

# EARNINGS RELEASE



## Riyad Bank Reports 81% Net Income Growth to SAR 5.60 Billion in 2019

- ◆ **Net income growth of 81% YoY** (after zakat) on strong operating income growth and improved operating efficiency.
- ◆ **The YoY growth in net income (before zakat) was 32%**
- ◆ **Operating income growth of 20% YoY** on higher net special commission margins, balance sheet and fee income growth.
- ◆ **Operating efficiency improved** by 305 basis points YoY to 34.3%
- ◆ **Net loans and advances growth of 15%** from SAR 151 billion in 2018 to SAR 174.0 billion across both commercial and retail loans.
- ◆ **Customer deposits grew 15%** from SAR 170 billion in 2018 to SAR 194.5 billion.
- ◆ **Total assets increased by 16%** from SAR 229 billion in 2018 to SAR 266 billion.
- ◆ **Capitalisation remained strong** with CET1 of 16.3% and total CAR of 18.1%.
- ◆ **Strong liquidity** position with LCR of 155% and loans to deposit (incl. Sukuk) ratio of 88%.

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

"The year 2019 witnessed improvement in economic activities and operating environment, Riyad Bank registered a record set of results in 2019. Our strong performance reflects the dedication and focus of our management team to make every effort to achieve the bank's strategic objectives. Furthermore, 2019 results demonstrates the impact of the effective and consistent execution of the transformation strategy is having on our business and financial results.

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 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 to 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 launched a dedicated office to ensure that Key Performance Indicators of all our business initiatives are aligned with the objectives of the Vision 2030 and its programs. We are proud that Riyad Bank has meaningfully 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 employee".

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## Performance Highlights

Riyad Bank reported net income after zakat of SAR 5,602 million for the YTD 2019, an increase of 81% 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 fourth quarter of 2019, net income after zakat grew 186% from the corresponding period in 2018 to SAR 1,111 million. Relative to the previous quarter, net income declined by 26.2% from SAR 1,506 million to SAR 1,111 million.

## Income Statement Highlights

SAR (million)	FY 2019	FY 2018	YoY % change	4Q 2019	3Q 2019	QoQ % change	4Q 2018	YoY % change
Net special commission income	7,837	6,628	+18%	2,031	2,034	-0%	1,758	+16%
Fee and other income	2,880	2,339	+23%	674	728	-8%	625	+8%
<b>Total operating income, net</b>	<b>10,717</b>	<b>8,967</b>	<b>+20%</b>	<b>2,705</b>	<b>2,763</b>	<b>-2%</b>	<b>2,383</b>	<b>+13%</b>
Operating expenses	(3,674)	(3,347)	+10%	(1,107)	(903)	+23%	(904)	+22%
Impairment charge for credit losses and other financial assets	(1,012)	(928)	+9%	(371)	(201)	+84%	(142)	+161%
Impairment reversal / (charge) for investments	48	(27)	-279%	7	4	+75%	2	+250%
<b>Net operating income</b>	<b>6,079</b>	<b>4,665</b>	<b>+30%</b>	<b>1,234</b>	<b>1,662</b>	<b>-26%</b>	<b>1,339</b>	<b>-8%</b>
Share of earnings of associates	153	51	+202%	7	14	-50%	12	-43%
<b>Net income for the period before Zakat</b>	<b>6,232</b>	<b>4,716</b>	<b>+32%</b>	<b>1,241</b>	<b>1,676</b>	<b>-26%</b>	<b>1,352</b>	<b>-8%</b>
Zakat for the period	(630)	(1,624)	-61%	(130)	(170)	-24%	(964)*	-87%
<b>Net income for the period</b>	<b>5,602</b>	<b>3,092</b>	<b>+81%</b>	<b>1,111</b>	<b>1,506</b>	<b>-26%</b>	<b>388</b>	<b>+186%</b>
Earnings per share (SAR)	1.87	1.03	+81%	0.37	0.50	-26%	0.13	+186%
Return on average equity	16.1%	12.5%	+29%	12.4%	17.0%	-27%	14.7%	-15%
Return on average assets	2.5%	2.1%	+19%	1.9%	2.7%	-29%	2.4%	-19%
Net special commission margin	3.48%	3.33%	+4%	3.39%	3.55%	-5%	3.42%	-1%
Cost to income ratio	34.3%	37.3%	-8%	40.9%	32.7%	+25%	37.9%	+8%
Cost of risk	0.59%	0.64%	-4%	0.78%	0.5%	+75%	0.5%	+86%

