

Riyad Bank Reports Net Income (after zakat) of SAR 3.2 Billion in first half of 2022

- ◆ **Net income** (after zakat) increased by 10.4% YoY.
- ◆ **Operating income** increased by 9.1% YoY mainly due to an increase in fee and commission income, net, trading gains, exchange income, net and net special commission income.
- ◆ **Operating efficiency** reached 33.1%.
- ◆ **Cost of risk** improved to 0.39% compared to 0.47% for corresponding period of last year
- ◆ **Net loans and advances** grew by 17.0% YoY to SAR 240 billion across both commercial and consumer loans.
- ◆ **Customer deposits** grew by 17.3% YoY to SAR 238 billion.
- ◆ **Total assets** grew by 12.8% YoY to SAR 358 billion.
- ◆ **Capitalisation** remained strong with Tier 1 CAR at 16.4% and total CAR of 19.5%.
- ◆ **Comfortable liquidity** position with LCR of 172% and Loans to deposits ratio (incl. Sukuk) of 97.3%

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

Riyad bank achieved a strong set of results in Q2 2022 mainly due to the revival of economic activity and positive jaws from higher total operating income growth. The bank was able to continue achieving 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 and reflects the effective and consistent execution of the bank's transformation agenda and refreshed 2025 strategy. Our refreshed strategy will be delivered across three 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 in 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 the Best Bank in KSA.

We believe that Riyad Bank's long-standing objectives are entirely consistent with the Saudi Vision 2030 and Riyad bank 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 3,164 million for the first half of 2022, an increase of 10.4% over the corresponding period in 2021. Similarly, for the second quarter of 2022, net income after zakat increased by 6.6% from the corresponding period in 2021 to SAR 1,611 million. Relative to the previous quarter, net income showed increase of 3.8%.

Income Statement Highlights

SAR (million)	1H 2022	1H 2021	YoY % change	2Q 2022	1Q 2022	QoQ % change	2Q 2021	YoY % change
Net special commission income	4,529	4,242	+6.8%	2,397	2,132	+12.4%	2,146	+11.7%
Fee and other income	1,803	1,560	+15.6%	834	970	-14.0%	832	+0.2%
Total operating income, net	6,332	5,802	+9.1%	3,230	3,102	+4.2%	2,978	+8.5%
Operating expenses	(2,098)	(1,994)	+5.2%	(1,064)	(1,034)	+3.0%	(1,012)	+5.2%
Impairment charge for credit losses and other financial assets	(431)	(484)	-11.1%	(244)	(186)	+31.0%	(238)	+2.8%
Impairment reversal / (charge) for investments	(177)	(66)	+168.7%	(109.0)	(68.4)	+59.4%	(10.6)	+932.1%
Net operating income	3,626	3,258	+11.3%	1,813	1,813	-0.0%	1,718	+5.5%
Share of earnings of associates	(72)	(20)	+270.9%	(4)	(69)	-94.4%	(9)	-56.0%
Net income for the period before Zakat	3,553	3,238	+9.7%	1,809	1,744	+3.7%	1,710	+5.8%
Zakat for the period	390	373	+4.4%	198	192	+3.0%	198	-0.2%
Net income for the period	3,164	2,865	+10.4%	1,611	1,553	+3.8%	1,512	+6.6%
Earnings per share (SAR)	1.05	0.96	+9.38%	0.54	0.52	+3.85%	0.50	+8.00%
Return on average equity before Zakat	15.1%	14.6%	+0.5%	15.3%	14.6%	+0.7%	15.4%	-0.1%
Return on average assets before Zakat	2.1%	2.1%	0.0%	2.0%	2.1%	-0.1%	2.2%	-0.2%
Net special commission margin	2.93%	3.13%	-0.20%	3.00%	2.85%	+0.15%	3.11%	-0.11%
Cost to income ratio	33.1%	34.4%	-1.3%	32.9%	33.3%	-0.4%	34.0%	-1.1%
Cost of risk	0.39%	0.47%	-0.08%	0.50%	0.26%	+0.24%	0.46%	+0.04%

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Total operating income amounted to SAR 6,332 million for the first half of 2022, an increase of 9.1% compared with the first half of 2021. This improvement was driven by 6.8% growth of net special commission income and 15.6% rise in fee and other income.

EARNINGS RELEASE

Total operating income for the second quarter of 2022 amounted to SAR 3,230 million, an increase of 8.5% compared with the second quarter of 2021 and of 4.2% increase relative to the previous quarter.

