



Saudi Awwal Bank 1H24 Earnings Release

SAB's first half 2024 net income grew 23% to SAR4.1bn compared with the first half of 2023 with 10% revenue growth as we generated SAR6.9bn of revenue; year-on-year loan growth was up 21% with 6% growth in the quarter.

Year-to-date key messages

- 1H24 Net income after Zakat and income tax of SAR4.1 billion was SAR0.7 billion or 23% higher than the first half of 2023 from higher total operating income ('revenue') mainly from higher NSCI together with increased fee and foreign exchange income. Impairments were also lower for the first half as credit quality remained robust. These factors were partly offset by increased costs although these remain within plan.
- 1H24 revenue of SAR6.9 billion was SAR0.7 billion or 10% higher than the first half of 2023 mainly from higher net special commission income ('NSCI') as the rate environment remained higher compared with the prior period and average special commission income earning assets grew 15%. NSCI represented 78% of total revenue. The Bank also saw strong growth in non-funds income with increases in net fee income from stronger originations, trade activity and increased contribution from SAB Invest, together with higher foreign exchange income from increased customer activity.
- 1H24 NSCI margin ('NIM') of 2.90% for the first half was lower by 0.2ppts compared with 1H23; despite yields expanding 0.5ppts, cost-of-funds increased 0.9ppts reflecting the growth in the proportion of time deposits at the Bank; 2Q24 QTD NIM was 0.1ppt lower than 1Q24 but in line with expectations.
- 1H24 operating expenses of SAR2.1 billion increased SAR0.1 billion or 6%, reflecting continued investment in our systems and people, but remain within expectations. 1H24 cost efficiency of 30.6% improved 1.3ppts compared with the prior period as we continue to operate at positive jaws.
- 1H24 annualised cost-of-risk was 16bps; 2Q24 QTD annualised cost-of-risk increased marginally to 19bps.
- 1H24 Return on tangible equity (after AT1 coupon payment) increased 1.7ppts to 16.4%.
- 1H24 Gross customer advances of SAR248 billion were higher by SAR43.2 billion or 21% YoY and SAR25.8 billion or 12% YTD. 1H24 Customer deposits of SAR264 billion were higher by SAR41.7 billion or 19% YoY and increased SAR23.5 billion or 10% YTD.

Quarter-to-date key messages

- 2Q24 Net income after zakat and income tax of SAR2.0 billion increased SAR0.5bn or 30% compared with the second quarter of 2023 from higher revenues and lower impairments partly offset by higher costs; on a trailing basis 2Q24 Net income was 1% lower as higher zakat and income tax and increased impairments more than offset higher revenue. Excluding impairments, pre-provision profits (revenue less costs) increased 1% on a trailing quarter basis.
- 2Q24 QTD NIM was 0.1ppt lower than 1Q24 but in line with expectations; yields have remained stable on a trailing quarter basis but cost-of-funds have remained under pressure from the increasing proportion of time deposits in the Bank's deposit base. Demand deposits have grown 5% YoY and 3% QoQ.
- 2Q24 QTD expected credit losses were higher than the trailing quarter, and therefore cost-of-risk increased marginally to 19bps.
- 2Q24 gross loans grew 6% in the quarter continuing the strong growth witnessed in the first quarter. This was driven by 6% growth in our corporate portfolio and 4% growth in our retail portfolio. Corporate originations are across our key businesses and across a wide range of sectors, and mortgages continue to be the driver of our retail loan book. 2Q24 deposits grew 5% QoQ and demand deposits grew 3%.

Results for the six months ended 30 June 2024 (Not subject to audit review)

Summarised Income Statement and key ratios

	Six months ended		
	30 June 2024 SAR million	30 June 2023 SAR million	Change %
Total operating income ('Revenue')	6,939	6,284	10
Operating expenses	(2,126)	(2,002)	6
Provision for expected credit losses, net	(193)	(367)	(48)
Share in earnings of associates	91	76	19
Net income before Zakat and income tax	4,711	3,991	18
Zakat and income tax	(650)	(677)	(4)
Net income	4,061	3,314	23
Key ratios:	%	%	%
Net special commission income margin ('NIM')	2.9	3.1	(0.2)
Return on tangible equity ('ROTE') after AT1 coupon payment	16.4	14.7	1.7
Cost efficiency ratio ('CER')	30.6	31.9	(1.3)
Cost of Risk ('CoR')	0.16	0.37	0.21

Results for the three months ended 30 June 2024 (Not subject to audit review)

Summarised Income statement and key ratios

	Three months ended		
	30 June 2024 SAR million	31 March 2024 SAR million	30 June 2023 SAR million
Total operating income ('Revenue')	3,492	3,447	3,067
Operating expenses	(1,075)	(1,051)	(996)
Provision for expected credit losses, net	(112)	(81)	(139)
Share in earnings of associates	55	35	47
Net income before Zakat and income tax	2,360	2,351	1,979
Zakat and income tax	(342)	(308)	(429)
Net income	2,018	2,043	1,550
Key ratios:	%	%	%
Net special commission income margin ('NIM')	2.9	3.0	3.0
Return on tangible equity ('ROTE') after AT1 coupon payment	16.2	16.5	13.5
Cost efficiency ratio ('CER')	30.8	30.5	32.5
Cost of Risk ('CoR')	0.19	0.14	0.28

Summarised balance sheet

	As at		
	30 June 2024 SAR million	31 March 2024 SAR million	30 June 2023 SAR million
Loans and advances, net	241,552	228,539	198,671
Customer deposits, net	264,427	251,760	222,734
Demand deposits	141,288	137,728	135,140
Total equity attributable to equity holders of the bank	58,759	59,035	56,693
Total equity	62,744	63,020	56,693

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