

Riyad Bank Reports Net Income (after zakat) of SAR 4.9 Billion in the nine months of 2022

- ◆ **Net income** (after zakat) increased by 13.2% YoY.
- ◆ **Operating income** increased by 14.4% 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 33.2%.
- ◆ **Cost of risk** improved to 0.37% compared to 0.40% for corresponding period of last year
- ◆ **Net loans and advances** grew by 14.8% YoY to SAR 242 billion across both commercial and consumer loans.
- ◆ **Customer deposits** grew by 15.6% YoY to SAR 236 billion.
- ◆ **Total assets** grew by 9.2% YoY to SAR 348 billion.
- ◆ **Capitalisation** remained strong with Tier 1 CAR at 16.0% and total CAR of 19.1%.
- ◆ **Comfortable liquidity** position with LCR of 165% and Loans to deposits ratio (incl. Sukuk) of 98.8%

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

Riyad bank achieved a strong set of results in Q3 2022 mainly due to the revival of economic activity and positive impact of rising rates. 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 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 4,991 million for the nine months period of 2022, an increase of 13.2% over the corresponding period in 2021. Similarly, for the third quarter of 2022, net income after zakat increased by 18.5% from the corresponding period in 2021 to SAR 1,828 million; relative to the previous quarter, net income showed increase of 13.5%.

Income Statement Highlights

| SAR (million) | 9M 2022 | 9M 2021 | YoY % change | 3Q 2022 | 2Q 2022 | QoQ % change | Q3 2021 | YoY % change |
|--|--------------|--------------|---------------|--------------|--------------|---------------|--------------|---------------|
| Net special commission income | 7,201 | 6,224 | +15.7% | 2,672 | 2,397 | +11.5% | 1,982 | +34.8% |
| Fee and other income | 2,656 | 2,395 | +10.9% | 853 | 834 | +2.3% | 835 | +2.2% |
| Total operating income, net | 9,857 | 8,619 | +14.4% | 3,525 | 3,230 | +9.1% | 2,817 | +25.2% |
| Operating expenses | (3,272) | (3,002) | +9.0% | (1,174) | (1,064) | +10.3% | (1,008) | +16.5% |
| Net operating income before impairment charges | 6,585 | 5,617 | 17.2% | 2,351 | 2,166 | 8.5% | 1,808 | +30.0% |
| Impairment charge for credit losses and other financial assets | (658) | (592) | +11.2% | (228) | (244) | -6.8% | (108) | +111.1% |
| Impairment charge for investment | (258) | (27) | +855.6% | (81) | (109) | -26.0% | 39 | +309.9% |
| Net operating income | 5,668 | 4,998 | +13.4% | 2,042 | 1,813 | +12.7% | 1,740 | +17.4% |
| Share of earnings of associates | (75) | (33) | +127.3% | (3) | (4) | -34.0% | (13) | -80.4% |
| Net income for the period before Zakat | 5,593 | 4,965 | +12.6% | 2,040 | 1,809 | +12.8% | 1,727 | +18.2% |
| Zakat for the period | 602 | 557 | +8.1% | 212 | 198 | +7.2% | 184 | +15.2% |
| Net income for the period | 4,991 | 4,408 | +13.2% | 1,828 | 1,611 | +13.5% | 1,543 | +18.5% |
| EPS | 1.6 | 1.4 | +11.6% | 0.59 | 0.54 | +9.3% | 0.51 | +18% |
| Return on average assets before Zakat | 15.9% | 14.7% | +1.2% | 17.5% | 15.9% | +1.5% | 15.2% | 2.3% |
| Net special commission margin | 2.2% | 2.1% | +0.1% | 2.3% | 2.2% | 0.0% | 2.2% | 0.1% |
| Cost to income ratio | 33.2% | 34.8% | -1.6% | 33.3% | 32.9% | -0.1% | 34.8% | -1.5% |
| Cost of risk | 0.37% | 0.40% | -0.03% | 0.33% | 0.39% | -0.4% | 0.40% | -0.7% |

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Total operating income amounted to SAR 9,857 million for the nine months period of 2022, an increase of 14.4% compared with the nine months period of 2021. This improvement was driven by 15.7% growth of net special commission income and 10.9% rise in fee and other income.

Total operating income for the third quarter of 2022 amounted to SAR 3,525 million, an increase of 25.2% compared with the third quarter of 2021 and of 9.1% increase relative to the previous quarter.

EARNINGS RELEASE

Operating expenses totalled SAR 3,272 million for the first nine months of 2022, an increase of 9.0% over the corresponding period in 2021 reflecting, the net effect of ongoing transformation and increased investments in future growth. Operating expenses for the third quarter of 2022 increased by 16.5% compared with the corresponding quarter in 2021 and 10.3% increase relative to the previous quarter to SAR 1,064 million

The impairment charge for credit losses and other financial assets increased by 11.2% year-on-year to SAR 658 million. The cost of risk decreased from 40bps YoY to 0.37bps. The non-performing loans ratio stood at 1.55%. While the non-performing loans coverage ratio spotted at 115% as at 30 September 2022.

