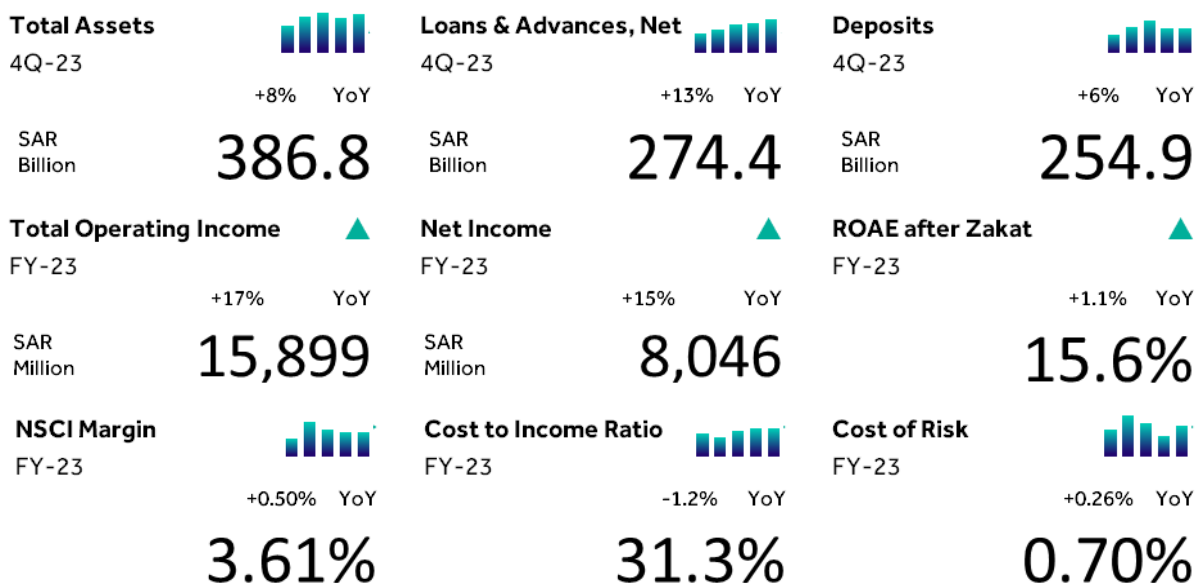


Riyad Bank reports 15% net income growth to SAR 8.0 billion in FY 2023

Riyad Bank reports 15% net income growth driven by robust loan growth and margin expansion



- Total assets of SAR 386.8bn, up 8% YoY, mainly driven by lending and investments
- Loans and advances up 13% YoY to SAR 274.4bn from both Commercial and Consumer
- Customer deposits of SAR 254.9bn, up 6% YoY from increased interest-bearing deposits
- Net income for FY 2023 SAR 8,046mn, up 15% YoY on higher operating income
- Total operating income of SAR 15,899mn in FY 2023, up 17% YoY driven by 23% net special commission income growth
- NSCI margin at 3.61% for FY 2023, improving by 50bps YoY
- Cost-to-income ratio at 31.3% for FY 2023, a 1.2% improvement YoY from positive jaws
- Cost of risk of 0.70% for FY 2023, a 26bps increase on the back of strengthening asset quality
- Non-performing loan ratio of 1.24% in 4Q 2023, improving by 48bps YoY
- Tier 1 ratio of 17.6% and Capital Adequacy Ratio (CAR) of 20.7%
- Liquidity Coverage Ratio (LCR) of 159.9%; Net Stable Funding Ratio (NSFR) of 113.4%; SAMA loans to deposit ratio at 81.9%
- Return on average equity after Zakat at 15.6%, up 109bps YoY

Riyadh, 12 February 2024 – Riyad Bank reported 15% year-on-year growth in net income to SAR 8,046 million for FY 2023, driven by a 17% expansion total operating income which was tempered by higher operating expenses and impairment charges. Income growth resulted from 23% year-on-year growth in net special commission income driven by margin and balance sheet expansion, while fee and other income was lower by 1.8%.