\*Includes Zakat settlement amount pertaining to earlier years

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Total operating income amounted to SAR 10,717 million for the year 2019, an increase of 20% compared with last year. This improvement was driven by 18% growth of net special commission income, and 23% increase in fee and other income, principally from increased credit facilities, trade finance and capital markets.

Total operating income for the fourth quarter of 2019 amounted to SAR 2,705 million, an increase of 13% compared with the fourth quarter of 2018 and marginally lower than previous quarter. The YoY growth was driven by 16% increase in net special commission income, and a 8% improvement in fee and other income.

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Operating expenses before impairment charge totalled SAR 3,674 million for the year of 2019, an increase of 10% compared to 2018 reflecting, the investments in the bank's transformation program to support future growth. Operating expenses for the fourth quarter of 2019 increased by 22.4% to SAR 1,107 million compared with the corresponding quarter in 2018 and 22.6% relative to the previous quarter.

The impairment charge for credit losses and other financial assets increased by 9% year-on-year to SAR 1,012 million. The cost of risk marginally improved to 0.59%. The non-performing loans ratio stood at 0.9%. While the non-performing loans coverage ratio reached to 177% as at 31 December 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 announced on 7 July 2019, resulting in dividends of SAR 0.52 per share (2018: SAR 0.37 per share) to shareholders.

Further, final dividends of SAR 1,650 million (2018: SAR 1,200 million), a 40% increase from 2018 have been proposed for 2019 and will be subject to approval in the next Ordinary General Assembly meeting.

Starting from the quarter ended June 2019, and in accordance with International Financial Reporting Standards (IFRS) and other standards and pronouncements endorsed by SOCPA, the Bank changed its accounting policy for reporting zakat. Accordingly, the Bank has reported zakat through the statement of income for the year-ended 2019 and restated the year-ended 2018. Previously zakat was reported in the statement of changes in equity.

In Q4 2018, the Bank entered into a settlement of zakat claims agreement with GAZT for periods up to and including 2017. The amount of the settlement was SAR 2,970 million and the restated 2018 statement of income includes the impact of this settlement. The restated 2018 statement of income, including the impact of the settlement agreement, resulted in a SAR 1.624 million decrease of previously reported net income for 2018 and commensurately a decrease of earnings per share from SAR 1.57 to SAR 1.03.

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## Balance Sheet Highlights

SAR (million)	4Q 2019	3Q 2019	QoQ % change	4Q 2018	YoY % change
Cash and balances with SAMA and financial institutions	33,924	26,803	+27%	27,352	+24%
Investments, net	53,361	51,314	+4%	47,993	+11%
Loans and advances, net	173,982	166,275	+5%	151,025	+15%
<b>Total assets</b>	<b>265,789</b>	<b>250,573</b>	<b>+6%</b>	<b>229,900</b>	<b>+16%</b>
Customer deposits	194,518	177,672	+9%	169,822	+15%
Debt securities in issue	4,003	4,043	-1%	4,004	-0%
<b>Total liabilities</b>	<b>225,217</b>	<b>211,331</b>	<b>+7%</b>	<b>193,125</b>	<b>+17%</b>
<b>Total shareholders' equity</b>	<b>40,571</b>	<b>39,242</b>	<b>+3%</b>	<b>36,774</b>	<b>+10%</b>
Risk weighted assets	249,556	244,074	+2%	227,915	+9%
T1 ratio	16.3%	16.1%	+1%	16.1%	+1%
TC ratio	18.1%	17.9%	+1%	18.1%	+0%
Liquidity coverage ratio (LCR)	155%	165%	-6%	121%	+27%
Basel III leverage ratio	12.2%	12.3%	-1%	12.4%	-1%
Loans to deposits (incl. Sukuk) ratio	87.6%	91.5%	-4%	86.9%	+1%
NPL ratio	0.88%	0.85%	+3%	1.02%	-14%
NPL coverage ratio	177.3%	164.3%	+8%	151.0%	+17%

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Total assets reached SAR 265,789 million as at 31 December 2019, up 16% from 2018, driven mainly by growth in loans and advances and investments.

