

Riyad Bank Reports Net Income of SAR 1.4 Billion in the first quarter of 2021

- ◆ **Net income** (after zakat) decreased by 8.3% YoY.
- ◆ **Operating income** decreased by 2.1% YoY mainly due to lower fee and commission income, trading and exchange income partially offset by higher net special commission income.
- ◆ **Operating efficiency** during the first quarter reached to 34.8%.
- ◆ **Cost of risk** improved to 0.50% compared to similar quarter last year.
- ◆ **Net loans and advances** grew by 7.5% YoY to SAR 196 billion across both commercial, consumer and mortgage loans.
- ◆ **Customer deposits** grew by 3.0% YoY to SAR 199 billion
- ◆ **Total assets** grew by 10.1% YoY to SAR 308 billion
- ◆ **Capitalisation** remained strong with Tier 1 CAR of 16.1% and Total CAR of 19.7%.
- ◆ **Comfortable liquidity** position with LCR of 181% and Loans to deposits ratio (incl. Sukuk) of 94.8%

Tareq Al-Sadhan, CEO of Riyad Bank, said:

"Riyad bank recorded a strong set of results in Q1 2021 that was offset it by higher impairment charges. The bank was able to continue achieving its goals for the period and effectively engaged with its customers to facilitate the support programs, introduced by SAMA and The Government to limit the adverse impact of COVID-19 on private sector, and 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 and reflects the effective and consistent execution of the bank's transformation strategy.

We grew our retail and commercial portfolios, expanded our market share in targeted segments and products and delivered strong balance sheet and core income growth. We are committed to make customers, shareholders and employees satisfied and exceed their expectations with the significant continuous enhancement to our business and organization competences. We continue to focus on further enhancing our customer-focus, efficiency, and profitability with trusted and innovative solutions.

Riyad Bank has executed its strategic transformation exceptionally well, making it the fastest growing bank in KSA for the past 3 years, structural and recent shifts in the industry require Riyad bank to chart a new course. During 2020, the Bank has activated a new phase of the transformation, which will be delivered across three areas (Value through innovation, Efficiency through digitization and Enablement through next generation) by 2025.

Our aspiration to become the Best Bank in KSA.

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

Performance Highlights

Riyad Bank reported net income of SAR 1,354 million in 1Q 2021 a decrease of 8.3% compared to the same period last year ; and an increase by 54% compared to the fourth quarter of 2020. This growth was mainly due to a decrease in operating expenses driven by lower net impairment and lower Zakat.

Income Statement Highlights

SAR (million)	1Q 2021	4Q 2020	QoQ % change	1Q 2020	YoY % change
Net special commission income	2,096	2,036	+2.9%	1,989	+5.4%
Fee and other income	728	754	-3.4%	896	-18.8%
Total operating income, net	2,824	2,790	+1.2%	2,885	-2.1%
Operating expenses	(982)	(958)	+2.5%	(925)	+6.1%
Impairment charge for credit losses and other financial assets	(247)	(651)	-62.1%	(308)	-19.9%
Impairment reversal / (charge) for investments	(55.5)	(29.6)	+87.3%	(0.3)	+18146%
Net operating income	1,539	1,150	+33.8%	1,652	-6.8%
Share of earnings of associates	(11)	6	-276.3%	8	-238.5%
Net income for the period before Zakat	1,529	1,157	+32.2%	1,659	-7.9%
Zakat for the period	(175)	(277)	-36.8%	(183)	-4.4%
Net income for the period	1,354	880	+53.9%	1,476	-8.3%
Earnings per share (SAR)	0.45	0.29	+53.9%	0.49	-8.3%
Return on average equity before Zakat	13.8%	10.6%	+29.8%	16.9%	-8.4%
Return on average assets before Zakat	2.0%	1.5%	+32.3%	2.4%	-8.6%
Net special commission margin	3.15%	2.93%	+7.6%	3.19%	-1.3%
Cost to income ratio	34.8%	34.3%	+1.3%	32.1%	+8.5%
Cost of risk	0.50%	1.33%	-62.7%	0.67%	-25.9%

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Total operating income reported SAR 2,824 million, down 2.1% compared to the similar quarter last year and 1.2% above the previous quarter. The YoY decrease is mainly due to lower fee and commission income, trading and exchange income and partially offset by higher net special commission income.