Total assets amounted to SAR 386.8 billion as of 31 December 2023, an increase of 8% from the end of December of 2022, largely due to robust loan growth of 13%. Total customer deposits expanded by 6% year-on-year, driven by growth in interest-bearing deposits.

Mr. Nadir Al-Koraya, Chief Executive Officer of Riyad Bank, said:

“Riyad Bank remained well-positioned to capitalize on the solid credit demand in corporate and consumer loans. This is driven by the positive economic outlook of Saudi Arabia as non-oil GDP growth continues and new opportunities arise supported by Vision 2030 projects and initiatives. We will continue to execute our strategic initiatives to achieve our ambition to be the most profitable and efficient bank in KSA. We are proud of the strong results delivered in 2023 and we aim to remain focused on delivering a strong performance in 2024 driven by our strategy execution.”

Mr. Abdullah Al Oraini, Chief Financial Officer of Riyad Bank, said:

“Riyad Bank continues to record a strong performance through the year of 2023, with net special commission income increasing 23% year-on-year, resulting in total operating income rising by 17% year-on-year. Loan growth of 13% propelled total asset growth of 8%, while our NSCI margin expansion of 50bps was a beneficiary of a rising rate environment. Lending growth was healthy across both commercial and consumer segments, with commerce and mortgage sectors leading the way. Our credit quality markedly improved, with the NPL ratio at a modest 1.24%, while we improved our coverage ratio to a robust 142.1%. Asset growth was funded by a sizeable increase in interest-bearing deposits as well as additional debt securities.”

Performance Highlights
Income Statement Highlights

SAR (mn)	4Q-2023	4Q-2022	YoY % Change	FY-2023	FY-2022	YoY % Change
Net special commission income	3,142	2,852	+10%	12,414	10,052	+23%
Fee and other income	790	891	-11%	3,485	3,547	-2%
Total operating income, net	3,932	3,742	+5%	15,899	13,599	+17%
Total operating expenses before impairment charge	(1,274)	(1,138)	+12%	(4,969)	(4,410)	+13%
Net operating income before impairment charge	2,658	2,605	+2%	10,930	9,189	+19%
Total impairment charge	(483)	(364)	+33%	(1,972)	(1,281)	+54%
Net operating income	2,175	2,241	-3%	8,959	7,909	+13%
Share in earnings of associates	4	(5)	-175%	12	(80)	-115%
Net Income for the period before zakat	2,179	2,235	-3%	8,971	7,828	+15%
Zakat for the period	(225)	(208)	+8%	(925)	(809)	+14%
Net Income for the period after zakat	1,955	2,028	-4%	8,046	7,019	+15%
Earnings per share	0.64	0.67	-5%	2.58	2.32	+11%
Return on average common equity	15.0%	16.8%	-1.9%	15.6%	14.5%	+1.1%
Return on average assets	+2.05%	+2.29%	-0.25%	+2.16%	+2.05%	+0.11%
NSCI margin	3.55%	3.41%	+0.14%	3.61%	3.11%	+0.50%
Cost to income ratio	32.4%	30.4%	+2.0%	31.3%	32.4%	-1.2%
Cost of risk	0.67%	0.61%	+0.06%	0.70%	0.44%	+0.26%

Net income for FY 2023 improved 15% year-on-year to SAR 8,046 million from 17% growth in operating income, partly offset by an increase in credit impairments and operating expenses. Net income for 4Q 2023 decreased by 4% year-on-year to SAR 1,955 million on 33% total impairment charge growth.

Total operating income grew 17% year-on-year to reach SAR 15,899 million for FY 2023. Net special commission income grew 23% to SAR 12,414 million from a 50 basis points margin improvement to 3.61%, and 6% year-on-year growth in average commission earning assets. Fee and other income decreased by 2% to SAR 3,485 million from lower fees from banking services and exchange income. Total operating income for the quarter increased 5% compared to 4Q 2022 from 10% growth in net special commission income while fee and other income decline by 11%.

