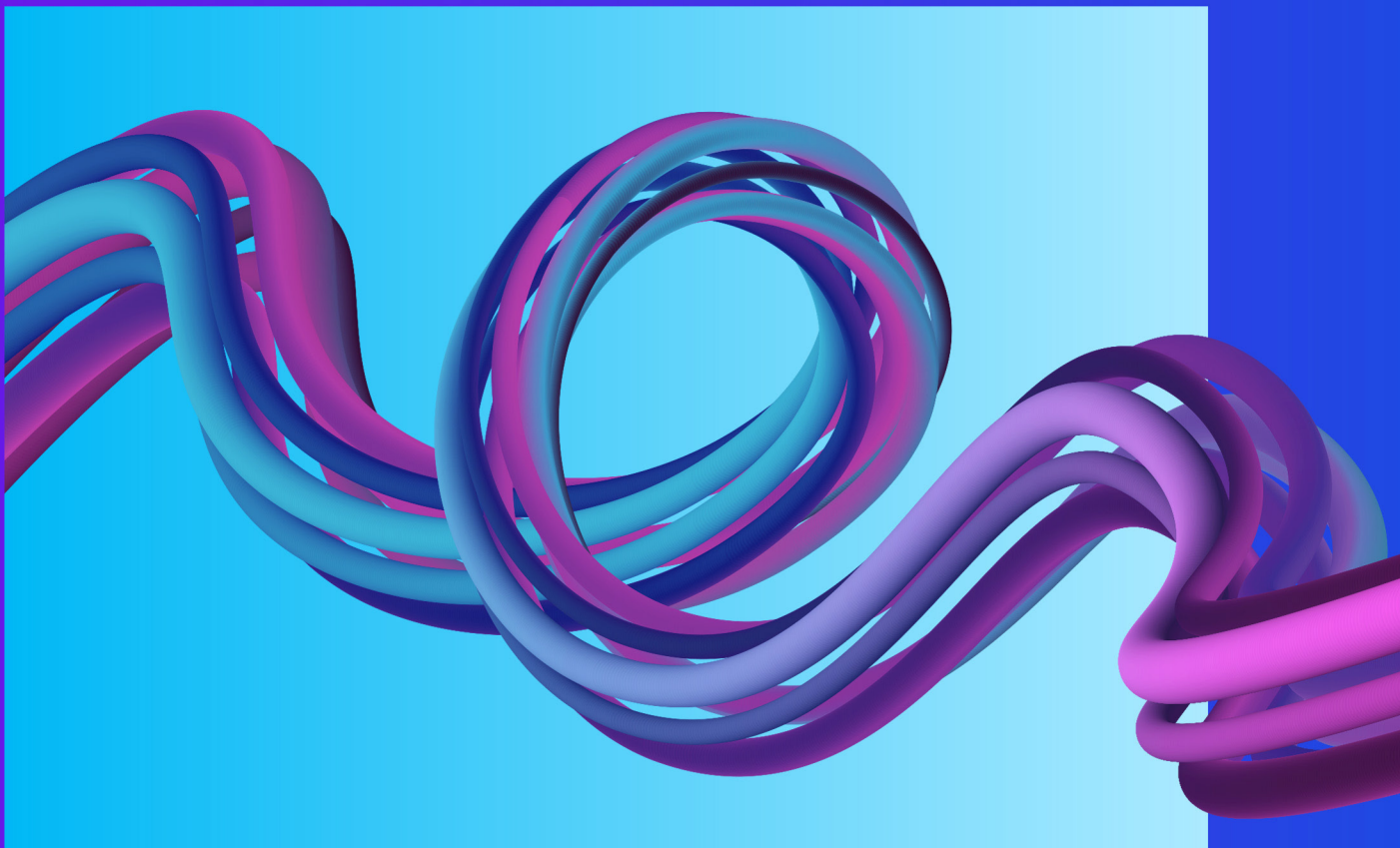




Banking pulse

**Market trends and industry performance of banks in
Saudi Arabia based on latest financial information**



December 2022
KPMG Professional Services

Introduction

Global risk perspective

In the newest KPMG CEO Outlook 2022, business leaders around the world noted that pandemic fatigue and economic factors — including the threat of rising interest rates and inflation — top the list of most pressing concerns today. As we look to the next three years, risks are more interconnected than ever; emerging technology rises as the top risk and greatest threat to organizational growth, while operational, regulatory and reputational concerns are the other risks jumping in priority. Furthermore, advancing digitalization and connectivity across the business is tied — with attracting and retaining talent — as the top operational priority to achieve growth over the next three years. This focus on digital transformation may be driven by increasingly flexible working arrangements and heightened awareness of cyber security threats, exacerbated by geopolitical uncertainty. We noted that the global risk perspective is consistent with risk perspective of participants in the Saudi market.

