

Riyad Bank Reports Net Income (after Zakat) of SAR 1.48 Billion in the First Quarter of 2020

- ◆ **Net income** (after zakat) decreased by 1%.
- ◆ **Operating income** increased by 12% YoY supported by higher net special commission income and fee and other income.
- ◆ **Operating efficiency** improved by 0.7% YoY to 32.1%.
- ◆ **Cost of risk** increased by 26bps YoY to 0.67%.
- ◆ **Net loans and advances** growth of 16% YoY to SAR 182.8 billion across both commercial, consumer and mortgage loans.
- ◆ **Customer deposits** decreased by 1% YoY to SAR 192.9 billion.
- ◆ **Total assets** increased by 17% to SAR 279.7 billion.
- ◆ **Capitalisation** remained strong with CET1 of 14.6% and total CAR of 18.8%.
- ◆ **Liquidity** remained comfortable with LCR of 168% and loans to deposits (including sukuk) ratio of 90%.

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

“Riyad bank recorded a strong set of results in Q1 2020. Despite the recent deterioration of the global and local operating environment caused by COVID-19, the bank was able to continue achieving its goals for the period and effectively engaged with its customers to facilitate the support programs, that have been introduced by the Government, and provide innovative financial solutions to help limit the adverse impact on their businesses. Our strong 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, expanded our market share in targeted segments and products 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-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. 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 1,476 million in 1Q 2020, a decrease of 1% compared to 1Q 2019 and an increase of 33% compared to the 4Q 2019.

Income Statement Highlights

SAR (million)	1Q 2020	4Q 2019	QoQ % change	1Q 2019	YoY % change
Net special commission income	1,989	2,031	-2%	1,809	+10%
Fee and other income	896	674	+33%	771	+16%
Total operating income, net	2,885	2,705	+7%	2,580	+12%
Operating expenses	(925)	(1,107)	-16%	(845)	+9%
Impairment charge for credit losses and other financial assets	(308)	(371)	-17%	(211)	+46%
Impairment reversal / (charge) for investments	(0.3)	6.9	-104%	2.9	-110%
Net operating income	1,652	1,234	+34%	1,526	+8%
Share of earnings of associates	8	7	+10%	118	-93%
Net income for the period before Zakat	1,659	1,241	+34%	1,645	+1%
Zakat for the period	183	130	+41%	160	+14%
Net income for the period	1,476	1,111	+33%	1,485	-1%
Earnings per share (SAR)	0.49	0.37	+33%	0.49	-1%
Return on average equity	15.1%	12.4%	+21%	17.7%	-15%
Return on average assets	2.2%	1.9%	+16%	2.8%	-23%
Net special commission margin	3.19%	3.39%	-6%	3.44%	-7%
Cost to income ratio	32.1%	40.9%	-22%	32.8%	-2%
Cost of risk	0.67%	0.78%	-14%	0.41%	+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

Total operating income was SAR 2,885 million, up 12% compared to 1Q 2019 and 7% above 4Q 2019. This improvement was mainly driven by 10% year-on-year growth in net special commission income due to strong loan growth. Total operating income growth was also supported by a 16% year-on-year growth in fee and other income.

Operating expenses totalled SAR 925 million in 1Q 2020, an increase of 9% compared to 1Q 2019 as ongoing investments in the Bank's transformation program and costs to support increased customer activities. Despite the increase in operating expenses, cost to income ratio improved by 0.7% year-on-year to 32.1%.

The impairment charge for credit losses and other financial assets increased by 46% year-on-year to SAR 308 million. Cost of risk consequently increased by 26 basis points year-on-year to 0.67%. The non-performing loans ratio decreased by a 10 basis points year-on-year to

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1.01%, while the non-performing loans coverage ratio increased to 174.9% from 143.6% in 1Q 2019.

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 period-ended 1Q 2020 and restated 1Q 2019 financial statements. Prior to 2Q 2019, zakat was reported in the statement of changes in equity.

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Balance Sheet Highlights

SAR (million)	1Q 2020	4Q 2019	QoQ % change	1Q 2019	YoY % change
Cash and balances with SAMA and financial institutions	32,792	33,924	-3%	27,708	+18%
Investments, net	54,144	53,361	+1%	49,294	+10%
Loans and advances, net	182,784	173,982	+5%	158,242	+16%
Total assets	279,697	265,789	+5%	239,517	+17%
Customer deposits	192,902	194,518	-1%	173,491	+11%
Debt securities in issue	9,692	4,003	+142%	4,046	+140%
Total liabilities	241,899	225,217	+7%	201,872	+20%
Total shareholders' equity	37,797	40,571	-7%	37,645	+0%
Risk weighted assets	258,055	249,556	+3%	232,405	+11%
T1 ratio	14.6%	16.3%	-10%	16.2%	-10%
TC ratio	18.8%	18.1%	+4%	18.1%	+4%
Liquidity coverage ratio (LCR)	168%	155%	+9%	143%	+17%
Basel III leverage ratio	10.9%	12.2%	-11%	12.2%	-11%
Loans to deposits (incl. Sukuk) ratio	90.2%	87.6%	+3%	89.1%	+1%
NPL ratio	1.01%	0.88%	+15%	1.11%	-9%
NPL coverage ratio	174.9%	177.3%	-1%	143.6%	+22%

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Total assets increased by 17% year-on-year to SAR 279,697 million as at 31 March 2020.

