



Saudi Awwal Bank 9M24 Earnings Release

SAB's 9-month year-to-date net income grew 16% to SAR5.9bn compared with the first 9 months of 2023, with 10% revenue growth as we generated SAR10.5bn of revenue; year-on-year loan growth was 19% with 4% growth in the quarter.

Year-to-date key messages

- 9M24 Net income after Zakat and income tax of SAR5.9billion was SAR0.8 billion or 16% higher than 9M23 from higher total operating income ('revenue') mainly from higher NSCI together with increased fee and foreign exchange income. Impairments were marginally lower as credit quality remained robust and stable. These factors were partly offset by increased costs although these remain within plan.
- 9M24 revenue of SAR10.5billion was SAR0.9 billion or 10% higher than 9M23 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 14%. NSCI represented 78% of total revenue. The Bank also saw strong growth in non-funds income (+20%) with increases in net fee income (+24%) from stronger originations, trade activity and increased contribution from SAB Invest, together with higher foreign exchange income (+23%) from increased customer activity.
- 9M24 NSCI margin ('NIM') of 2.87% was lower by 0.2ppts compared with 9M23; despite yields expanding 0.4ppts, cost-of-funds increased 0.7ppts reflecting the growth in the proportion of time deposits at the Bank.
- 9M24 operating expenses of SAR3.2 billion increased SAR0.2 billion or 5%, reflecting continued investment in our systems and people, but remain within expectations. 9M24 cost efficiency of 30.6% improved 1.4ppts compared with the prior period as we continue to operate at positive jaws.
- 9M24 annualised cost-of-risk was 28bps and remains in line with guidance.
- 9M24 Return on tangible equity (after AT1 coupon payment) increased 0.6ppts to 15.8%.
- 9M24 Gross customer advances of SAR259 billion were higher by SAR41 billion or 19% YoY and SAR37 billion or 17% YTD. 9M24 Customer deposits of SAR261 billion were higher by SAR33 billion or 14% YoY and increased SAR19.7billion or 8% YTD.

Quarter-to-date key messages

- 3Q24 Net income after zakat and income tax of SAR1.9 billion increased SAR0.1bn or 3% compared with the third quarter of 2023 from higher revenues partly offset by higher costs and higher impairments; on a trailing basis 3Q24 Net income was 7% lower as higher impairments more than offset the increased revenue. Excluding impairments, pre-provision profits (revenue less costs) increased 2% on a trailing quarter basis.
- 3Q24 QTD NIM was 4bps lower than 2Q24 but in line with expectations; yields increased 10bps on a trailing quarter basis but cost-of-funds have remained under pressure with a 15bps increase from the increasing proportion of time deposits in the Bank's deposit base. Demand deposits have decreased 4% YoY and 7% QoQ with the fall in 3Q24 balances reflecting in part temporary shifts in balances.
- 3Q24 QTD net expected credit losses were higher than the trailing quarter driven by lower recoveries and increased charges; QTD cost-of-risk increased to 49bps but we expect full year cost-of-risk to be within our revised guidance.
- 3Q24 gross loans grew 4% in the quarter continuing the strong growth witnessed in the first half. This was driven by 5% 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. 3Q24 deposits decreased 1% QoQ and demand deposits decreased 7% as mentioned earlier.

Results for the nine months ended 30 September 2024 (Not subject to audit review)

Summarised Income Statement and key ratios

	Nine months ended		
	30 September 2024 SAR million	30 September 2023 SAR million	Change %
Total operating income ('Revenue')	10,467	9,532	10
Operating expenses	(3,200)	(3,047)	5
Provision for expected credit losses, net	(502)	(512)	(2)
Share in earnings of associates	163	136	20
Net income before Zakat and income tax	6,928	6,109	13
Zakat and income tax	(984)	(964)	2
Net income	5,944	5,145	16
Key ratios:	%	%	
Net special commission income margin ('NIM')	2.9	3.1	(0.2ppt)
Return on tangible equity ('ROTE') after AT1 coupon payment	15.8	15.2	0.6ppt
Cost efficiency ratio ('CER')	30.6	32.0	(1.4ppt)
Cost of Risk ('CoR')	0.28	0.34	(6bps)

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

Summarised Income statement and key ratios

	Three months ended		
	30 September 2024 SAR million	30 June 2024 SAR million	30 September 2023 SAR million
Total operating income ('Revenue')	3,528	3,492	3,247
Operating expenses	(1,074)	(1,075)	(1,045)
Provision for expected credit losses, net	(309)	(112)	(144)
Share in earnings of associates	72	55	59
Net income before Zakat and income tax	2,217	2,360	2,118
Zakat and income tax	(334)	(342)	(287)
Net income	1,883	2,018	1,830
Key ratios:	%	%	%
Net special commission income margin ('NIM')	2.8	2.9	3.0
Return on tangible equity ('ROTE') after AT1 coupon payment	14.7	16.2	16.0
Cost efficiency ratio ('CER')	30.4	30.8	32.2
Cost of Risk ('CoR')	0.49	0.19	0.27

Summarised balance sheet

	As at		
	30 September 2024 SAR million	30 June 2024 SAR million	30 September 2023 SAR million
Loans and advances, net	252,399	241,552	211,404
Customer deposits, net	260,632	264,427	228,053
Demand deposits	130,868	141,288	135,640
Total equity attributable to equity holders of the bank	60,178	58,759	55,539
Total equity	64,163	62,744	55,539

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