

Riyad Bank Reports 66% Net Income Growth to SAR 4.49 Billion in the nine months 2019

- ◆ **66% YoY growth in net income** (after zakat) on solid top-line income growth and improved operating efficiency.
- ◆ **The YoY growth in net income (before zakat) was 48%**
- ◆ **Operating income growth of 22%** YoY on higher net special commission margins, balance sheet growth and fee income growth
- ◆ **Operating efficiency improved** 507 basis points YoY to **32.0%**
- ◆ **Net loans and advances growth of 10%** from 4Q 2018 to SAR 166.3 billion across both commercial, consumer and mortgage loans, reflecting increased economic activity
- ◆ **Customer deposits grew 5%** from 4Q 2018 to SAR 177.7 billion
- ◆ **Total assets increased by 9%** from 4Q 2018 to SAR 250.6 billion
- ◆ **Capitalisation remained strong** with CET1 of 16.1% and total CAR of 17.9%
- ◆ **Comfortable liquidity position** with LCR of 165% and loans to deposit (including Sukuk) ratio of 91.5%. Regulatory LDR remains well within SAMA guideline.

The first nine months 2019 witnessed an increase of economic activity which in combination with improved commission margins, translated into a healthy 22% year-on-year operating income growth. During the period, the Bank continued with the implementation of an end-to-end Transformation program, commenced in early 2018. The program has started contributing to both top- and bottom-line growth and is expected to deliver meaningful benefits to clients, employees and result in a stronger and more profitable bank in the future

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

“Riyad Bank registered a record set of results in the nine months of 2019. Our strong performance reflects the dedication and focus of our management team to make every effort to achieve the bank’s strategic objectives. The nine months of 2019 results demonstrates the impact of the effective execution of the transformation program is having on our business and financial results. We grew our retail and commercial portfolios, expanded our market share in targeted segments and delivered strong balance sheet and core income growth.

We are determined to achieve our strategic objectives that are committed to make customers, shareholders and employees satisfied and exceed their expectations with the significant continuous enhancement for our business and organization competences.

We will further enhance 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. We are launching an office that is dedicated to Vision 2030 to

ensure that the Key Performance Indicators of all our business divisions are aligned with the objectives of Vision 2030.

We are proud to announce that Riyad Bank has contributed to the Vision Realization Programs of the Kingdom's Vision. 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 4,491 million for the first nine months of 2019, an increase of 66% over the corresponding period in 2018. This growth was driven by an increase in total operating income, increased share in earnings of associate and an improved cost of risk.

Similarly, for the third quarter of 2019, net income after zakat grew 59% from the corresponding period in 2018 to SAR 1,506 million. Relative to the previous quarter, net income marginal increased to SAR 1,500 million.

Income Statement Highlights

SAR (million)	9M 2019	9M 2018	YoY % change	3Q 2019	2Q 2019	QoQ % change	3Q 2018	YoY % change
Net special commission income	5,806	4,870	+19%	2,034	1,963	+4%	1,717	+18%
Fee and other income	2,207	1,714	+29%	728	707	+3%	563	+29%
Total operating income, net	8,012	6,584	+22%	2,763	2,670	+3%	2,281	+21%
Operating expenses	(2,568)	(2,444)	+5%	(903)	(820)	+10%	(808)	+12%
Impairment charge for credit losses and other financial assets	(641)	(786)	-18%	(201)	(228)	-12%	(308)	-35%
Impairment reversal / (charge) for investments	41	(29)	-244%	4	35	-90%	(10)	-134%
Net operating income	4,845	3,326	+46%	1,662	1,656	+0%	1,154	+44%
Share of earnings of associates	146	38	+281%	14	14	+3%	11	+30%
Net income for the period before Zakat	4,991	3,364	+48%	1,676	1,670	+0%	1,165	+44%
Zakat for the period	500	660	-24%	170	170	+0%	220	-23%
Net income for the period	4,491	2,704	+66%	1,506	1,500	+0%	945	+59%
Earnings per share (SAR)	1.50	0.90	+66%	0.50	0.50	+0%	0.32	+59%
Return on average equity	15.8%	9.6%	+65%	15.3%	15.6%	-2%	10.3%	+49%
Return on average assets	2.5%	1.6%	+53%	2.4%	2.5%	-2%	1.7%	+42%
Net special commission margin	3.51%	3.30%	+6%	3.55%	3.56%	-0%	3.44%	+3%
Cost to income ratio	32.0%	37.1%	-14%	32.7%	30.7%	+6%	35.4%	-8%
Cost of risk	0.53%	0.71%	-28%	0.46%	0.70%	-31%	0.66%	-27%