Operating expenses before impairments increased 13% year-on-year to SAR 4,969 million in FY 2023 due to a 13% increase in employee-related costs and a 7% increase in G&A and other expenses, reflective of inflationary pressures and ongoing investments in infrastructure, digital capabilities and strategic initiatives. Operating expenses before impairment charge for 4Q 2023 were 12% higher year-on-year. The cost to income ratio improved by 1.2% year-on-year to 31.3% for FY 2023 as revenue growth exceeded cost inflation. This positive operating leverage resulted in 19% year-on-year growth in pre-impairment operating income to SAR 10,930 million.

The impairment charge amounted to SAR 1,972 million for FY 2023 compared with SAR 1,281 million in FY 2022. This 54% increase was reflective of both higher commercial and consumer loan impairments, mainly from efforts to improve overall provision coverage levels.

Balance Sheet Highlights

SAR (mn)	4Q-2023	4Q-2022	YoY % Change	3Q-2023	QoQ % Change
Cash and balances with SAMA, net	26,175	33,367	-22%	26,609	-2%
Due from banks and financial Institutions, net	15,434	20,613	-25%	12,004	+29%
Investments, net	58,109	52,196	+11%	57,882	+0%
Loans and advances, net	274,398	242,365	+13%	267,151	+3%
Other assets, net	12,733	11,112	+15%	13,365	-5%
Total assets	386,849	359,653	+8%	377,012	+3%
Due to banks and other financial institutions	42,464	38,760	+10%	34,048	+25%
Customers' deposits	254,908	240,007	+6%	254,719	+0%
Debt securities in issue	13,373	8,758	+53%	13,201	+1%
Other liabilities, net	15,847	15,954	-1%	17,599	-10%
Total liabilities	326,591	303,480	+8%	319,567	+2%
Share capital	30,000	30,000	+0%	30,000	+0%
Reserves	12,418	10,152	+22%	9,498	+31%
Retained earnings	11,277	7,500	+50%	11,384	-1%
Proposed dividends	0	1,950	-100%	0	
Total shareholders' equity	53,696	49,602	+8%	50,881	+6%
Tier 1 sukuk	6,563	6,571	-0%	6,563	-0%
Total equity	60,258	56,173	+7%	57,444	+5%
NPL Ratio	1.24%	1.72%	-0.48%	1.36%	-0.12%
NPL Coverage Ratio	142.1%	112.0%	+30.1%	127.9%	+14.2%
NIBs % of total	54.7%	59.4%	-4.7%	53.1%	+1.5%
Tier 1 ratio	17.6%	18.1%	-0.4%	17.6%	+0.0%
Capital adequacy ratio	20.7%	21.1%	-0.3%	20.7%	+0.0%
Liquidity coverage ratio	159.9%	182.0%	-22.1%	168.8%	-8.9%
Net stable funding ratio	113.4%	118.1%	-4.7%	113.5%	-0.1%
Loans to customers' deposit ratio (headline)	107.6%	101.0%	+6.7%	104.9%	+2.8%
Loans to customers' deposit ratio (SAMA weighted)	81.9%	80.5%	+1.4%	82.0%	-0.0%

Total assets as of 31 December 2023 amounted to SAR 386,849 million, an increase of 8% from 31 December 2022. Loans and advances rose 13% during the year to SAR 274,398 million, driven by 15% commercial and 11% consumer net lending growth.

Customers' deposits increased by 6% during FY 2023 to SAR 254,908 million. Growth was concentrated in interest-bearing deposits of 19% while non-interest-bearing deposits declined by 2%, this trend being reflective of the higher rate environment.

The non-performing loan ratio improved to 1.24% as of 31 December 2023, a 48 basis point improvement during FY 2023 as NPLs declined 18% on higher impairment charges increasing by 46% along with 13% gross loan growth. The coverage of non-performing loans increased to 142.1% as of 31 December 2023 relative to 112.0% at the start of the year on efforts to improve overall provision coverage levels.

