

Riyad Bank Reports Net Income (after Zakat) of SAR 2.54 Billion for the first half of 2020

- ◆ **Net income** (after zakat) decreased by 14.9%.
- ◆ **Operating income growth of 6.6%** YoY supported by higher net special commission income, exchange income and trading gains partially offset by decrease in Fee and gains on non-trading investments.
- ◆ **Operating efficiency improved by 22 basis points** YoY to 31.9%
- ◆ **Cost of risk** increased by 39bps YoY to 0.95%.
- ◆ **Net loans and advances** growth of 16.3% YoY to SAR 187.7 billion across both commercial, consumer and mortgage loans.
- ◆ **Customer deposits** increased by 13.3% YoY to SAR 200 billion.
- ◆ **Total assets increased** by 19.9% YoY to SAR 295 billion.
- ◆ **Capitalisation** remained strong with CET1 of 15.3% and total CAR of 17.8%.
- ◆ **Liquidity** remained comfortable with LCR of 160.0% and loans to deposits (including sukuk) ratio of 91.2%.

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

“Riyad bank recorded a strong set of results in H1 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.

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 after zakat of SAR 2,539 million for the first half of 2020, a decrease of 14.9% over the corresponding period in 2019. Similarly, for the second quarter of 2020, net income after zakat decreased by 29.1% from the corresponding period in 2019 to SAR 1,063 million. Relative to the previous quarter, net income showed drop of 28.0%.

Income Statement Highlights

SAR (million)	H1 2020	H1 2019	YoY % change	Q2 2020	Q1 2020	QoQ % change	Q2 2019	YoY % change
Net special commission income	4,105	3,772	+8.8%	2,116	1,989	+6.4%	1,963	+7.8%
Fee and other income	1,489	1,478	+0.8%	593	896	-33.8%	707	-16.1%
Total operating income, net	5,594	5,250	+6.6%	2,709	2,885	-6.1%	2,670	+1.5%
Operating expenses	(1,786)	(1,665)	+7.3%	(861)	(925)	-7.0%	(820)	+5.0%
Impairment charge for credit losses and other financial assets	(920)	(440)	+109%	(612)	(308)	+98.6%	(228)	+167.9%
Impairment reversal / (charge) for investments	(34)	38	-190%	(33.6)	(0.3)	+10968%	34.7	-197.0%
Net operating income	2,854	3,182	-10.3%	1,202	1,652	-27.2%	1,656	-27.4%
Share of earnings of associates	1	132	-99.5%	(7)	8	-191.7%	14	-152.1%
Net income for the period before Zakat	2,854	3,315	-13.9%	1,195	1,659	-28.0%	1,670	-28.4%
Zakat for the period	315	330	-4.5%	132	183	-27.9%	170	-22.4%
Net income for the period	2,539	2,985	-14.9%	1,063	1,476	-28.0%	1,500	-29.1%
Earnings per share (SAR)	0.85	0.99	-14.9%	0.35	0.49	-28.0%	0.50	-29.1%
Return on average equity before Zakat	14.0%	17.4%	-19.3%	12.2%	16.9%	-28.2%	17.3%	-29.8%
Return on average assets before Zakat	2.0%	2.8%	-26.9%	1.7%	2.4%	-31.7%	2.8%	-39.5%
Net special commission margin	3.26%	3.49%	-6.6%	3.28%	3.19%	+2.9%	3.56%	-7.8%
Cost to income ratio	31.9%	31.7%	+0.7%	31.8%	32.1%	-0.9%	30.7%	+3.5%
Cost of risk	0.95%	0.56%	+69.6%	1.21%	0.67%	+80.9%	0.70%	+73.4%

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Total operating income amounted to SAR 5,594 million for the first half of 2020, an increase of 6.6% compared with the first half of 2019. This improvement was driven by 8.8% growth of net special commission income and 0.8% rise in fee and other income.

Total operating income for the second quarter of 2020 amounted to SAR 2,709 million, an increase of 1.5% compared with the second quarter of 2019 and of 6.1% decrease relative to the previous quarter.

