

Earnings Release

SNB reports 10% year-on-year net income growth to SAR 10.0 billion in 1H 2023

1H 2023 Financial Results Highlights:

- 10% net income growth to SAR 10.0 billion in 1H 2023 on higher operating income and lower impairments
- Total operating income improved 5% to SAR 17.2 billion, driven by an increase in net special commission income from balance sheet expansion and growth in investment income
- Operating expenses for 1H 2023 were stable at SAR 5.0 billion as synergies and improved efficiency domestically offset international costs; Cost-to-income ratio improved by 78bps year-on-year to 26.9%
- The impairment charge for 1H 2023 amounted to SAR 569 million, a 42% improvement year-on-year driven by higher recoveries
- Total assets were SAR 996 billion, 5% higher year to date primarily on growth of financing
- Net financing and advances up SAR 33 billion to reach SAR 578 billion, posting a 6% increase since 31 December 2022
- Customers' deposits grew 6% to SAR 602 billion, with a corresponding CASA ratio of 74.3%
- Healthy capitalization with tier 1 capital ratio of 19.1% and capital adequacy ratio of 19.8%
- Strong liquidity position with the average liquidity coverage ratio at 290.4%, the net stable funding ratio at 113.4%, and SAMA financing to customers' deposits ratio of 79.1% as at 2Q 2023

Riyadh, 3 August 2023. SNB generated 10% year-on-year net income growth in 1H 2023. This growth was primarily the result of a 5% improvement in operating income, which was boosted by higher net special commission income from earning assets growth along with investment income. The overall balance sheet expanded by 5% during the first half of the year. The main driver was 6% growth in financing, from growth in both Wholesale and Retail financing. Customers' deposits rose 6% in the first six months of 2023, driven by domestic growth across both CASA and time deposits. SNB has also maintained healthy capitalization levels and a strong liquidity position.

Additional Performance Highlights

Income Statement highlights for the period ended 30 June 2023:

SNB reported net income attributable to equity holders of SAR 10,037 million for the first half of 2023, up 10% from the comparable first six months of the previous year. This performance is mainly attributable to 5% growth in operating income to SAR 17,228 million, further supported by a 42% reduction in the impairment charge.

Operating income growth was driven by a 3% increase in net special commission income to SAR 13,302 million resulting from 7% growth in average commission earning assets, partly offset by a 4 basis points margin reduction to 3.11%. This was further supported by fee and other income growth of 12% year-on-year to SAR 3,926 million due to growth in fees from banking services and foreign exchange, which grew by 11% and 37% respectively.

SNB's total operating expenses were broadly stable at SAR 5,050 million as merger synergies and improved operating efficiency domestically offset higher international costs. The cost-to-income ratio stood at 26.9% for the first half of 2023, an improvement of 78bps compared to the comparable period in 2022.

Impairments declined by SAR 410 million year-on-year to SAR 569 million in the first half of 2023, from 54% lower domestic impairments while the international impairment charge grew by 7%. This resulted in a 17 basis points improvement in the Group's cost of risk to 0.20%.

Balance Sheet highlights as of 30 June 2023

Total assets increased by 5% from 31 December 2022 to SAR 996 billion primarily on growth of financing.

Financing and advances grew 6% year-to-date to SAR 577.8 billion as at 30 June 2023. Domestically, financing and advances increased 5% for the Consumer and 8% for the Wholesale portfolios, while International financing and advances declined by 4%. Within Retail, mortgages grew by 6% during the period to SAR 151.7 billion

On the liabilities side, balance sheet growth was mainly funded by strong 6% growth in customers' deposits during the period to SAR 602.2 billion. This arose through 7% domestic deposit growth across both CASA and time deposits, and taking the Group CASA ratio to 74.3% as at 30 June 2023.

The NPL ratio (excluding purchased or originated credit-impaired financial assets) stood at 1.34% as at 30 June 2023.

The banks' capital position remained healthy with a with tier 1 capital ratio of 19.1% and capital adequacy ratio of 19.8% as at 30 June 2023. SNB further enjoys a strong liquidity position with the average liquidity coverage ratio at 290.4%, the net stable funding ratio at 113.4%, and the SAMA financing to customers' deposits ratio of 79.1%.

Outlook and guidance

The economic outlook for the Kingdom of Saudi Arabia remains positive, with an expected real GDP growth rate of +1.9% for 2023. The Bank's expectations with respect to its guidance metrics remain unchanged, except for a modest reduction in the net special commission margin guidance.