Due to rounding, numbers presented throughout this document may not sum precisely to the totals indicated and percentages may not precisely reflect the absolute figures shown

Total operating income amounted to SAR 8,012 million for the first nine months of 2019, an increase of 22% compared with the first nine months of 2018. This improvement was driven by 19% growth of net special commission income, and 29% rise in fee and other income, principally from increased loans and investments portfolios.

Total operating income for the third quarter of 2019 amounted to SAR 2,763 million, an increase of 21% compared with the third quarter of 2018 and of 3.5% relative to the previous quarter. The quarterly growth was driven by 18% rise in net special commission income, and a 29% improvement in fee and other income.

Operating expenses totalled SAR 2,568 million for the first nine months of 2019, increase of 5% over the corresponding period in 2018 reflecting, the net effect of ongoing transformation and increased investments in future growth. Operating expenses for the third quarter of 2019 increased by 12% compared with the corresponding quarter in 2018 and 10% relative to the previous quarter to SAR 903 million.

The impairment charge for credit losses and other financial assets decreased by 18% year-on-year to SAR 641 million. The cost of risk improved by 18 basis points year-on-year to 0.53%. The non-performing loans ratio stood at 0.9%. While the non-performing loans coverage ratio spotted at 164% as at 30 September 2019.

The Board of Directors approved an interim dividend of SAR 1,560 million for 2019, a 41% increase from the SAR 1,110 million declared in the corresponding period of 2018. This dividend was ratified and announced on 7 July 2019, resulting in dividends of SAR 0.52 per share (2018: SAR 0.37 per share) to shareholders.

On 17 July 2019, SAMA instructed banks in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income instead of equity which aligns with IFRS and its interpretations as endorsed in the Kingdom of Saudi Arabia. Accordingly, the Bank changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors". These retrospective adjustments resulted in a SAR 660 million reduction of reported net income for the first nine months of 2018 to SAR 2,704 million and a reduction of earnings per share of SAR 0.22 to SAR 0.90.

Balance Sheet Highlights

SAR (million)	3Q 2019	2Q 2019	QoQ % change	4Q 2018	YTD % change	3Q 2018	YoY % change
Cash and balances with SAMA and financial institutions	26,803	28,959	-7%	27,352	-2%	28,939	-7.4%
Investments, net	51,314	50,153	+2%	47,993	+7%	47,726	+8%
Loans and advances, net	166,275	161,325	+3%	151,025	+10%	145,760	+14%
Total assets	250,573	246,116	+2%	229,900	+9%	225,966	+11%
Customer deposits	177,672	176,510	+1%	169,822	+5%	159,245	+12%
Debt securities in issue	4,043	4,003	+1%	4,004	+1%	8,061	-50%
Total liabilities	211,331	206,688	+2%	193,125	+9%	189,216	+12%
Total shareholders' equity	39,242	39,428	-0%	36,774	+7%	36,751	+7%
Risk weighted assets	244,074	238,446	+2%	227,915	+7%	223,188	+9%
T1 ratio	16.1%	16.5%	-3%	16.1%	-0%	16.5%	-2%
TC ratio	17.9%	18.4%	-3%	18.1%	-1%	18.4%	-3%
Liquidity coverage ratio (LCR)	165%	150%	+10%	121%	+36%	123%	+33%
Basel III leverage ratio	12.3%	12.6%	-2%	12.4%	-0%	12.5%	-2%
Loans to deposits (incl. Sukuk) ratio	91.5%	89.4%	+2%	86.9%	+5%	87.1%	+5%
NPL ratio	0.9%	1.0%	-15%	1.0%	-16%	0.9%	-2%
NPL coverage ratio	164%	145%	+13%	151%	+9%	201%	-18%

Due to rounding, numbers presented throughout this document may not sum precisely to the totals indicated and percentages may not precisely reflect the absolute figures shown

Total assets reached SAR 250,573 million as at 30 September 2019, up 9% from the end of 2018 from growth in loans and investments.

Net loans and advances grew by 10% during the first nine months of 2019 from commercial (+7%) and consumer loans (+16%).