The total capital adequacy ratio stood at 20.7% and the Tier 1 ratio at 17.6% as of 31 December 2023; the former declining by 0.3% relative to the previous year-end due to higher credit risk-weighted assets by 12% against 8% higher capitalization as dividend payments partially offset net income generation. The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 159.9%, the net stable funding ratio at 113.4%, the SAMA regulatory loan to deposit ratio at 81.9%, and the headline loan to deposit ratio at 107.6%.

Operating Segment Highlights

Corporate Segment Highlights

SAR (mn)	4Q-2023	4Q-2022	YoY % Change	FY-2023	FY-2022	YoY % Change
Net special commission income	1,664	1,366	+22%	6,608	4,783	+38%
Fee and other income	418	372	+13%	1,785	1,578	+13%
Total operating income	2,082	1,737	+20%	8,393	6,362	+32%
Total operating expenses before impairment charge	426	372	+15%	1,354	1,117	+21%
Impairment charge	462	268	+72%	1,478	734	+101%
Net income for the period before zakat	1,194	1,097	+9%	5,560	4,511	+23%

SAR (mn)	4Q-2023	4Q-2022	YoY % Change	3Q-2023	QoQ % Change
Loans and advances, net	177,894	155,293	+15%	171,847	+4%
Total assets	186,405	161,774	+15%	180,352	+3%
Deposits	149,189	143,739	+4%	151,392	-1%
Total liabilities	172,291	174,279	-1%	174,232	-1%

The corporate segment reported 23% year-on-year growth in net income before zakat to SAR 5,560 million. This resulted from 32% operating income growth to SAR 8,393 million partly offset by a 101% rise in credit impairments and operating expenses expanding by 21%.

Total assets for the corporate segment grew 15% in FY 2023 to SAR 186,405 million from an 15% increase in loans and advances, net. Corporate liabilities were slightly lower year-on-year at SAR 172,291 million with 4% deposits growth.

Retail Segment Highlights

SAR (mn)	4Q-2023	4Q-2022	YoY % Change	FY-2023	FY-2022	YoY % Change
Net special commission income	1,008	958	+5%	4,032	4,020	+0%
Fee and other income	(10)	(0)	+9229%	90	135	-34%
Total operating income	998	958	+4%	4,122	4,155	-1%
Total operating expenses before impairment charge	736	669	+10%	3,114	2,863	+9%
Impairment charge	(1)	100	-101%	394	295	+33%
Net income for the period before zakat	263	188	+40%	614	996	-38%

SAR (mn)	4Q-2023	4Q-2022	YoY % Change	3Q-2023	QoQ % Change
Loans and advances, net	95,424	86,356	+11%	94,540	+1%
Total assets	111,614	101,339	+10%	109,353	+2%
Deposits	105,719	96,268	+10%	103,327	+2%
Total liabilities	111,192	102,150	+9%	108,490	+2%

Retail net income before zakat for FY 2023 declined 38% year-on-year to SAR 614 million on a 1% decline in operating income to SAR 4,122 million.

Total retail assets rose by 10% during FY 2023 to SAR 111,614 million on 11% growth in retail loans. Total liabilities expanded by 9% year-on-year to SAR 111,192 million in line with a 10% increase in customers' deposits.

Treasury and Investments Segment Highlights

SAR (mn)	4Q-2023	4Q-2022	YoY % Change	FY-2023	FY-2022	YoY % Change
Net special commission income	396	468	-15%	1,512	1,003	+51%
Fee and other income	203	284	-29%	998	1,053	-5%
Total operating income	599	753	-20%	2,510	2,056	+22%
Total operating expenses before impairment charge	56	39	+42%	208	143	+46%
Impairment charge	21	(5)	-548%	100	251	-60%
Net income for the period before zakat	526	713	-26%	2,214	1,581	+40%

SAR (mn)	4Q-2023	4Q-2022	YoY % Change	3Q-2023	QoQ % Change
Investments, net	58,109	52,196	+11%	57,882	+0%
Total assets	85,293	92,029	-7%	82,998	+3%
Total liabilities	42,663	26,264	+62%	36,389	+17%

Treasury and investments recorded a jump of 40% year-on-year in net income before zakat to SAR 2,214 million for FY 2023. Operating income rose 22% year-on-year to SAR 2,510 million on a 51% improvement in net special commission income.

