	-17.1%
Net income (loss) before Zakat	1,893	1,745	+8.5%	962	931	+3.3%

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Corporate Banking's total operating income totalled to SAR 3,268 million in H1 2023, an increase of 28.6% from H1 2022. Net special commission income increased by 40.1% year-on-year to SAR 2,476 million while fee and other income increased by 2.5% to SAR 792 million. Operating expenses totalled to SAR 586 million for H1 2023, 21.1% up as compared to H1 2022. The Impairment charge for Corporate Banking increased to SAR 789 million, an increase of 153.7% as compared to H1 2022. Net income before Zakat for H1 2023 increased by 8.5% year-on-year to SAR 1,893 million mainly due to higher Net special commission income, partially set off by a higher Impairment charge, operating expenses and impairment charge.

Treasury and Investments

Treasury and Investments offers a wide range of treasury products and hedging solutions to corporate customers and accounts for 30.5% of the Group's total operating income.

SAR (million)	H1 2023	H1 2022	YoY % Change	Q2 2023	Q1 2023	QoQ % Change
Total assets	100,847	93,595	+7.7%	100,847	102,334	-1.5%
Total liabilities	30,048	32,823	-8.5%	30,048	27,948	+7.5%
Net special commission income	1,811	619	+192.6%	961	850	+13.1%
Fee and other income, net	626	559	+12.0	262	364	-28.0%
Operating income	2,437	1,178	+106.9	1,223	1,214	+0.7%
Operating expenses	(117)	(67)	+74.6%	(70)	(47)	+48.0%
Impairment charge	(46)	(177)	-73.9%	(25)	(21)	+13.9%
Share in earnings (loss) of associates, net	5	(72)	+106.7%	4	1	+236.1%
Net income (loss) before Zakat	2,279	862	+164.3%	1,132	1,147	-1.2%

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Treasury and Investments total operating income grew by 106.9% to SAR 2,437 million in H1 2023 compared to the same period of prior year (SAR 1,178 million), mainly due to increase in Net Special Commission Income. However, Net income before zakat increased by 164.3% due to lower impairment charge and increase in share in earnings from associates.

Riyad Capital

Riyad Capital offers asset management, trading, equity and debt advisory, custody and securities services and accounts for 5.1% of the Group total operating income.

SAR (million)	H1 2023	H1 2022	YoY % Change	Q2 2023	Q1 2023	QoQ % Change
Total assets	4,438	2,920	+52.0%	4,438	4,399	+0.9%
Total liabilities	626	732	-14.4%	626	912	-31.3%
Net special commission income	121	129	-6.6%	64	57	+11.2%
Fee and other income, net	288	371	-22.1%	153	135	+13.7%
Operating income	409	500	-18.1%	217	192	+13.0%
Operating expenses	(151)	(142)	+5.9%	(78)	(73)	+6.5%
Net income (loss) before Zakat	259	358	-27.7%	139	119	+17.0%

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Riyad Capital total operating income decreased to SAR 409 million in H1 2023, lower by 18.1% compared to the same period of prior year (SAR 500 million).

Net income before Zakat dropped by 27.7% in the first half of 2023 to SAR 259 million compared to SAR 358 million in H1 2022, mainly due to decrease in Fee and other income.

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Additional Information

All financial materials are available to the public on the IR website:
www.riyadbank.com/en/about-us/investor-relations

Riyad Bank Contacts

Institutional Investors

Najla AlMutairi

Investor Relations

Telephone: +966112763007

E-mail: najla.almutairi@riyadbank.com