Net loans and advances increased by 15% from 2018, commercial and consumer loans grew by 11% and 24%, respectively.

Customer deposits increased by 15% in 2019 to SAR 194,518 million, comprising 11% increase in non-commission bearing deposits. Non-commission bearing deposits represented 59% of total deposits as at 31 December 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 16.3% and 18.1% respectively as at 31 December 2019. The liquidity coverage ratio reached to 155%, and the loans to deposit ratio (including Sukuk) reached 88%.

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## Outlook

Riyad Bank remains confident about the economic outlook of Saudi Arabia. Future growth is expected to be largely driven by the many projects announced under the Vision 2030 and increased economic activities.

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

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## 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, 2,558 ATMs and 53,580 points of sale, as well as all the digital channels that customers expect, including online, mobile, and smart watches. Retail Banking accounts for 36% of the Group total operating income.

SAR (million)	FY 2019	FY 2018	YoY % change	4Q 2019	3Q 2019	QoQ % change	4Q 2018	YoY % change
Total assets	71,293	56,294	+27%	71,293	65,385	+9%	56,294	+27%
Total liabilities	87,456	80,949	+8%	87,456	85,608	+2%	80,949	+8%
Net special commission income	3,494	2,831	+23%	960	904	+6%	678	+42%
Fee and other income, net	404	366	+10%	82	130	-37%	94	-13%
<b>Operating income</b>	<b>3,898</b>	<b>3,197</b>	<b>+22%</b>	<b>1,042</b>	<b>1,034</b>	<b>+1%</b>	<b>772</b>	<b>+35%</b>
Operating expenses	(2,427)	(2,221)	+9%	(730)	(614)	+19%	(584)	+25%
Impairment charge	85	(162)	-153%	(37)	(95)	-62%	6	-741%
<b>Net income (loss)</b>	<b>1,556</b>	<b>814</b>	<b>+91%</b>	<b>275</b>	<b>324</b>	<b>-15%</b>	<b>194</b>	<b>+42%</b>

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Retail Banking delivered 22% operating income growth in 2019 compared to 2018 to reach SAR 3,898 million. Net special commission income grew 23% year-on-year to SAR 3,494 million in the year of 2019, driven by 27% increase in assets as well as, margin improvements, while fee and other income increased by 10% year-on-year to SAR 404 million. For the fourth quarter, operating income grew by 35% year-on-year and 1% quarter-on-quarter.

Operating expenses reached SAR 2,427 million in 2019, a 9% increase year-on-year due to Transformation program investments. Fourth Quarter 2019 operating expenses grew by 25% year-on-year, and 19% quarter-on-quarter.

The impairment charge for Retail Banking amounted to a net reversal of SAR 85 million in 2019 compared with a charge of SAR 162 million for the year 2018.

Net income for the year of 2019 grew by 91% year-on-year to SAR 1,556 million mainly due to increased operating income.

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## 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)	FY 2019	FY 2018	YoY % change	4Q 2019	3Q 2019	QoQ % change	4Q 2018	YoY % change
Total assets	122,371	110,221	+11%	122,371	118,730	+3%	110,221	+11%
Total liabilities	105,298	96,683	+9%	105,298	94,992	+11%	96,683	+9%
Net special commission income	2,868	2,478	+16%	683	748	-9%	638	+7%
Fee and other income, net	1,194	1,098	+9%	237	289	-18%	294	-19%
<b>Operating income</b>	<b>4,062</b>	<b>3,576</b>	<b>+14%</b>	<b>920</b>	<b>1,037</b>	<b>-11%</b>	<b>932</b>	<b>-1%</b>
Operating expenses	(903)	(850)	+6%	(270)	(208)	+30%	(242)	+12%
Impairment charge	(1,102)	(769)	+43%	(335)	(106)	+216%	(145)	+132%
<b>Net income (loss)</b>	<b>2,057</b>	<b>1,957</b>	<b>+5%</b>	<b>314</b>	<b>723</b>	<b>-57%</b>	<b>545</b>	<b>-42%</b>