Treasury assets declined by 7% during FY 2023 despite 11% growth in the investment portfolio, while liabilities rose 62%.

Riyad Capital Segment Highlights

SAR (mn)	4Q-2023	4Q-2022	YoY % Change	FY-2023	FY-2022	YoY % Change
Net special commission income	74	60	+24%	262	246	+6%
Fee and other income	179	235	-24%	613	781	-22%
Total operating income	253	295	-14%	874	1,027	-15%
Total operating expenses before impairment charge	56	58	-2%	292	287	+2%
Net income for the period before zakat	196	237	-17%	583	740	-21%

SAR (mn)	4Q-2023	4Q-2022	YoY % Change	3Q-2023	QoQ % Change
Total assets	3,538	4,511	-22%	4,308	-18%
Total liabilities	444	786	-44%	456	-3%

Riyad Capital booked a 21% year-on-year drop in net income before zakat to SAR 583 million for FY 2023, as a reduction of 22% in fee income and a 2% increase operating expenses more than offset a 6% increase in net special commission income.

Outlook

The macro-economic fundamentals for 2023 in the Kingdom of Saudi Arabia exhibited a solid growth in the non-oil sector during 2023 which exceeds 4%, supported by government spending and Vision 2030 opportunities which will contribute to increased corporate activities and credit appetite.

The Riyad Bank headline PMI reflect the growth of the non-oil sector continuously expanded in 2023 and first month of 2024, which has been mostly driven by the new orders and output levels.

The interest rate is expected to stay elevated and stable in the first half of the year. While the interest rate environment is still challenging, it has been overcome by the growth in the private sector. Furthermore, these challenges are expected to ease with projected reduction in the interest rate towards the second half of this year.

In light of these economic conditions, the bank has positioned itself well to take advantage of the opportunities presented. This is evident in the strong financial performance observed during this year. Through capitalizing on the supportive macro-economic fundamentals and adapting to the changing interest rate landscape, the bank has been able to navigate the market successfully and deliver positive results.

Overall, the outlook for 2024 in the Kingdom of Saudi Arabia suggests a favorable economic environment. With expected real GDP growth in the private sector, the phased resumption of Vision 2030 initiatives, and the bank's proactive stance, there are promising prospects for robust corporate activity and credit appetite with expected interest rate cut which will further stimulate lending growth. The bank's strong performance during 2023 indicates its ability to adapt and thrive in the evolving economic landscape.

About Riyad Bank

Riyad Bank is one of the largest financial institutions in the Kingdom of Saudi Arabia and the Middle East. Established in 1957, with a paid-up capital of SAR 30 billion and now with more than 7,887 employees, we take pride of being among the Saudi organizations with the highest national employment rate of 96%.

We provide a comprehensive range of products and services fully compliant with the Islamic Sharia' to meet the needs of both retail and corporate customers, including small and medium-size enterprises. We take a lead role in many areas of finance and investment across Saudi Arabia and are distinguished as a leading financier and arranger of syndicated loans in the oil and petrochemicals sector as well as the Kingdom's most notable infrastructure projects.

We offer innovative financing solutions through a network of 335 licensed branches, and more than 227,740 POS, in addition to more than 2,200 ATMs distributed across the Kingdom. Our branch in London and offices in Houston (USA) and Singapore support the international banking needs of our increasingly global customers.

Additional Information

The FY 2023 financial statements, earnings release, earnings presentation, investor presentation and financial data supplement will be available on the website of Riyad Bank at:

<https://www.riyadbank.com/web/guest/about-us/investorrelations/financial-results>

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