

Earnings Release

SNB reports 8% year-on-year net income growth to SAR 20.0 billion in FY 2023

FY 2023 Financial Results Highlights:

- Net income grew 8% to SAR 20.0 billion in FY 2023 on higher operating income and lower impairments
- NSCI Margin stood at 3.06% and 3.00% for FY 2023 and 4Q 2023, respectively.
- Total operating income during the period improved by 5% to SAR 34.6 billion
- Operating expenses including amortization of intangible assets increased by 6% to SAR 10.4 billion primarily from increased international costs. As a result, the Cost-to-income ratio edged up by 48bps year-on-year to 27.6%. Domestic costs were largely stable, with the domestic cost to income ratio improving year-on-year
- The impairment charges for the year amounted to SAR 923 million, a 45% improvement year-on-year, that was positively impacted by higher recoveries
- Total assets amounted to SAR 1,037 billion, a 10% increase from end of December 2022, primarily as a result of growth in financing, cash & interbank balances and investments.
- Financing and advances, net expanded by SAR 56 billion and reaching a total of SAR 602 billion, a 10% increase from 31 December 2022
- Customers' deposits grew 4% to SAR 590 billion, maintaining an overall healthy CASA ratio of 75.9%
- Healthy capitalization with tier 1 capital ratio of 19.4% and capital adequacy ratio of 20.1%
- Strong liquidity position with the average liquidity coverage ratio at 258.1%, the net stable funding ratio at 110.1%, and SAMA financing to customers' deposits ratio of 83.9% as at 4Q 2023

Riyadh, 14 February 2024. SNB generated 8% year-on-year net income growth for the Full Year (FY) 2023. This growth was primarily the result of a 5% increase in operating income, which was boosted by higher net special commission income from earning assets growth and increased fee and other income.

The 4Q 2023 three-month (3M) quarterly NSCI Margin of 3.00% was broadly stable on a sequential basis compared to 3Q 2023, and moderated 16bps year-on-year vs. 4Q 2022. The FY 2023 NSCI Margin of 3.06% moderated by 9bps from 3.15% as compared to FY 2022.

Fee and other income for FY 2023 increased 13%, mainly supported by an increase in international income, partially offset by lower fees from banking services generated domestically.

Operating expenses excluding amortization of intangible assets for FY 2023 were up 7% year-on-year, driven by International resulting from inflationary pressures in Turkey. Domestic operating expenses remained largely stable, up 1%, with the domestic cost to income ratio improving year-on-year.

The overall balance sheet expanded by 10% during the year. The main drivers were a 10% growth in financing supported by both Wholesale and Retail, as well as increases in cash & interbank balances, and investments. Customers' deposits rose 4% year-on-year, driven by domestic growth in CASA, whereby the CASA ratio improved to 75.9%.

Additional Performance Highlights

Income Statement highlights for the period ending 31 December 2023:

SNB reported net income attributable to equity holders of SAR 20,010 million for FY 2023, up 8% from the previous year. This performance is mainly attributable to 5% growth in operating income to SAR 34,589 million, further supported by a 45% reduction in the impairment charge.

Operating income growth was driven by a 3% increase in net special commission income to SAR 27,009 million resulting from 8% growth in average commission earning assets, partly offset by a 9 basis points margin reduction to 3.06%. This was further supported by fee and other income growth of 13% year-on-year to SAR 7,580 million due to higher international income partially offset by lower fees from banking services generated domestically.

SNB's total operating expenses including amortization of intangible assets rose by 6% to SAR 10,357 million from increased international costs impacted by hyperinflation, while domestic operating expenses remained largely stable. The cost-to-income ratio stood at 27.6% for FY 2023, an increase of 48bps compared to FY 2022.

Impairments declined by SAR 763 million or 45% year-on-year to SAR 923 million for the year, due to a 53% lower domestic impairment charge from increased corporate recoveries, while international impairments also declined by 25%. This resulted in a 17-basis points improvement in the Group's cost of risk to 0.16%.

Balance Sheet highlights as of 31 December 2023

Total assets increased by 10% from 31 December 2022 to SAR 1,037 billion primarily on growth of financing, cash and interbank, and investment portfolio.

Financing and advances grew 10% year-on-year to SAR 602 billion as at 31 December 2023. Domestically, financing and advances increased 13% for the Wholesale and 9% for the Consumer portfolios, while International financing and advances declined by 5%. Within Retail, mortgages grew by 13% during the year to SAR 161.3 billion

On the liabilities side, balance sheet growth was funded by 40% growth in interbank funding during the year, as well as a 4% rise in customers' deposits. Deposit growth arose through 4% domestic CASA expansion with domestic time deposits stable year-on-year, and taking the Group CASA ratio to 75.9% as at 31 December 2023.

The NPL ratio (excluding purchased or originated credit-impaired financial assets) stood at 1.21% as at 31 December 2023.

The bank's capital position remained healthy with a tier 1 capital ratio of 19.4% and capital adequacy ratio of 20.1% as at 31 December 2023. SNB further enjoys a strong liquidity position with the average liquidity coverage ratio at 258.1%, the net stable funding ratio at 110.1%, and the SAMA financing to customers' deposits ratio of 83.9%.

Outlook and guidance

The economic outlook for the Kingdom of Saudi Arabia remains positive, with an expected real GDP growth rate of +4.4% for 2024. Benchmark interest rates are expected to remain broadly stable for most of the year, with modest rate cuts expected towards the end of 2024. The Bank's is well placed to take advantage of these positive economic developments as well as the long runway of growth that the Kingdom is expected to enjoy under Vision 2030. The Bank consequently expects high-single digit financing growth in 2024, which together with more stable net special commission margins and continued strength in operational efficiency and risk management, is expected to generate strong and stable returns on average tangible equity of between 16% and 17%.

