

Riyad Bank Reports Net Income of SAR 2.9 Billion in the first half of 2021

- ◆ **Net income** (after zakat) increased by 12.8% YoY.
- ◆ **Operating income** increased by 3.7% YoY mainly due to higher net special commission income, gains on disposal of non-trading investments, net, fee and commission income, net, partially offset by decrease in exchange income, net and trading income, net.
- ◆ **Operating efficiency** during the first half reached to 34%.
- ◆ **Cost of risk** improved to 0.47% compared 0.95% YoY.
- ◆ **Net loans and advances** grew by 9.1% YoY to SAR 205 billion across both commercial and consumer loans.
- ◆ **Customer deposits** grew by 1.2% YoY to SAR 202 billion
- ◆ **Total assets** grew by 7.5% YoY to SAR 317 billion
- ◆ **Capitalisation** remained strong with Tier 1 CAR of 15.9% and Total CAR of 19.3%.
- ◆ **Comfortable liquidity** position with LCR of 176% and Loans to deposits ratio (incl. Sukuk) of 97%

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

"Riyad bank recorded a strong set of results in Q2 2021 mainly due to the revival of economic activity and decrease in operating costs, mainly 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, 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-experience, efficiency, and profitability with trusted and innovative solutions.

Riyad Bank has executed its strategic transformation exceptionally well, and with the recent structural and shifts in the industry, this led Riyad bank to chart a new course. During 2020, the Bank has refreshed its strategy and 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 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 2,865 million for the first half of 2021, an increase of 12.8% over the corresponding period in 2020. Similarly, for the second quarter of 2021, net income after zakat increased by 42.2% from the corresponding period in 2020 to SAR 1,512 million. Relative to the previous quarter, net income showed increase of 11.7%.

Income Statement Highlights

SAR (million)	1H 2021	1H 2020	YoY % change	2Q 2021	1Q 2021	QoQ % change	2Q 2020	YoY % change
Net special commission income	4,242	4,105	+3.3%	2,146	2,096	+2.4%	2,116	+1.4%
Fee and other income	1,560	1,489	+4.7%	832	728	+14.3%	593	+40.3%
Total operating income, net	5,802	5,594	+3.7%	2,978	2,824	+5.5%	2,709	+9.9%
Operating expenses	(1,994)	(1,786)	+11.6%	(1,012)	(982)	+3.0%	(861)	+17.5%
Impairment charge for credit losses and other financial assets	(484)	(920)	-47.4%	(238)	(247)	-3.7%	(612)	-61.2%
Impairment reversal / (charge) for investments	(66)	(34)	+94.5%	(10.6)	(55.5)	-81.0%	(33.6)	-68.6%
Net operating income	3,258	2,854	+14.2%	1,718	1,539	+11.6%	1,202	+42.9%
Share of earnings of associates	(20)	1	3124.0%	(9)	(11)	-18.7%	(7)	+22.7%
Net income for the period before Zakat	3,238	2,854	+13.4%	1,710	1,529	+11.8%	1,195	+43.1%
Zakat for the period	(373)	(315)	+18.4%	(198)	(175)	+13.1%	(132)	+50.0%
Net income for the period	2,865	2,539	+12.8%	1,512	1,354	+11.7%	1,063	+42.2%
Earnings per share (SAR)	0.96	0.85	+12.8%	0.50	0.45	+11.7%	0.35	+42.2%
Return on average equity before Zakat	14.6%	14.0%	+4.3%	15.4%	13.8%	+11.6%	12.2%	+42.4%
Return on average assets before Zakat	2.1%	2.0%	+1.4%	2.2%	2.0%	+10.6%	1.7%	+31.5%
Net special commission margin	3.12%	3.26%	-4.3%	3.11%	3.15%	-1.2%	3.28%	-5.2%
Cost to income ratio	34.4%	31.9%	+7.6%	34.0%	34.8%	-2.3%	31.8%	+6.9%
Cost of risk	0.47%	0.95%	-49.4%	0.46%	0.50%	-6.6%	1.19%	-61.2%

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Total operating income amounted to SAR 5,802 million for the first half of 2021, an increase of 3.7% compared with the first half of 2020. This improvement was driven by 3.3% growth of net special commission income and 4.8% rise in fee and other income.