Customer deposits rose 5% during the first nine months of 2019 to SAR 177,672 million, comprising 8% growth in non-commission bearing deposits. Non-commission bearing deposits represented 62% of total deposits as at 30 September 2019.

Riyad Bank continued to maintain a strong capitalisation and liquidity levels. Bank's core equity tier 1 and total capital adequacy ratios stood at 16.1% and 17.9% respectively as at 30 September 2019. The liquidity coverage ratio reached to 165%, and the loans to deposit ratio (including Sukuk) was 92%. Regulatory LDR is well within SAMA guideline.

Outlook

Riyad Bank remains confident about the economic outlook for Saudi Arabia. This and future growth will be driven by the many projects announced under the Vision 2030 strategy. In line with the global banking industry and changes to the banking landscape in Saudi Arabia, Riyad Bank launched its 2022 Transformation program during 2018, which focuses on the below four key themes:

1. Retail Sales Transformation
2. Corporate Sales Transformation
3. Performance Culture
4. Innovation

As one of the most prominent and successful banks in the Kingdom, Riyad Bank is very well-placed both to drive and to benefit from the Transformation of the economy under Vision 2030.

Segmental Performance Highlights

Retail Banking

Riyad Bank's retail business serves the customers with all their banking needs, including accounts, mortgages, loans, credit cards and savings. 341 branches, 2,556 ATMs and 49,028 points of sale, as well as all the digital channels that customers expect, including online, mobile, and smart watches. Retail Banking accounts for 32% of Group operating income.

SAR (million)	9M 2019	9M 2018	YoY% change	3Q 2019	2Q 2019	QoQ% change	3Q 2018	YoY% change
Total assets	65,385	54,822	+19%	65,385	62,364	+5%	54,822	+19%
Total liabilities	85,608	75,775	+13%	85,608	85,203	+0%	75,775	+13%
Net special commission income	2,273	1,904	+19%	826	757	+9%	634	+30%
Fee and other income, net	323	272	+19%	130	98	+32%	108	+20%
Operating income	2,596	2,177	+19%	956	855	+12%	742	+29%
Operating expenses	(1,709)	(1,567)	+9%	(607)	(565)	+7%	(523)	+16%
Impairment charge	122	(167)	-173%	(95)	253	-138%	(147)	-35%
Net income (loss)	1,009	442	+128%	254	543	-53%	72	+251%

Due to rounding, numbers presented throughout this document may not sum precisely to the totals indicated and percentages may not precisely reflect the absolute figures shown

Retail Banking delivered 19% operating income growth in the nine months of 2019 over the corresponding period of 2018 to reach SAR 2,596 million. Net special commission income grew 19% year-on-year to SAR 2,273 million in the nine months of 2019, driven by 19% increase in assets as well as, margin improvements, while fee and other income increased by 19% year-on-year to SAR 323 million. For the third quarter, operating income grew by 29% year-on-year and 12% quarter-on-quarter.

Operating expenses reached SAR 1,709 million in the nine months of 2019, a 9% increase year-on-year due to transformation program investments. Third Quarter 2019 operating expenses grew by 16% year-on-year, and 7% quarter-on-quarter.

The impairment charge for Retail Banking amounted to a net reversal of SAR 122 million for the first nine months of 2019 compared with a charge of SAR 167 million for the comparable period in 2018.

Net income for the first nine months of 2019 grew by 128% year-on-year to SAR 1,009 million mainly due to increased operating income and net reversal of impairment charge.

Corporate Banking

Riyad Bank's Corporate banking covers all client organisations from the most recent start-up to the largest multinational. With a particular strength in trade finance, the Bank offers tailored services to help its clients to grow and prosper. Corporate Banking accounts for 38% of Group operating income.