Balance Sheet Highlights

| SAR (mn) | 3Q 2022 | 2Q 2022 | QoQ % change | 4Q 2021 | YTD % change | 3Q 2021 | YoY % change |
|--|----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|
| Cash and balances with SAMA and financial institutions | 43,985 | 56,293 | -21.9% | 43,232 | +1.7% | 44,414 | -1.0% |
| Investments, net | 53,246 | 53,538 | -0.5% | 58,637 | -9.2% | 57,451 | -7.3% |
| Loans and advances, net | 241,586 | 239,650 | +0.8% | 217,290 | +11.2% | 210,482 | +14.8% |
| Total assets | 347,881 | 357,954 | -2.8% | 325,736 | +6.8% | 318,657 | +9.2% |
| Customer deposits | 235,892 | 237,477 | -0.7% | 211,678 | +11.4% | 203,996 | +15.6% |
| Debt securities in issue | 8,672 | 8,716 | -0.5% | 8,717 | -0.5% | 8,648 | +0.3% |
| Total liabilities | 298,286 | 308,504 | -3.3% | 278,436 | +7.1% | 272,607 | +9.4% |
| Total shareholders' equity | 46,776 | 46,636 | +0.3% | 47,300 | -1.1% | 46,050 | +1.6% |
| Tier 1 Sukuk | 2,819 | 2,814 | +0.2% | - | +100% | - | +100% |
| Total Equity | 49,595 | 49,450 | +0.3% | 47,300 | +4.9% | 46,050 | +7.7% |
| Risk weighted assets | 308,390 | 301,635 | +2.2% | 298,475 | +3.3% | 287,216 | +7.4% |
| CET1 ratio | 15.2% | 15.5% | -0.3% | 15.8% | -0.5% | 16.0% | -0.8% |
| Tier 1 ratio | 16.0% | 16.4% | -0.4% | 15.8% | +0.2% | 16.0% | 0.0% |
| Total capital adequacy ratio | 19.1% | 19.5% | -0.4% | 19.0% | +0.1% | 19.3% | -0.2% |
| Liquidity coverage ratio (LCR) | 165% | 172% | -7.0% | 168% | -3.0% | 168% | -3.0% |
| Basel III leverage ratio | 11.7% | 11.2% | +0.5% | 11.8% | -0.1% | 11.9% | -0.2% |
| Loans to deposits ratio (incl. Sukuk) | 98.8% | 97.3% | +1.5% | 98.6% | +0.2% | 99.0% | -0.2% |
| NPL ratio | 1.55% | 1.66% | -0.1% | 1.65% | -0.1% | 1.58% | 0.0% |
| NPL coverage ratio | 115% | 119% | -4.0% | 124% | -9.0% | 126% | -11.0% |

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Total assets reached SAR 347,881 million as at 30th September 2022, up year-on-year by 9.2% from growth in loans.

Net loans and advances grew by 14.8% year-on-year to reach 241,586 million from both commercial and consumer loans.

Customer deposits rose 15.6% year-on-year to reach SAR 235,892 million as at 30st September 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 15.2%, 16.0% and 19.1% respectively as at 30th September 2022. The liquidity coverage ratio and the loans to deposit ratio (including Sukuk) stood at 165% and 98.8%, respectively.

Outlook

The Kingdom economy has been resilient due to its strong financial position, which has boosted its capabilities to counter multiple shocks to the economy. This year, the overall economy is expected to grow strongly, on the back of continued improvement in oil market conditions and a sharp improvement in operating conditions across the Kingdom's non-oil private sector. The outlook for the next 12 months remain healthy and the current robust level of growth is likely to continue

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, 2,238* ATMs and 182,341* points of sale, as well as all the digital channels that customers expect, including online, mobile, and smart watches. Retail Banking accounts for 31.3% of the Group total operating income.

| SAR (million) | 9M 2022 | 9M 2021 | YoY % change | 3Q 2022 | 2Q 2022 | QoQ % change |
|---------------------------------------|--------------|--------------|--------------|------------|--------------|--------------|
| Total assets | 99,322 | 81,714 | +22% | 99,322 | 98,158 | +1% |
| Total liabilities | 99,322 | 94,568 | +5% | 99,322 | 102,966 | -4% |
| Net special commission income | 2,934 | 2,763 | +6% | 922 | 1,037 | -11% |
| Fee and other income net | 154 | 98 | 57% | 51 | 68 | -25% |
| Operating income | 3,088 | 2,861 | +8% | 973 | 1,105 | -12% |
| Operating expenses | (2,204) | (1,963) | +12% | (796) | (728) | +9% |
| Impairment charge | (195) | 157 | -224% | (75) | (72) | +3% |
| Net income (loss) before zakat | 689 | 1,055 | -35% | 102 | 305 | -67% |

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Retail Banking Net Special Commission income increased YoY by 6% aided by growth in Total assets and Deposits. Operating income increased by 8% mainly due to higher Net Special Commission income.