Total operating income for the second quarter of 2021 amounted to SAR 2,978 million, an increase of 9.9% compared with the second quarter of 2020 and of 5.5% increase relative to the previous quarter.

Operating expenses totalled SAR 1,994 million for the first six months of 2021, an increase of 11.6% over the corresponding period in 2020 reflecting, the net effect of ongoing transformation and increased investments in future growth. Operating expenses for the second quarter of 2021 increased by 17.5% compared with the corresponding quarter in 2020 and 3.0% increase relative to the previous quarter to SAR 1,012 million

The impairment charge for credit losses and other financial assets decreased by 47% year-on-year to SAR 484 million. The cost of risk decreased by 48bps YoY to 0.47%. The non-performing loans ratio stood at 1.84%. While the non-performing loans coverage ratio spotted at 124% as at 30 June 2021.

Balance Sheet Highlights

SAR (million)	2Q 2021	1Q 2021	QoQ % change	4Q 2020	YTD % change	2Q 2020	YoY % change
Cash and balances with SAMA and financial institutions	48,732	48,370	+0.7%	55,579	-12.3%	45,637	+6.8%
Investments, net	57,122	56,934	+0.3%	56,450	+1.2%	53,962	+5.9%
Loans and advances, net	204,743	196,443	+4.2%	191,347	+7.0%	187,651	+9.1%
Total assets	317,266	308,036	+3.0%	310,088	+2.3%	295,083	+7.5%
Customer deposits	202,453	198,598	+1.9%	203,039	-0.3%	199,987	+1.2%
Debt securities in issue	8,710	8,648	+0.7%	5,684	+53.2%	5,683	+53.3%
Total liabilities	272,716	263,809	+3.4%	265,733	+2.6%	254,297	+7.2%
Total shareholders' equity	44,551	44,228	+0.7%	44,355	+0.4%	40,786	+9.2%
Risk weighted assets	280,517	274,610	+2.1%	268,134	+4.6%	266,463	+5.3%
T1 ratio	15.9%	16.1%	-1.4%	16.5%	-3.6%	15.3%	+3.9%
TC ratio	19.3%	19.7%	-1.6%	19.1%	+1.4%	17.8%	+8.5%
Liquidity coverage ratio (LCR)	176%	181%	-2.8%	200%	-11.9%	160%	+9.9%
Basel III leverage ratio	11.6%	11.8%	-1.7%	11.8%	-1.7%	11.3%	+2.7%
Loans to deposits (incl. Sukuk) ratio	97.0%	94.8%	+2.3%	91.7%	+5.8%	91.2%	+6.3%
NPL ratio	1.84%	1.96%	-6.2%	1.86%	-1.3%	1.0%	+81.2%
NPL coverage ratio	124.4%	123.2%	+1.0%	124.2%	+0.2%	193.6%	-35.7%

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Total assets reached SAR 317,266 million as at 30 June 2021, up year-on-year by 7.5% from growth in loans and investments.

Net loans and advances grew by 9.1% year-on-year from both commercial and consumer loans.

Customer deposits rose 1.2% year-on-year to reach SAR 202,453 million as at 30 June 2021.

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 15.9% and 19.3% respectively as at 30 June 2021. The liquidity coverage ratio and the loans to deposit ratio (including Sukuk) stood at 176% and 97%, 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, in 2020, Riyad Bank has activated a new phase of its transformation 2025, 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, 2,389 ATMs and 111,823 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)	1H 2021	1H 2020	YoY % change	2Q 2021	1Q 2021	QoQ % change	2Q 2020	YoY % change
Total assets	82,117	74,012	+11%	82,117	79,022	+4%	74,012	+11%
Total liabilities	98,272	85,724	+15%	98,272	98,934	-1%	85,724	+15%
Net special commission income	1,841	1,735	+6%	932	908	+3%	864	+8%
Fee and other income, net	62	100	-38%	48	15	+220%	7	-69%
Operating income	1,903	1,835	+4%	980	923	+6%	871	+13%
Operating expenses	(1,312)	(1,196)	+10%	(647)	(665)	-3%	(581)	+11%
Impairment charge	128	(104)	-223%	(30)	158	-119%	(99)	-70%
Net income (loss) before zakat	719	535	+34%	303	415	-27%	190	+59%

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Retail Banking recorded 4% increase in operating income in H1 2021 compared to H1 2020 to reach SAR 1,903 million. Net special commission income increased by 6% year-on-year to SAR 1,841 million in H1 2021, mainly driven by 11% increase in assets.