Operating expenses totalled SAR 1,786 million for the first six months of 2020, an increase of 7.3% over the corresponding period in 2019 reflecting, the net effect of ongoing transformation and increased investments in future growth. Operating expenses for the second quarter of 2020 increased by 5.0% compared with the corresponding quarter in 2019 and 7.0% decrease relative to the previous quarter to SAR 861 million.

The impairment charge for credit losses and other financial assets increased by 109% year-on year to SAR 920 million. The cost of risk increased by 39bps YoY to 0.95%. The non-performing loans ratio stood at 1.02%. While the non-performing loans coverage ratio spotted at 194% as at 30 June 2020.

Balance Sheet Highlights

SAR (million)	Q2 2020	Q1 2020	QoQ % change	Q4 2019	YTD % change	Q2 2019	YoY % change
Cash and balances with SAMA and financial institutions	45,637	32,792	+39.2%	33,924	+34.5%	28,859	+57.6%
Investments, net	53,962	54,144	-0.3%	53,361	+1.1%	50,153	+7.6%
Loans and advances, net	187,651	182,784	+2.7%	173,982	+7.9%	161,325	+16.3%
Total assets	295,083	279,697	+5.5%	265,789	+11.0%	246,116	+19.9%
Customer deposits	199,987	192,902	+3.7%	194,518	+2.8%	176,510	+13.3%
Debt securities in issue	5,683	9,692	-41.4%	4,003	+42.0%	4,003	+42.0%
Total liabilities	254,297	241,899	+5.1%	225,217	+12.9%	206,688	+23.0%
Total shareholders' equity	40,786	37,797	+7.9%	40,571	+0.5%	39,428	+3.4%
Risk weighted assets	266,463	258,056	+3.3%	249,556	+6.8%	238,446	+11.7%
T1 ratio	15.3%	14.6%	+4.5%	16.3%	-5.8%	16.5%	-7.4%
TC ratio	17.8%	18.8%	-4.9%	18.1%	-1.3%	18.4%	-3.0%
Liquidity coverage ratio (LCR)	160%	168%	-4.6%	155%	+3.6%	150%	+6.8%
Basel III leverage ratio	11.3%	10.9%	+3.7%	12.2%	-7.4%	12.6%	-10.3%
Loans to deposits (incl. Sukuk) ratio	91.2%	90.2%	+1.1%	87.6%	+4.1%	89.4%	+2.1%
NPL ratio	1.02%	1.01%	+0.5%	0.88%	+15.5%	1.0%	+1.8%
NPL coverage ratio	193.6%	174.9%	+10.7%	177.3%	+9.2%	145.2%	+33.3%

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Total assets reached SAR 295,083 million as at 30 June 2020, up year-on-year by 19.9% from growth in loans and placements and investments.

Net loans and advances grew by 16.3% year-on-year from both commercial and consumer loans.

Customer deposits rose 13.3% year-on-year to reach SAR 199,987 million as at 30 June 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 15.3% and 17.8% respectively as at 30 June 2020. The liquidity coverage ratio and the loans to deposit ratio (including Sukuk) stood at 160% and 91.2%, 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

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, 2,534 ATMs and 64,982 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)	H1 2020	H1 2019	YoY % change	Q2 2020	Q1 2020	QoQ % change	Q2 2019	YoY % change
Total assets	74,012	61,066	+21%	74,012	72,377	+2%	61,066	+21%
Total liabilities	88,742	83,256	+7%	88,742	84,423	+5%	83,256	+7%
Net special commission income	1,732	1,556	+11%	863	869	-1%	807	+7%
Fee and other income, net	101	193	-48%	6	94	-93%	97	-94%
Operating income	1,833	1,749	+5%	869	964	-10%	904	-4%
Operating expenses	(1,195)	(1,097)	+9%	(575)	(620)	-7%	(539)	+7%
Impairment charge	(104)	218	-148%	(99)	(5)	+1869%	254	-139%
Net income (loss) before zakat	533	870	-39%	195	339	-43%	620	-69%

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Retail Banking recorded 5% increase in operating income in H1 2020 compared to H1 2019 to reach SAR 1833 million. Net special commission income increased by 11% year-on-year to SAR 1732 million in H1 2020, mainly driven by 21% increase in assets.