Net loans and advances increased by 16% year-on-year to SAR 182,784 million.

Customer deposits decreased by 0.8% year-on-year to SAR 192,902 million.

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 14.6% and 18.8% respectively as at 31 March 2020. The liquidity coverage ratio and the loans to deposit ratio (including Sukuk) stood at 168% and 90.2%, 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, 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

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, 2,538 ATMs and 55,987 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)	1Q 2020	4Q 2019	QoQ % change	1Q 2019	YoY % change
Total assets	72,377	71,293	+2%	57,417	+26%
Total liabilities	76,856	87,456	-12%	75,061	+2%
Net special commission income	869	960	-9%	749	+16%
Fee and other income, net	94	82	+16%	96	-1%
Operating income	964	1,042	-7%	845	+14%
Operating expenses	(620)	(730)	-15%	(559)	+11%
Impairment charge	(5)	(37)	-86%	(36)	-86%
Net income (loss) before zakat	339	275	+23%	250	+35%

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Retail Banking recorded 14% increase in operating income in 1Q 2020 compared to 1Q 2019 to reach SAR 964 million. Net special commission income increased by 16% year-on-year to SAR 869 million in 1Q 2020, mainly driven by 26% increase in assets. For 1Q 2020, operating income grew by 14% year-on-year.

Operating expenses reached SAR 620 million in 1Q 2020, an 11% increase year-on-year.

The impairment charge for Retail Banking amounted to SAR 5 million in 1Q 2020 compared with SAR 36 in 1Q 2019.

Net income for 1Q 2020 grew by 35% year-on-year to SAR 339 million mainly due to increased operating income.

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)	1Q 2020	4Q 2019	QoQ % change	1Q 2019	YoY % change
Total assets	131,627	122,371	+8%	116,095	+13%
Total liabilities	134,775	105,298	+28%	111,997	+20%
Net special commission income	719	683	+5%	721	-0%
Fee and other income, net	362	237	+53%	384	-6%
Operating income	1,082	920	+18%	1,105	-2%
Operating expenses	(233)	(270)	-14%	(220)	+6%
Impairment charge	(302)	(335)	-10%	(178)	+70%
Net income (loss) before zakat	547	314	+74%	707	-23%

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Corporate Banking's total operating income totalled to SAR 1,082 million in 1Q 2020, a decrease by 2% from 1Q 2019. Net special commission income decreased year-on-year to SAR 719 million and fee and other income decreased by 6% to SAR 362 million.

Operating expenses totalled to SAR 233 million for 1Q 2020, up 6% compared to 1Q 2019.

The impairment charge for Corporate Banking increased to SAR 302 million, an increase of 70% compared to 1Q 2019.

Net income for 1Q 2020 dropped by 23% year-on-year to SAR 547 million mainly due to increased impairment charge.

Treasury and Investments

Treasury and Investments offers a wide range of products and hedging solutions to corporate customers and accounts for 24% of the Group total operating income.

SAR (million)	1Q 2020	4Q 2019	QoQ % change	1Q 2019	YoY % change
Total assets	74,054	70,553	+5%	64,814	+14%
Total liabilities	29,823	32,003	-7%	14,503	+106%
Net special commission income	359	347	+3%	312	+15%
Fee and other income, net	327	190	+72%	213	+54%
Operating income	686	537	+28%	524	+31%
Operating expenses	(25)	(30)	-17%	(23)	+11%
Impairment charge	(2)	8	-121%	5	-129%
Share in earnings of associates, net	8	7	+10%	118	-93%
Net income (loss) before zakat	667	521	+28%	625	+7%

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Treasury and Investments total operating income reached to SAR 686 million in 1Q 2020, up by 31% from 1Q 2019, mainly due to higher fee and other income.

Net income grew by 7% year-on-year to SAR 667 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)	1Q 2020	4Q 2019	QoQ % change	1Q 2019	YoY % change
Total assets	1,638	1,573	+4%	1,192	+37%
Total liabilities	445	460	-3%	321	+43%
Net special commission income	42	41	+1%	27	+52%
Fee and other income, net	112	165	-32%	79	+43%
Operating income	154	207	-25%	106	+45%
Operating expenses	(47)	(76)	-38%	(44)	+7%
Net income (loss) before zakat	107	131	-18%	62	+72%

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Riyad Capital total operating income reached to SAR 154 million in Q1 2020, up 45% year-on-year.

Net income grew by 72% year-on-year to SAR 107 million mainly driven by increased operating income.

Additional Information

Riyad Bank's 1Q 2020 financial materials are available to the public on the IR website: www.riyadbank.com/en/about-us/investor-relations

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