Sustainable finance framework

Sustainability has been at the heart of Vision 2030 since its inception, while there is increased momentum across the global financial services industry for the social aspect of environmental, social and governance (ESG) priorities. Awareness is key, and banks can play a powerful role in helping lead and drive the ESG agenda in the years ahead. Further, toward the year-end, Banks are anticipated to take into account enhanced market risk, and disclosures on ESG.

Sukuk issuances

Banks continue to strategize their plans for the year-end and years ahead, focusing on raising Tier I capital in the form of debt issuances, notably Sukuk, and tailoring its banking products that can cater to future economic needs and consistently shifting market dynamics. An upsurge in such Tier I capital issuance has been noted across the banking participants with the aim to support core equity base and fulfil the financial and strategic needs. At present, issuances of USD3.8 billion have been conducted and are expected to increase in the near future.

Approaching implementation of Basel 4

As final rules have emerged and finalized, banks are focusing firmly on the implementation of the Basel 4. Implementation was delayed due to the pandemic, but regulators around the globe are now pushing ahead. The

Basel Committee on Banking Supervision has been clear that a 'full and consistent' implementation of the framework should be targeted 'as soon as possible'. Banks face significant challenges as they stand up or refresh their Basel 4 programs. They will need to ensure that they are well prepared to achieve compliance within the required timelines and in a cost-effective manner.

Financial performance

An analysis of the nine-month financial performance of the banking sector reflects a robust industry performance, particularly highlighted by an increase in net profit for this nine-months period by 26.21% as compared to nine-month period of 2021, and with a total assets growth of 9.76% since 31 December 2021. We have witnessed continued increase in the economic activities during the nine-month period post emergence from lockdowns and movement restrictions. While global supply chains have been under pressure due to challenges on multiple fronts including geo-political apprehensions, oil prices being consistently on the higher side has helped Saudi economy to thrive and expand on its Vision 2030 ambitions.

The banking industry has continued to capture the benefits of economic expansion, evidenced by increase in lending and reaching a loan-to-deposit ratio of approximately 96% at the end of September 2022 and noticing increase in loan book by 12.78% while witnessing increase in deposits by 7.27%. Further, a declining trend was observed in estimated credit losses (ECL) period after period. The ECL charge for the nine-months period ended 30 September 2022 has declined by 24.66% when compared with respective period ended 30 September 2022.

In this latest publication, we have further analyzed the industry performance of the ten Tadawul-listed banks in Saudi Arabia according to the latest available financial information. We hope you find this useful for your organization and look forward to discussing trends in the banking industry in greater detail.

Khalil Ibrahim Al Sedais
Office Managing Partner – Riyadh

Ovais Shahab
Head of Financial Services

Q3'2022 financial performance of 10 listed banks



Net profit after Zakat and tax

↑ **26.21%**

Q3 – 2022 SAR46.41 billion (Q3 – 2021 SAR36.77 billion)

Total assets

↑ **9.76%**

As of Q3 – 2022 SAR3,329 billion (YE – 2021 SAR3,033 billion)

Total customers' deposit

↑ **7.27%**

As of Q3 – 2022 SAR2,273 billion (YE – 2021 SAR2,119 billion)