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Corporate Banking's total operating income reached to SAR 4,026 million in 2019, up 14% from 2018. Net special commission income increased by 16% year-on-year to SAR 2,868 million and fee and other income increased by 9% to SAR 1,194 million.

Operating expenses totalled to SAR 903 million for 2019, up 6% compared to 2018, and up by 30% compared to the previous quarter.

The impairment charge for Corporate Banking increased to SAR 1,102 million, 43% increase compared to 2018.

Net income for 2019 grew by 5% year-on-year to SAR 2,057 million mainly due to increased operating income.

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## Treasury and Investments

Treasury and Investments offers a wide range of products and hedging solutions to corporate customers and accounts for 20% of the Group total operating income.

SAR (million)	FY 2019	FY 2018	YoY % change	4Q 2019	3Q 2019	QoQ % change	4Q 2018	YoY % change
Total assets	70,553	62,249	+13%	70,553	65,058	+8%	62,249	+13%
Total liabilities	32,003	15,234	+110%	32,003	30,375	+5%	15,234	+110%
Net special commission income	1,335	1,224	+9%	347	343	+1%	417	-17%
Fee and other income, net	835	590	+42%	190	210	-10%	151	+26%
<b>Operating income</b>	<b>2,170</b>	<b>1,814</b>	<b>+20%</b>	<b>537</b>	<b>553</b>	<b>-3%</b>	<b>567</b>	<b>-5%</b>
Operating expenses	(125)	(121)	+3%	(30)	(31)	-3%	(35)	-13%
Impairment charge	53	(25)	-315%	8	3	+120%	(1)	-713%
Share in earnings of associates, net	153	51	+202%	7	14	-50%	12	-43%
<b>Net income (loss)</b>	<b>2,251</b>	<b>1,719</b>	<b>+31%</b>	<b>521</b>	<b>540</b>	<b>-3%</b>	<b>544</b>	<b>-4%</b>

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Treasury and Investments total operating income reached to SAR 2,170 million in 2019, up by 20% from 2018, mainly due to higher returns and increased investment balances.

Net income grew by 31% year-on-year to SAR 2,251 million mainly driven by increased operating income.

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## Riyad Capital

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

SAR (million)	FY 2019	FY 2018	YoY % change	4Q 2019	3Q 2019	QoQ % change	4Q 2018	YoY % change
Total assets	1,573	1,135	+39%	1,573	1,400	+12%	1,135	+39%
Total liabilities	460	260	+77%	460	356	+29%	260	+77%
Net special commission income	141	95	+48%	41	39	+5%	25	+66%
Fee and other income, net	447	285	+57%	165	99	+67%	87	+91%
<b>Operating income</b>	<b>587</b>	<b>380</b>	<b>+55%</b>	<b>207</b>	<b>138</b>	<b>+49%</b>	<b>111</b>	<b>+85%</b>
Operating expenses	(219)	(155)	+41%	(76)	(49)	+54%	(42)	+79%
<b>Net income (loss)</b>	<b>369</b>	<b>225</b>	<b>+64%</b>	<b>131</b>	<b>89</b>	<b>+46%</b>	<b>69</b>	<b>+89%</b>

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Riyad Capital total operating income reached to SAR 587 million in 2019, up 55% from 2018 and up by 49% from the previous.

Net income grew by 64% year-on-year to SAR 369 million mainly driven by increased operating income.

## Additional Information

Riyad Bank's FY 2019 financial materials are available to the public on the IR website: [www.riyadbank.com/en/about-us/investor-relations](http://www.riyadbank.com/en/about-us/investor-relations)

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