

Riyad Bank Reports Net Income (after zakat) of SAR 4.71 Billion in 2020

- ◆ **Net income** (after zakat) decreased by 15.8%
- ◆ **Operating income growth of 4.6%** YoY supported by higher net special commission income, exchange income, trading gains and gains on non-trading investments partially offset by decrease in Fee Income from Banking Services, net.
- ◆ **Operating efficiency improved** by 185 basis points YoY to 32.4%
- ◆ **Net loans and advances growth of 10.0%** YoY to SAR 191.3 billion mainly driven by commercial and mortgage loans
- ◆ Customer **deposits** increased by 4.4% YoY to SAR 203 billion.
- ◆ Total **assets** increased by 16.7% YoY to SAR 310.1 billion.
- ◆ **Capitalisation** remained **strong** with CET1 of 16.5% and total CAR of 19.1%
- ◆ **Liquidity** remained comfortable with LCR of 200% and loans to deposits (including sukuk) ratio of 91.7%.

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

“Riyad bank recorded a strong set of results in 2020 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 strong 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”.

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Performance Highlights

Riyad Bank reported net income after zakat of SAR 4,715 million for the year 2020, a decrease of 15.8% over the corresponding period in 2019. For the fourth quarter of 2020, net income after zakat decreased by 20.8% from the corresponding period in 2019 to SAR 880 million and relative to the previous quarter, net income showed decrease of 32.1%.

Income Statement Highlights

SAR (million)	FY 2020	FY 2019	YoY % change	4Q 2020	3Q 2020	QoQ % change	4Q 2019	YoY % change
Net special commission income	8,214	7,837	+4.8%	2,036	2,073	-1.8%	2,031	+0.2%
Fee and other income	2,992	2,880	+3.9%	754	748	+0.7%	674	+11.9%
Total operating income, net	11,205	10,717	+4.6%	2,790	2,821	-1.1%	2,705	+3.1%
Operating expenses	(3,635)	(3,674)	-1.1%	(958)	(890)	+7.7%	(1,107)	-13.4%
Impairment charge for credit losses and other financial assets	(2,062)	(1,012)	+103.7%	(651)	(490)	+32.9%	(371)	+75.6%
Impairment reversal / (charge) for investments	(44)	48	-192.0%	(29.6)	19.4	-252.8%	6.9	-531.7%
Net operating income	5,465	6,079	-10.1%	1,150	1,460	-21.2%	1,234	-6.8%
Share of earnings of associates	19,368	153	-87.4%	6	13	-51.5%	7	-13.6%
Net income for the period before Zakat	5,484	6,232	-12.0%	1,157	1,473	-21.5%	1,241	-6.8%
Zakat for the period	(769)	(630)	+22.1%	(277)	(177)	+56.5%	(130)	+113.1%
Net income for the period	4,715	5,602	-15.8%	880	1,296	-32.1%	1,111	-20.8%
Earnings per share (SAR)	1.57	1.87	-15.8%	0.29	0.43	-32.1%	0.37	-20.8%
Return on average equity before Zakat	12.9%	16.1%	-19.9%	8.1%	12.4%	-34.9%	12.4%	-35.0%
Return on average assets before Zakat	1.9%	2.5%	-31.0%	1.1%	2.0%	-81.8%	1.9%	-40.9%
Net special commission margin	3.13%	3.48%	-10.1%	2.93%	3.11%	-5.8%	3.39%	-13.6%
Cost to income ratio	32.4%	34.3%	-5.4%	34.3%	31.5%	+8.9%	40.9%	-16.0%
Cost of risk	1.07%	0.59%	+81.5%	1.33%	0.96%	+39.1%	0.78%	+70.5%

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Total operating income amounted to SAR 11,205 million for the year 2020, an increase of 4.6% compared with the last year. This improvement mainly driven by 4.8% growth of net special commission income, 20.4% rise in exchange and 64.4% rise in trading income.

Total operating income for the fourth quarter of 2020 amounted to SAR 2,790 million, an increase of 3.1% compared with the similar quarter last year and of 1.1% decrease relative to the previous quarter.