SAR (million)	9M 2019	9M 2018	YoY % change	3Q 2019	2Q 2019	QoQ % change	3Q 2018	YoY % change
Total assets	118,730	105,328	+13%	118,730	116,172	+2%	105,328	+13%
Total liabilities	94,992	96,523	-2%	94,992	95,667	-1%	96,523	-2%
Net special commission income	2,081	1,734	+20%	717	700	+2%	606	+18%
Fee and other income, net	957	805	+19%	289	283	+2%	251	+15%
Operating income	3,038	2,539	+20%	1,007	983	+2%	858	+17%
Operating expenses	(637)	(583)	+9%	(205)	(215)	-4%	(196)	+5%
Impairment charge	(767)	(624)	+23%	(106)	(486)	-78%	(161)	-34%
Net income (loss)	1,634	1,332	+23%	695	283	+146%	500	+39%

Due to rounding, numbers presented throughout this document may not sum precisely to the totals indicated and percentages may not precisely reflect the absolute figures shown

Corporate Banking's total operating income amounted to SAR 3,038 million for the nine months of 2019, up 20% from the corresponding nine months of last year and up by 2% from the previous quarter. Net special commission income rose by 20% year-on-year to SAR 2,081 million and fee and other income rose by 19% to SAR 957 million, from increased net special commission margins and increased volumes, aided by transformation initiatives aimed at institutionalizing corporate account planning and streamlining of the SME proposition.

Operating expenses totalled SAR 637 million for the nine months of 2019, up 9% relative to the nine months of 2018, and down 4% quarter-on-quarter.

The impairment charge for Corporate Banking increased to SAR 767 million, 23% increase compared to the comparable period in 2018.

Net income for the nine months of 2019 grew 23% year-on-year to SAR 1,634 million mainly driven by 20% operating income growth.

Treasury and Investments

Treasury and Investments offers a wide range of products and hedging solutions to corporate clients and accounts for 25% of Group operating income.

SAR (million)	9M 2019	9M 2018	YoY % change	3Q 2019	2Q 2019	QoQ % change	3Q 2018	YoY % change
Total assets	65,058	64,731	+1%	65,058	66,293	-2%	64,731	+1%
Total liabilities	30,375	16,673	+82%	30,375	25,467	+19%	16,673	+82%
Net special commission income	1,353	1,161	+16%	452	473	-4%	453	-0%
Fee and other income, net	645	439	+47%	210	222	-5%	134	+57%
Operating income	1,998	1,600	+25%	662	695	-5%	587	+13%
Operating expenses	(79)	(182)	-57%	(41)	11	-489%	(50)	-18%
Impairment charge	45	(23)	-293%	3	39	-91%	(11)	-133%
Share in earnings of associates, net	146	38	+281%	14	14	+3%	11	+30%
Net income (loss)	2,111	1,434	+47%	638	757	-16%	537	+19%

Due to rounding, numbers presented throughout this document may not sum precisely to the totals indicated and percentages may not precisely reflect the absolute figures shown

Treasury and Investments total operating income amounted to SAR 1,998 million for the first 9M of 2019, up by 25% from the corresponding first 9M of last year, mainly due to higher margins and increased investment balances.

Net income for the first 9M of 2019 grew 47% year-on-year to SAR 2,111 million mainly driven by increased associate income combined with in operating income growth.

EARNINGS RELEASE

Riyad Capital

Riyad Capital offers asset management, trading, equity and debt advisory, custody and securities services and accounts for 5% of Group operating income.

SAR (million)	9M 2019	9M 2018	YoY % change	3Q 2019	2Q 2019	QoQ % change	3Q 2018	YoY % change
Total assets	1,400	1,085	+29%	1,400	1,287	+9%	1,085	+29%
Total liabilities	356	245	+46%	356	352	+1%	245	+46%
Net special commission income	99	70	+41%	39	34	+17%	24	+61%
Fee and other income, net	281	198	+42%	99	103	-4%	70	+42%
Operating income	381	268	+42%	138	137	+1%	94	+47%
Operating expenses	(143)	(112)	+27%	(49)	(50)	-2%	(39)	+25%
Net income (loss)	238	156	+52%	89	87	+3%	55	+62%

Due to rounding, numbers presented throughout this document may not sum precisely to the totals indicated and percentages may not precisely reflect the absolute figures shown

Riyad Capital total operating income amounted to SAR 381 million for the 9 Months of 2019, up 42% from the corresponding 9 Months of last year and up by 1% from the previous quarter driven by asset management business.

Net income for 9 months of 2019 grew 52% year-on-year to SAR 238 million mainly driven by growth in operating income.

Additional Information

Riyad Bank's 3Q 2019 financial materials are available to the public on the IR website: www.riyadbank.com/en/about-us/investor-relations

Riyad Bank Contacts

Institutional Investors

Ibrahim Al-Muhanna

Head of Investor Relations

Telephone: +966114013030 Ext. 2499

E-mail: ibrahim.al-muhanna@riyadbank.com