Operating expenses totalled SAR 2,098 million for the first six months of 2022, an increase of 5.2% over the corresponding period in 2021 reflecting, the net effect of ongoing transformation and increased investments in future growth. Operating expenses for the second quarter of 2022 increased by 5.2% compared with the corresponding quarter in 2021 and 3.0% increase relative to the previous quarter to SAR 1,064 million

The impairment charge for credit losses and other financial assets decreased by 11.1% year-on-year to SAR 431 million. The cost of risk decreased from 47bps YoY to 0.39%. The non-performing loans ratio stood at 1.66%. While the non-performing loans coverage ratio spotted at 119.5% as at 30 June 2022.

Balance Sheet Highlights

SAR (mn)	2Q 2022	1Q 2022	QoQ % change	4Q 2021	YTD % change	2Q 2021	YoY % change
Cash and balances with SAMA and financial institutions	56,293	47,729	+17.9%	43,232	+30.2%	48,732	+15.5%
Investments, net	53,538	59,035	-9.3%	58,637	-8.7%	57,122	-6.3%
Loans and advances, net	239,650	234,793	+2.1%	217,290	+10.3%	204,743	+17.0%
Total assets	357,954	348,468	+2.7%	325,736	+9.9%	317,266	+12.8%
Customer deposits	237,477	232,416	+2.2%	211,678	+12.2%	202,453	+17.3%
Debt securities in issue	8,716	8,651	+0.8%	8,717	-0.0%	8,710	+0.1%
Total liabilities	308,504	297,603	+3.7%	278,436	+10.8%	272,716	+13.1%
Total shareholders' equity	46,636	48,051	-2.9%	47,300	-1.4%	44,551	+4.7%
Tier 1 Sukuk	2,814	2,814	0.0%	-	-	-	-
Total Equity	49,450	50,865	-2.8%	47,300	+4.5%	44,551	+11.0%
Risk weighted assets	301,635	313,214	-3.7%	298,475	+1.1%	280,517	+7.5%
CET1 ratio	15.5%	15.4%	0.1%	15.8%	-0.3%	15.9%	-0.4%
Tier 1 ratio	16.4%	16.3%	+1.0%	15.8%	+3.6%	15.9%	+3.4%
Total capital adequacy ratio	19.5%	19.2%	+1.5%	19.0%	+2.7%	19.3%	+0.9%
Liquidity coverage ratio (LCR)	172.0%	157%	+2.2%	168%	-4.6%	176%	-8.9%
Basel III leverage ratio	11.2%	12.0%	-0.8%	11.8%	-0.4%	11.6%	-0.4%
Loans to deposits ratio (incl. Sukuk)	97.3%	97.4%	-0.1%	98.6%	-1.3%	97.0%	+0.4%
NPL ratio	1.66%	1.60%	+3.8%	1.65%	+0.9%	1.8%	-9.6%
NPL coverage ratio	119.5%	122.5%	-2.5%	123.5%	-3.2%	124.4%	-4.0%

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Total assets reached SAR 357,954 million as at 30th June 2022, up year-on-year by 12.8% from growth in loans and investments.

Net loans and advances grew by 17.1% year-on-year to reach 239,650 million from both commercial and consumer loans.

Customer deposits rose 17.3% year-on-year to reach SAR 237,477 million as at 31st March 2022.

Riyad Bank continued to maintain a strong capitalisation and comfortable liquidity position. The Bank's common equity tier 1, Tier 1 and total capital adequacy ratios stood at 15.5%, 16.4% and 19.5% respectively as at 30th June 2022. The liquidity coverage ratio and the loans to deposit ratio (including Sukuk) stood at 172% and 97.2%, respectively.

Outlook

Saudi economy is expected to grow beyond 7% in 2022 on the back of improved oil market conditions and a strong rebound in consumption and investment. In fact, Real GDP has already grown by a sizable 11% in the first half of 2022 and both oil and non-oil activities growth is expected to be further supported by expanded recovery in both domestic and global demand. Riyad Bank remains confident of a positive economic outlook spurred by investment injections amounting to SAR27* tn by 2030 as well as ongoing government spending on mega projects and Vision 2030 initiatives.

We have taken serious steps in the past year towards achieving our 2025 transformation aspirations and continue our commitment to deliver value through innovation, achieve additional efficiency through digitization and enable our teams and organization through next generation operating models.

*27 tn (Shareek 5 tn, PIF 3 tn, domestic investment 2.6 tn FDI 1.8 tn, and government expenditure 10 tn, Private consumption 5 tn)

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. 339 branches, 2,240 ATMs and 173,124 points of sale, as well as all the digital channels that customers expect, including online, mobile, and smart watches. Retail Banking accounts for 33.4% of the Group total operating income.