Operating expenses totalled SAR 3635 million for the year 2020, was 1.1% lower compared to 2019. Operating expenses for the fourth quarter of 2020 at SAR 958 million shows a decrease of 13.4% compared with the corresponding quarter in 2019 and 7.7% increase relative to the previous quarter.

The impairment charge for credit losses and other financial assets increased by 104% year-on year to SAR 2,062 million. The cost of risk increased by 48bps YoY to 1.07%. The non-performing loans ratio stood at 1.86%. While the non-performing loans coverage ratio spotted at 124% as at 31 December 2020.

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Balance Sheet Highlights

SAR (million)	4Q 2020	3Q 2020	QoQ % change	4Q 2019	YTD % change
Cash and balances with SAMA and financial institutions	55,579	55,633	-0.1%	33,924	+63.8%
Investments, net	56,450	55,036	+2.6%	53,361	+5.8%
Loans and advances, net	191,347	190,823	+0.3%	173,982	+10.0%
Total assets	310,088	308,558	+0.5%	265,789	+16.7%
Customer deposits	203,039	201,292	+0.9%	194,518	+4.4%
Debt securities in issue	5,684	5,638	+0.8%	4,003	+42.0%
Total liabilities	265,733	265,903	-0.1%	225,217	+18.0%
Total shareholders' equity	44,355	42,655	+4.0%	40,571	+9.3%
Risk weighted assets	268,134	265,329	+1.1%	249,556	+7.4%
T1 ratio	16.5%	16.1%	+2.9%	16.3%	+1.7%
TC ratio	19.1%	18.5%	+3.0%	18.1%	+5.6%
Liquidity coverage ratio (LCR)	200%	190%	+4.8%	155%	+28.5%
Basel III leverage ratio	11.8%	11.4%	+3.5%	12.2%	-3.3%
Loans to deposits (incl. Sukuk) ratio	91.7%	92.2%	-0.6%	87.6%	+4.6%
NPL ratio	1.86%	1.50%	+24.1%	0.88%	+112.0%
NPL coverage ratio	124.2%	142.9%	-13.1%	177.3%	-30.0%

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Total assets reached SAR 310,088 million as at 31 December 2020, up year-on-year by 16.7% from growth in loans and placements and investments.

Net loans and advances grew by 10.0% year-on-year driven by commercial and mortgage loans.

Customer deposits rose 4.4% year-on-year to reach SAR 203,039 million as at 31 December 2020.

Riyad Bank continued to maintain a strong capitalisation and comfortable liquidity position. The Bank's common equity tier 1 and total capital adequacy ratios stood at 16.5% and 19.1% respectively as at 31 December 2020. The liquidity coverage ratio and the loans to deposit ratio (including Sukuk) stood at 200% and 91.7%, 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, 2,486 ATMs and 88,542 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)	FY 2020	FY 2019	YoY % change	4Q 2020	3Q 2020	QoQ % change	4Q 2019	YoY % change
Total assets	77,495	69,754	+11%	77,495	75,644	+2%	69,754	+11%
Total liabilities	92,921	83,485	+11%	92,921	90,844	+2%	83,485	+11%
Net special commission income	3,564	3,316	+7%	934	898	+4%	904	+3%
Fee and Commission income net	198	424	-53%	23	71	-67%	95	-75%
Operating income	3,745	3,720	+1%	952	960	-1%	986	-3%
Operating expenses	(2,431)	(2,433)	-0%	(629)	(607)	+4%	(718)	-12%
Impairment charge	(33)	86	-138%	(39)	111	-135%	(37)	+7%
Net income (loss) before zakat	1,281	1,373	-7%	283	465	-39%	231	-32%

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Retail Banking recorded 1% increase in operating income in the year 2020 compared to the year 2019 to reach SAR 3,745 million. Net special commission income increased by 7% year-on-year to SAR 3,564 million in the year 2020, mainly driven by 11% increase in assets.

Operating expenses remained almost flat compared to last year.

The impairment charge for Retail Banking amounted to SAR 33 million in the year 2020 compared to SAR 86 million net reversals in the year 2019.