Operating expenses reached SAR 1,312 million in H1 2021, a 10% increase year-on-year.

The impairment reversal for Retail Banking amounted to SAR 128 million in H1 2021 a decrease of 223% compared to charge of SAR 104 million in H1 2020.

Net income for H1 2021 increased by 34% year-on-year to SAR 719 million mainly driven by higher NSCI and lower 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)	1H 2021	1H 2020	YoY % change	2Q 2021	1Q 2021	QoQ % change	2Q 2020	YoY % change
Total assets	141,610	137,403	+3%	141,610	134,857	+5%	137,403	+3%
Total liabilities	150,562	144,903	+4%	150,562	140,712	+7%	144,903	+4%
Net special commission income	1,649	1,571	+5%	818	830	-1%	852	-4%
Fee and other income, net	599	563	+6%	326	275	+19%	200	-100%
Operating income	2,248	2,134	+5%	1,144	1,105	+4%	1,052	+9%
Operating expenses	(484)	(430)	+12%	(257)	(227)	+13%	(200)	+29%
Impairment charge	(606)	(810)	-25%	(219)	(387)	-43%	(508)	-57%
Net income (loss) before zakat	1,158	894	+30%	668	490	+36%	345	+94%

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Corporate Banking's total operating income totalled to SAR 2,248 million in H1 2021, an increase of 5% from H1 2020. Net special commission income increased year-on-year to SAR 1,649 million and fee and other income increased by 2% to SAR 569 million

Operating expenses totalled to SAR 484 million for H1 2021, up 12% compared to H1 2020.

The impairment charge for Corporate Banking decreased to SAR 606 million, a decrease of 25% compared to 1H 2020.

Net income before Zakat for H1 2021 increased by 30% year-on-year to SAR 1,158 million mainly due to higher NSCI and lower impairment charges.

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)	1H 2021	1H 2020	YoY % change	2Q 2021	1Q 2021	QoQ % change	2Q 2020	YoY % change
Total assets	91,472	81,501	+12%	91,472	92,072	-1%	81,501	+12%
Total liabilities	23,247	23,393	-1%	23,247	23,706	-2%	23,393	-1%
Net special commission income	665	717	-7%	346	318	+9%	348	-1%
Fee and other income, net	559	595	-6%	290	271	+7%	267	-100%
Operating income	1,224	1,312	-7%	636	589	+8%	615	+3%
Operating expenses	(84)	(65)	+30%	(47)	(38)	+25%	(32)	+46%
Impairment charge	(72)	(40)	+79%	1	(73)	-101%	(39)	-102%
Share in earnings of associates, net	(20)	1	-3124%	(9)	(11)	-19%	(7)	+23%
Net income (loss) before zakat	1,048	1,208	-13%	581	467	+24%	537	+8%

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Treasury and Investments total operating income decreased to SAR 1,224 million in H1 2021, down by 7% from H1 2020, mainly due to lower Net special commission income and fee and other income.

Net income decreased by 13% year-on-year to SAR 1,048 million mainly due to increase on impairment charges and lower contribution from Associates.

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)	1H 2021	1H 2020	YoY % change	2Q 2021	1Q 2021	QoQ % change	2Q 2020	YoY % change
Total assets	2,067	2,167	-5%	2,067	2,086	-1%	2,167	-5%
Total liabilities	634	278	+128%	634	457	+39%	278	+128%
Net special commission income	88	82	+7%	49	39	+25%	52	-6%
Fee and other income, net	338	232	+46%	170	169	+1%	119	-100%
Operating income	426	314	+36%	219	208	+5%	171	+28%
Operating expenses	(113)	(95)	+19%	(61)	(52)	+18%	(48)	+27%
Net income (loss) before zakat	313	218	+43%	157	156	+1%	123	+28%

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Riyad Capital total operating income reached to SAR 426 million in H1 2021, up 36% year-on-year.

Net income grew by 43% year-on-year to SAR 313 million, mainly driven by increase in Fee and other income.

Additional Information

Riyad Bank's Q2 2021 financial materials are available to the public on the IR website:

www.riyadbank.com/en/about-us/investor-relations

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