Operating expenses totalled SAR 1,284 million in Q1 2021, 4.1% higher compared to the same period last year. Operating expenses decreased by 21.7% compared with the previous quarter mainly driven by lower net impairment.

The impairment charge for credit losses and other financial assets decreased by 20% YoY to SAR 247 million. Whereas, Impairment charge for investments increased to SAR 55 million compared with similar period last year.

The cost of risk decreased to 50 bps. The nonperforming loans ratio stood at 1.96%. While the non-performing loans coverage ratio spotted at 123% as at 31 March 2021.

Balance Sheet Highlights

SAR (million)	1Q 2021	4Q 2020	QoQ % change	1Q 2020	YoY % change
Cash and balances with SAMA and financial institutions	48,370	55,579	-13.0%	32,792	+47.5%
Investments, net	56,934	56,450	+0.9%	54,144	+5.2%
Loans and advances, net	196,443	191,347	+2.7%	182,784	+7.5%
Total assets	308,036	310,088	-0.7%	279,697	+10.1%
Customer deposits	198,598	203,039	-2.2%	192,902	+3.0%
Debt securities in issue	8,648	5,684	+52.1%	9,692	-10.8%
Total liabilities	263,809	265,733	-0.7%	241,899	+9.1%
Total shareholders' equity	44,228	44,355	-0.3%	37,797	+17.0%
Risk weighted assets	274,610	268,134	+2.4%	258,056	+6.4%
T1 ratio	16.1%	16.5%	-2.6%	14.6%	+10.0%
TC ratio	19.7%	19.1%	+3.1%	18.8%	+4.8%
Liquidity coverage ratio (LCR)	181%	200%	-9.3%	168%	+7.9%
Basel III leverage ratio	11.8%	11.8%	+0.0%	10.9%	+8.2%
Loans to deposits (incl. Sukuk) ratio	94.8%	91.7%	+3.4%	90.2%	+5.1%
NPL ratio	1.96%	1.86%	+5.1%	1.01%	+94.0%
NPL coverage ratio	123.2%	124.2%	-0.8%	174.9%	-29.5%

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Total assets reached SAR 308,036 million as at 31 March 2021, up year-on-year by 10% from growth in loans and placements and investments.

Net loans and advances grew by 7.5% year-on-year driven by commercial and mortgage loans.

Customer deposits rose 3.0% year-on-year to reach SAR 198,598 million as at 31 March 2021.

Riyad Bank continued to maintain a strong capitalisation and comfortable liquidity position. The Bank's Tier 1 CAR and Total CAR stood at 16.1% and 19.7% respectively as at 31 March 2021. The liquidity coverage ratio and the loans to deposit ratio (including Sukuk) stood at 181% and 94.8%, respectively.

Outlook

Riyad Bank remains confident about the long-term economic horizon of Saudi Arabia. Future growth is expected to be largely driven by the many projects announced under the Vision 2030.

In line with the global banking industry and changes to the banking landscape in Saudi Arabia, Riyad Bank launched its 2022 Transformation strategy beginning of 2018, which focuses on the below four key themes:

1. Retail Sales Transformation
2. Corporate Sales Transformation
3. Innovation
4. Performance Culture

In 2020, the Bank has activated a new phase of the transformation, which will be delivered across three areas:

1. Value through innovation.
2. Efficiency through digitization.
3. Enablement through next generation.

Segmental Performance Highlights

Retail Banking

Riyad Bank's retail business serves the customers with all their banking needs, including accounts, mortgages, loans, auto financing and credit cards. 341 branches, 2,452 ATMs and 101,951 points of sale, as well as all the digital channels that customers expect, including online, mobile, and smart watches. Retail Banking accounts for 33% of the Group total operating income.

SAR (million)	1Q 2021	4Q 2020	QoQ % change	1Q 2020	YoY % change
Total assets	79,022	77,495	+2%	72,252	+9%
Total liabilities	98,934	92,921	+6%	82,574	+20%
Net special commission income	908	934	-3%	871	+4%
Fee and Commission income net	20	23	-16%	95	-79%
Operating income	923	952	-3%	964	-4%
Operating expenses	(665)	(629)	+6%	(615)	+8%
Impairment charge	158	(39)	-503%	(5)	-3226%
Net income (loss) before zakat	415	283	+47%	344	+21%

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Retail Banking recorded -4% decrease in operating income in 1Q 2021 compared to 1Q 2020 to reach SAR 923 million. Reduction is mainly due to lower fee income recognition. Net special commission income increased by 4% year-on-year to SAR 908 million in 1Q 2021, mainly driven by 9% increase in assets. For 1Q 2021, operating income decline by -3% year-on-year.