Net income for the year 2020 decreased by 7% year-on-year to SAR 1,281 million mainly driven by lower fee and commission income and higher impairment charge.

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 38% of the Group total operating income.

SAR (million)	FY 2020	FY 2019	YoY % change	4Q 2020	3Q 2020	QoQ % change	4Q 2019	YoY % change
Total assets	133,404	123,120	+8%	133,404	134,640	-1%	123,120	+8%
Total liabilities	149,573	124,794	+20%	149,573	150,430	-1%	124,794	+20%
Net special commission income	3,203	3,045	+5%	790	842	-6%	737	+7%
Fee and Commission income net	1,102	1,182	-7%	219	325	-32%	230	-5%
Operating income	4,302	4,239	+1%	1,005	1,162	-14%	976	+3%
Operating expenses	(849)	(899)	-6%	(222)	(196)	+13%	(271)	-18%
Impairment charge	(2,025)	(1,103)	+84%	(620)	(595)	+4%	(335)	+85%
Net income (loss) before zakat	1,428	2,237	-36%	164	371	-56%	369	-56%

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Corporate Banking's total operating income totalled to SAR 4,302 million in FY 2020, an increase of 1% from FY 2019. Net special commission income increased year-on-year to SAR 3,203 million and fee and commission income decreased by 7% to SAR 1,102 million.

Operating expenses totalled to SAR 849 million for FY 2020, decreased by 6% compared to FY 2019.

The impairment charge for Corporate Banking increased to SAR 2,025 million, an increase of 84% compared to FY 2019.

Net income before Zakat for FY 2020 decreased by 36% year-on-year to SAR 1,428 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)	FY 2020	FY 2019	YoY % change	4Q 2020	3Q 2020	QoQ % change	4Q 2019	YoY % change
Total assets	96,820	71,341	+36%	96,820	96,171	+1%	71,341	+36%
Total liabilities	22,784	16,511	+38%	22,784	24,208	-6%	16,511	+38%
Net special commission income	1,256	1,334	-6%	263	287	-8%	347	-24%
Fee and other income, net	1,136	836	36%	322	220	47%	189	16%
Operating income	2,392	2,170	+10%	585	506	+16%	537	+9%
Operating expenses	(132)	(123)	+7%	(34)	(33)	+4%	(41)	-18%
Impairment charge	(49)	53	-192%	(22)	14	-260%	8	-390%
Share in earnings of associates, net	19	153	-87%	6	13	-52%	7	-14%
Net income (loss) before zakat	2,231	2,251	-1%	535	500	+7%	508	+5%

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Treasury and Investments total operating income reached to SAR 2,392 million in FY 2020, up by 10% from FY 2019, mainly due to higher fee and other income.

Net income decreased by 1% year-on-year to SAR 2,231 million mainly due to an increase on impairment charge and lower contribution from Associates.

Riyad Capital

Riyad Capital offers asset management, trading, equity and debt advisory, custody and securities services and accounts for 6% of the Group total operating income.

SAR (million)	FY 2020	FY 2019	YoY % change	4Q 2020	3Q 2020	QoQ % change	4Q 2019	YoY % change
Total assets	2,370	1,574	+51%	2,370	2,103	+13%	1,574	+51%
Total liabilities	455	428	+6%	455	422	+8%	428	+6%
Net special commission income	191	142	+35%	49	46	+5%	42	+15%
Fee and Commission income net	544	412	+32%	191	136	+40%	159	+20%
Operating income	767	589	+30%	248	192	+29%	207	+20%
Operating expenses	(223)	(219)	+2%	(73)	(54)	+36%	(76)	-3%
Net income (loss) before zakat	544	369	+48%	175	138	+27%	130	+34%

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Riyad Capital total operating income reached to SAR 767 million in 2020, up 30% year-on-year.

Net income grew by 48% year-on-year to SAR 544 million, mainly driven by increase in Net Special Commission income and Fee and other income.

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Additional Information

Riyad Bank's FY 2020 financial materials are available to the public on the IR website:
www.riyadbank.com/en/about-us/investor-relations

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