Income Statement Summary

For the period ending 31 December 2023

<i>SAR (mn)</i>	FY 2023	FY 2022	Δ	4Q 2023	4Q 2022	Δ
Net special commission income	27,009	26,287	+3%	6,887	6,777	+2%
Fee and other income	7,580	6,717	+13%	1,738	1,342	+30%
Total operating income	34,589	33,005	+5%	8,625	8,119	+6%
Operating expenses	(10,357)	(9,785)	+6%	(2,545)	(2,364)	+8%
Net operating income before impairment charge	24,232	23,220	+4%	6,079	5,755	+6%
Net impairment charge for expected credit losses	(923)	(1,685)	-45%	(431)	(166)	+159%
Income from operations, net	23,310	21,534	+8%	5,648	5,589	+1%
Other non-operating income/(expenses), net	(537)	(258)	+108%	(138)	(183)	-25%
Net income for the period before Zakat and income tax	22,773	21,277	+7%	5,510	5,405	+2%
Zakat and income tax expense	(2,664)	(2,548)	+5%	(576)	(614)	-6%
Net Income for the period after Zakat and income tax	20,109	18,729	+7%	4,935	4,791	+3%
Net income attributed to non-controlling interests	(99)	(148)	-33%	29	(26)	-212%
Net income attributed to equity holders	20,010	18,581	+8%	4,963	4,765	+4%
Earnings per share	3.23	3.03	+7%	0.81	0.78	+4%
Return on tangible common equity	16.8%	16.6%	+0.2ppt	16.5%	17.0%	-0.6ppt
Net special commission margin ^{1,2}	3.06%	3.15%	-9bps	3.00%	3.16%	-16bps
Average commission earning assets	868,906	804,681	+8%	895,818	825,434	+9%
Cost of risk	0.16%	0.33%	-17bps	0.27%	0.14%	+13bps
Cost to income ratio ^{3,4}	27.6%	27.1%	+0.5ppt	27.1%	26.6%	+0.5ppt

¹ Net special commission margin = Net Special Commission Income excluding FV unwind / Annualized Daily Weighted Average commission earning assets

² Fair Value (FV) unwind of 12M 2023: SAR 462mn, 12M 2022: SAR 969mn.

³ Cost to Income Ratio (CIR) = Total operating expenses before expected credit losses, excluding amortization of intangible assets / Total Operating Income

⁴ Amortization of Intangibles of 12M 2023: SAR 820mn, 12M 2022: SAR 845mn

Balance Sheet Summary

For the quarter as of 31 December 2023

<i>SAR (mn)</i>	4Q 2023	3Q 2023	Δ	4Q 2022	Δ
Cash and balances with SAMA	47,499	50,144	-5%	41,611	+14%
Due from banks and financial Institutions, net	34,563	28,648	+21%	16,497	+110%
Investments, net	269,129	266,772	+1%	258,292	+4%
Financing and advances, net	601,527	595,721	+1%	545,311	+10%
Other assets, net	84,362	85,847	-3%	83,786	-1%
Total assets	1,037,081	1,027,133	+1%	945,496	+10%
Due to banks and other financial institutions	211,666	169,114	+25%	150,995	+40%
Customers' deposits	590,051	624,769	-6%	568,283	+4%
Debt securities issued	13,889	13,666	+2%	12,987	+7%
Other liabilities	44,847	50,614	-13%	46,453	-6%
Total liabilities	860,452	858,162	+0%	778,719	+10%
Share capital	60,000	60,000	+0%	44,780	+34%
Retained earnings	9,157	9,573	-4%	19,279	-52%
Other reserves	91,560	83,560	+10%	86,427	+6%
Equity attributable to shareholders of the Bank	160,717	153,133	+5%	150,486	+7%
Tier 1 sukuk	15,188	15,188	+0%	15,488	-2%
Non-controlling interests	724	650	+11%	804	-10%
Total equity	176,629	168,971	+5%	166,778	+6%
NPL Ratio ¹	1.21%	1.37%	-16bps	1.62%	-41bps
NPL Coverage Ratio ¹	139.6%	137.6%	+2.0ppt	127.0%	+12.6ppt
CASA % of Total Deposits	75.9%	72.9%	+3.0ppt	75.3%	+0.6ppt
Tier 1 ratio	19.4%	18.4%	+1.0ppt	18.3%	+1.1ppt
Capital adequacy ratio	20.1%	19.1%	+1.0ppt	19.0%	+1.1ppt
Liquidity coverage ratio	258.1%	281.5%	-23.4ppt	277.6%	-19.5ppt
Net stable funding ratio	110.1%	112.7%	-2.6ppt	115.6%	-5.5ppt
Financing to customers' deposit ratio (SAMA)	83.9%	78.2%	+5.7ppt	82.6%	+1.3ppt

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

Additional Information

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

[SNB Corporate Reports](#)

For more information please contact the SNB at:

The Saudi National Bank Tower, Unit No. 778
King Abdullah Financial District
3208, Al Aqeeq District, King Fahad Road
Riyadh, Kingdom Of Saudi Arabia, 13519 - 6676

Institutional investor contact

SNB Investor Relations
ir@alahli.com

Shareholder contact

SNB Shareholder Affairs
shareholdersaffairs@alahli.com

Media contact

SNB Press Office
pressoffice@alahli.com