Income Statement Summary

For the period ended 30 June 2023

<i>SAR (mn)</i>	1H 2023	1H 2022	Δ	2Q 2023	2Q 2022	Δ
Net special commission income	13,302	12,932	+3%	6,524	6,824	-4%
Fee and other income	3,926	3,506	+12%	1,973	1,521	+30%
Total operating income	17,228	16,438	+5%	8,497	8,345	+2%
Operating expenses	(5,050)	(4,990)	+1%	(2,609)	(2,547)	+2%
Net operating income before impairment charge	12,178	11,448	+6%	5,888	5,798	+2%
Net impairment charge for expected credit losses	(569)	(978)	-42%	(76)	(592)	-87%
Income from operations, net	11,609	10,469	+11%	5,812	5,206	+12%
Other non-operating income/(expenses), net	(20)	(4)	+358%	(17)	98	-117%
Net income for the period before Zakat and income tax	11,589	10,465	+11%	5,795	5,303	+9%
Zakat and income tax expense	(1,372)	(1,288)	+6%	(678)	(693)	-2%
Net Income for the period after Zakat and income tax	10,218	9,177	+11%	5,117	4,611	+11%
Net income attributed to non-controlling interests	(181)	(86)	+110%	(101)	(22)	+365%
Net income attributed to equity holders	10,037	9,091	+10%	5,016	4,589	+9%
Earnings per share	1.62	1.49	+9%	0.81	0.76	+7%
Return on tangible common equity	17.3%	16.4%	+0.9ppt	17.1%	16.4%	+0.7ppt
Net special commission margin	3.11%	3.15%	-4bps	2.98%	3.23%	-26bps
Cost to income ratio	26.9%	27.7%	-78bpt	28.3%	28.1%	+20bpt
Cost of risk	0.20%	0.37%	-17bps	0.06%	0.44%	-38bps

Balance Sheet Summary

As at end of 30 June 2023

<i>SAR (mn)</i>	2Q 2023	4Q 2022	Δ	2Q 2022	Δ
Cash and balances with SAMA	44,771	41,611	+8%	59,412	-25%
Due from banks and financial Institutions, net	22,040	16,497	+34%	30,720	-28%
Investments, net	264,827	258,292	+3%	247,851	+7%
Financing and advances, net	577,849	545,311	+6%	536,189	+8%
Other assets, net	86,675	83,786	+3%	84,302	+3%
Total assets	996,163	945,496	+5%	958,473	+4%
Due to banks and other financial institutions	162,720	150,995	+8%	147,233	+11%
Customers' deposits	602,209	568,283	+6%	593,011	+2%
Debt securities issued	13,719	12,987	+6%	10,532	+30%
Other liabilities	46,636	46,453	+0%	45,976	+1%
Total liabilities	825,285	778,719	+6%	796,752	+4%
Share capital	60,000	44,780	+34%	44,780	+34%
Retained earnings	9,387	19,279	-51%	22,249	-58%
Others	85,603	86,427	-1%	(5,209)	-1743%
Equity attributable to shareholders of the Bank	154,990	150,486	+3%	148,800	+4%
Tier 1 sukuk	15,188	15,488	-2%	12,188	+25%
Non-controlling interests	700	804	-13%	733	-5%
Total equity	170,878	166,778	+2%	161,721	+6%
NPL Ratio ¹	1.34%	1.62%	-28bps	1.63%	-29bps
CASA %age of Total Deposits	74.3%	75.3%	-1.1ppt	78.5%	-4.2ppt
Tier 1 ratio	19.1%	18.3%	+0.8ppt	17.6%	+1.5ppt
Capital adequacy ratio	19.8%	19.0%	+0.7ppt	18.4%	+1.4ppt
Liquidity coverage ratio	290.4%	277.6%	+12.8ppt	261.1%	+29.3ppt
Net stable funding ratio	113.4%	115.6%	-2.2ppt	119.9%	-6.5ppt
Financing to customers' deposit ratio (SAMA)	79.1%	82.6%	-3.5ppt	79.2%	-0.1ppt

¹Excluding purchased or originated credit-impaired financial assets (POCI)

Additional Information

SNB's 2Q 2023 financial statements, earnings release, investor presentation and financial data supplement are available on the SNB IR website at:

[SNB Corporate Reports](#)

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