SAR (million)	1H 2022	1H 2021	YoY % change	2Q 2022	1Q 2022	QoQ % change
Total assets	98,158	81,932	+20%	98,158	94,138	+4%
Total liabilities	102,966	97,470	+6%	102,966	101,586	+1%
Net special commission income	2,012	1,840	+9%	1,037	975	+6%
Fee and other income net	103	62	66%	68	35	+96%
Operating income	2,115	1,902	+11%	1,105	1,010	+9%
Operating expenses	(1,408)	(1,329)	+6%	(728)	(680)	+7%
Impairment charge	(120)	128	-194%	(72)	(48)	+52%
Net income (loss) before zakat	587	700	-16%	305	282	+8%

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Retail Banking Net Special Commission income increased YoY by 9% aided by growth in Total assets and Deposits. Operating income increased by 11% due to higher Net Special Commission income.

Operating expenses reached SAR 1,408 million in 1H, 2022, a 6% increase year-on-year.

Impairment charge for Retail Banking amounted to SAR 120 million in 1H, 2022, as compared to a reversal of SAR 128 million in 1H, 2021.

Net income before zakat for 1H, 2022 decreased by 16% year-on-year to SAR 587 mainly due to Impairment Charge and higher operating expenses.

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 40.3% of the Group total operating income.

SAR (mn)	1H 2022	1H 2021	YoY % change	2Q 2022	1Q 2022	QoQ % change
Total assets	163,277	141,795	+15%	163,277	160,826	+2%
Total liabilities	171,981	151,117	+14%	171,981	166,959	+3%
Net special commission income	1,778	1,652	+8%	977	801	+22%
Fee and other income net	776	597	30%	391	385	2%
Operating income	2,554	2,249	+14%	1,368	1,186	+15%
Operating expenses	(486)	(467)	+4%	(234)	(252)	-7%
Impairment charge	(311)	(606)	-49%	(173)	(139)	+25%
Net income before Zakat	1,756	1,176	+49%	961	796	+21%

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Corporate Banking's total operating income totalled to SAR 2,554 million in 1H 2022, increase of 14% from 2021. Net special commission income increased year-on-year to SAR 1,778 million while fee and other income increased by 30% to SAR 776 million

Operating expenses totalled to SAR 486 million for 1H 2022, up 4% compared to 1H 2021.

The impairment charge for Corporate Banking decreased to SAR 311million, a decrease of 49% compared to 1H 2021.

Net income before Zakat for 1H 2022 increased by 49% year-on-year to SAR 1,756 million mainly due to lower impairment charge and higher Fee & commission net

Treasury and Investments

Treasury and Investments offers a wide range of products and hedging solutions to corporate customers and accounts for 18.4% of the Group total operating income.

SAR (mn)	1H 2022	1H 2021	YoY % change	2Q 2022	1Q 2022	QoQ % change
Total assets	93,598	91,474	+2%	93,598	90,434	+3%
Total liabilities	32,824	23,340	+41%	32,824	28,100	+17%
Net special commission income	608	662	-8%	320	288	11%
Fee and other income net	559	562	-1%	215	344	-38%
Operating income	1,168	1,224	-5%	535	632	-15%
Operating expenses	(67)	(84)	-21%	(33)	(34)	-3%
Impairment charge	(177)	(72)	+145%	(108)	(69)	+58%
Share in earnings of associates, net	(72)	(20)	+271%	(4)	(69)	-94%
Net income before Zakat	852	1,048	-19%	390	461	-15%

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Treasury and Investments total operating income decreased to SAR 1,168 million in 1H 2022, below by 5% from 1H 2021, mainly due to decrease in Net special commission income. However, due to higher losses related to Associates & Impairment charges, Net income on year-on-year basis declined by 19%.

Riyad Capital

Riyad Capital offers asset management, trading, equity and debt advisory, custody and securities services and accounts for 7.8% of the Group total operating income.

SAR (mn)	1H 2022	1H 2021	YoY % change	2Q 2022	1Q 2022	QoQ % change
Total assets	2,920	2,066	+41%	2,920	3,071	-5%
Total liabilities	732	789	-7%	732	959	-24%
Net special commission income	130	88	+48%	63	67	-7%
Fee and other income net	365	338	8%	160	205	-22%
Operating income	495	426	+16%	222	273	-19%
Operating expenses	(137)	(113)	+21%	(69)	(68)	+3%
Net income before Zakat	358	313	+14%	153	205	-25%

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Riyad Capital total operating income reached to SAR 495 million in 1H 2022, up 16% year-on-year.

Net income grew by 14% year-on-year to SAR 358 million, mainly driven by increase in Net special commission income and Fee and other income.

Additional Information

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

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