Operating expenses reached SAR 2,204 million in 9M, 2022, a 12% increase year-on-year.

Impairment charge for Retail Banking amounted to SAR 195 million in 9M, 2022, as compared to a reversal of SAR 157 million in 9M, 2021.

Net income before zakat for 9M, 2022 decreased by 35% year-on-year to SAR 689 million mainly due to Impairment Charge and higher Operating expenses.

*Based on SAMA bulletin report for August

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 41.8% of the Group total operating income.

| SAR (mn) | 9M 2022 | 9M 2021 | YoY % change | 3Q 2022 | 2Q 2022 | QoQ % change |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total assets | 162,197 | 147,178 | +10% | 162,197 | 163,277 | -1% |
| Total liabilities | 172,897 | 152,385 | +13% | 172,897 | 171,981 | +1% |
| Net special commission income | 2,935 | 2,289 | +28% | 1,157 | 977 | 18% |
| Fee and other income net | 1,188 | 914 | 30% | 412 | 391 | 5% |
| Operating income | 4,123 | 3,204 | +29% | 1,569 | 1,368 | +15% |
| Operating expenses | (757) | (726) | +4% | (270) | (234) | +15% |
| Impairment charge | (460) | (752) | -39% | (149) | (173) | -14% |
| Net income before Zakat | 2,906 | 1,726 | +68% | 1,150 | 961 | +20% |

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Corporate Banking's total operating income totalled to SAR 4,123 million in 9M, 2022, an increase of 29% from 2021. Net special commission income increased by 28% year-on-year to SAR 2,935 million while fee and other income increased by 30% to SAR 1,188 million.

Operating expenses totalled to SAR 757 million for 9M, 2022, 4% up as compared to 9M, 2021.

The Impairment charge for Corporate Banking decreased to SAR 460 million, a decrease of 39% as compared to 9M, 2021.

Net income before Zakat for 9M, 2022 increased by 68% year-on-year to SAR 2,906 million mainly due to higher Net special commission income and lower Impairment charge.

Treasury and Investments

Treasury and Investments offers a wide range of products and hedging solutions to corporate customers and accounts for 19.6% of the Group total operating income.

| SAR (mn) | 9M 2022 | 9M 2021 | YoY % change | 3Q 2022 | 2Q 2022 | QoQ % change |
|--------------------------------------|--------------|--------------|-----------------|------------|------------|-----------------|
| Total assets | 83,528 | 86,506 | -3% | 83,528 | 93,598 | -11% |
| Total liabilities | 25,266 | 24,828 | 2% | 25,266 | 32,824 | -23% |
| Net special commission income | 1,145 | 1,079 | 6% | 537 | 321 | 67% |
| Fee and other income net | 782 | 868 | -10% | 223 | 215 | +4% |
| Operating income | 1,927 | 1,947 | -1% | 760 | 535 | 42% |
| Operating expenses | (102) | (126) | -19% | (34) | (33) | +3% |
| Impairment charge | (256) | (24) | 967% | (80) | (108) | -26% |
| Share in earnings of associates, net | (75) | (33) | 127% | (3) | (4) | -25% |
| Net income before Zakat | 1,494 | 1,765 | -15% | 643 | 390 | +65% |

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Treasury and Investments total operating income declined marginally by 1% to SAR 1,927 million in 9M 2022, compared to prior year, mainly due to decrease in fee and other income. However, Net income before zakat decreased by 15%, mainly due to higher Impairment charges and Associate losses.

Riyad Capital

Riyad Capital offers asset management, trading, equity and debt advisory, custody and securities services and accounts for 7.3% of the Group total operating income.

| SAR (mn) | 9M 2022 | 9M 2021 | YoY % change | 3Q 2022 | 2Q 2022 | QoQ % change |
|--------------------------------|------------|------------|--------------|------------|------------|--------------|
| Total assets | 2,834 | 3,259 | -13% | 2,834 | 2,920 | -3% |
| Total liabilities | 801 | 826 | -3% | 801 | 732 | +9% |
| Net special commission income | 186 | 93 | +100% | 56 | 63 | -11% |
| Fee and other income net | 532 | 514 | +4% | 167 | 160 | +4% |
| Operating income | 719 | 606 | +19% | 224 | 222 | +1% |
| Operating expenses | (209) | (187) | +12% | (72) | (69) | +4% |
| Impairment charge | (6) | 0 | +100% | (6) | 0 | +100% |
| Net income before Zakat | 504 | 419 | +20% | 146 | 153 | -5% |

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Riyad Capital total operating income reached to SAR 719 million in 9M 2022, up 19% year-on-year.

Net income grew by 20% year-on-year to SAR 504 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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