Operating expenses reached SAR 1,195 million in H1 2020, a 9% increase year-on-year.

The impairment charge for Retail Banking amounted to SAR 104 million in H1 2020 compared to SAR 218 million net reversals in 2019.

Net income for H1 2020 decreased by 39% year-on-year to SAR 533 million mainly driven by lower fee and other 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)	H1 2020	H1 2019	YoY % change	Q2 2020	Q1 2020	QoQ % change	Q2 2019	YoY % change
Total assets	137,403	117,580	+17%	137,403	131,627	+4%	117,580	+17%
Total liabilities	140,742	108,195	+30%	140,742	127,209	+11%	108,195	+30%
Net special commission income	1,571	1,511	+4%	852	719	+18%	790	+8%
Fee and other income, net	563	666	-15%	201	362	-45%	282	-29%
Operating income	2,134	2,177	-2%	1,052	1,082	-3%	1,072	-2%
Operating expenses	(431)	(421)	+2%	(198)	(233)	-15%	(201)	-2%
Impairment charge	(810)	(662)	+22%	(508)	(302)	+68%	(484)	+5%
Net income (loss) before zakat	893	1,093	-18%	347	547	-37%	387	-10%

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Corporate Banking's total operating income totalled to SAR 2,134 million in H1 2020, a decrease of 2% from H1 2019. Net special commission income increased year-on-year to SAR 1,571 million and fee and other income decreased by 15% to SAR 563 million

Operating expenses totalled to SAR 431 million for H1 2020, up 2% compared to H1 2019.

The impairment charge for Corporate Banking increased to SAR 810 million, an increase of 22% compared to 1H 2019.

Net income before Zakat for H1 2020 decreased by 18% year-on-year to SAR 893 million mainly due to increased impairment charge and lower fee and other income.

Treasury and Investments

Treasury and Investments offers a wide range of products and hedging solutions to corporate customers and accounts for 23% of the Group total operating income.

SAR (million)	H1 2020	H1 2019	YoY % change	Q2 2020	Q1 2020	QoQ % change	Q2 2019	YoY % change
Total assets	81,501	66,183	+23%	81,501	74,054	+10%	66,183	+23%
Total liabilities	24,322	14,920	+63%	24,322	29,823	-18%	14,920	+63%
Net special commission income	706	644	+10%	347	359	-3%	333	+4%
Fee and other income, net	595	438	+36%	268	327	-18%	225	+19%
Operating income	1,301	1,082	+20%	615	686	-10%	558	+10%
Operating expenses	(65)	(53)	+23%	(40)	(25)	+57%	(30)	+33%
Impairment charge	(40)	42	-197%	(39)	(2)	+2348 %	36	-207%
Share in earnings of associates, net	1	132	-100%	(7)	8	-192%	14	-152%
Net income (loss) before zakat	1,196	1,203	-1%	529	667	-21%	578	-8%

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Treasury and Investments total operating income reached to SAR 1,301 million in H1 2020, up by 20% from H1 2019, mainly due to higher fee and other income.

Net income decreased by 1% year-on-year to SAR 1,196 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)	H1 2020	H1 2019	YoY % change	Q2 2020	Q1 2020	QoQ % change	Q2 2019	YoY % change
Total assets	2,167	1,287	+68%	2,167	1,638	+32%	1,287	+68%
Total liabilities	491	317	+55%	491	445	+10%	317	+55%
Net special commission income	96	60	+59%	54	42	+29%	33	+65%
Fee and other income, net	218	163	+33%	102	115	-11%	96	+7%
Operating income	327	242	+35%	173	154	+12%	136	+27%
Operating expenses	(95)	(94)	+1%	(48)	(47)	+2%	(50)	-4%
Net income (loss) before zakat	232	148	+56%	125	107	+16%	86	+45%

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Riyad Capital total operating income reached to SAR 327 million in H1 2020, up 35% year-on-year.

Net income grew by 56% year-on-year to SAR 232 million, mainly driven by increase in Net Special Commission income and Fee and other income.

Additional Information

Riyad Bank's Q2 2020 financial materials are available to the public on the IR website: www.riyadbank.com/en/about-us/investor-relations

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