Operating expenses reached SAR 665 million in 1Q 2021, an 8% increase year-on-year.

The impairment charge for Retail Banking amounted to reversal of SAR 158 million in 1Q 2021 compared with SAR 5 million charge in 1Q 2020.

Net income for 1Q 2021 grew by 21% year-on-year to SAR 415 million mainly due to Reversal in impairment charges.

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, 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 39% of the Group total operating income.

SAR (million)	1Q 2021	4Q 2020	QoQ % change	1Q 2020	YoY % change
Total assets	134,857	133,404	+1%	132,138	+2%
Total liabilities	140,712	149,573	-6%	130,154	+8%
Net special commission income	830	790	+5%	719	+15%
Fee and Commission income net	269	219	+23%	358	-25%
Operating income	1,105	1,005	+10%	1,082	+2%
Operating expenses	(227)	(222)	+3%	(231)	-2%
Impairment charge	(387)	(620)	-38%	(302)	+28%
Net income (loss) before zakat	490	164	+199%	549	-11%

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Corporate Banking's total operating income totalled to SAR 1,105 million in 1Q 2021, an increase of 2% from 1Q 2020. Net special commission income increased 15% year-on-year to SAR 830 million while fee and commission income decreased by 25% to SAR 269 million.

Operating expenses totalled to SAR 227 million for Q1 2021, a decrease of 2% compared to 1Q 2020.

The impairment charge for Corporate Banking increased to SAR 387 million, an increase of 28% compared to 1Q 2020.

Net income before Zakat 1Q2021 decreased by 11% year-on-year to SAR 490 million mainly due to increased impairment charge and lower fee and commission income.

Treasury and Investments

Treasury and Investments offers a wide range of products and hedging solutions to corporate customers and accounts for 21% of the Group total operating income.

SAR (million)	1Q 2021	4Q 2020	QoQ % change	1Q 2020	YoY % change
Total assets	92,072	96,820	-5%	73,668	+25%
Total liabilities	23,706	22,784	+4%	28,928	-18%
Net special commission income	318	263	+21%	369	-14%
Fee and other income, net	271	322	-19%	328	-21%
Operating income	589	585	+1%	697	-16%
Operating expenses	(38)	(34)	+10%	(33)	+15%
Impairment charge	(73)	(22)	+231%	(2)	+4567%
Share in earnings of associates, net	(11)	6	-276%	8	-238%
Net income (loss) before zakat	467	535	-13%	670	-30%

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Treasury and Investments reported total operating income of SAR 589 million in 1Q 2021, down 16% from 1Q 2020. Decline is mainly due to lower Net special commission income due to decline in rates and lower Fee and other income.

Net income decreased by 30% year-on-year to SAR 467 million mainly due to an increase on impairment charge and loss recorded in Associate.

Riyad Capital

Riyad Capital offers asset management, trading, equity and debt advisory, custody and securities services and accounts for 7% of the Group total operating income.

SAR (million)	1Q 2021	4Q 2020	QoQ % change	1Q 2020	YoY % change
Total assets	2,086	2,370	-12%	1,638	+27%
Total liabilities	457	455	+0%	243	+88%
Net special commission income	39	49	-20%	30	+29%
Fee and Commission income net	164	191	-14%	115	+42%
Operating income	208	248	-16%	143	+45%
Operating expenses	(52)	(73)	-29%	(47)	+10%
Net income (loss) before zakat	156	175	-11%	96	+63%

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Riyad Capital total operating income reached to SAR 208 million in Q1 2021, up 45% year-on-year.

Net income grew by 63% year-on-year to SAR 156 million mainly driven by increase in fee income by 42% and Net special commission income by 29%.

EARNINGS RELEASE



Additional Information

Riyad Bank's Q1 2021 financial materials are available to the public on the IR website:
www.riyadbank.com/en/about-us/investor-relations

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