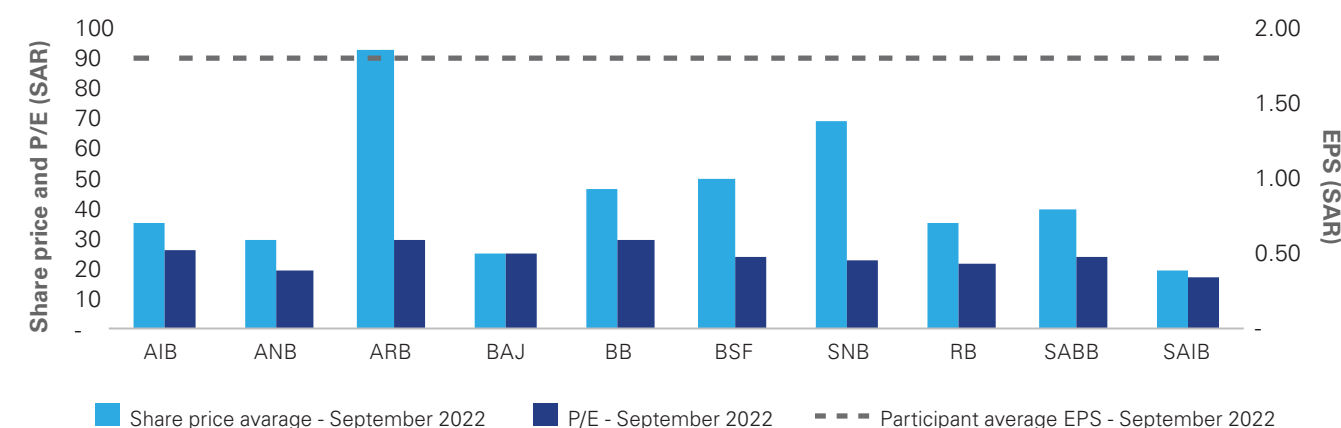
ECL charge for the period

↓ **24.66%**

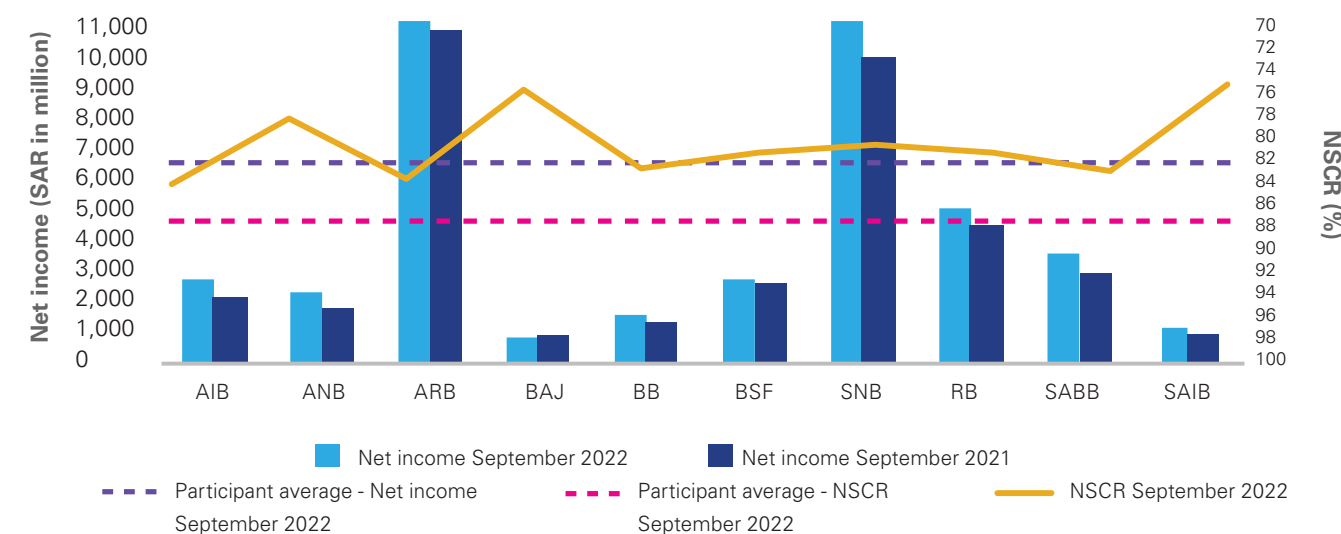
As of Q3 -2022 SAR7.26 billion (Q3 - 2021 SAR9.63 billion)

Financial performance of 10 listed banks

Share price, P/E & EPS



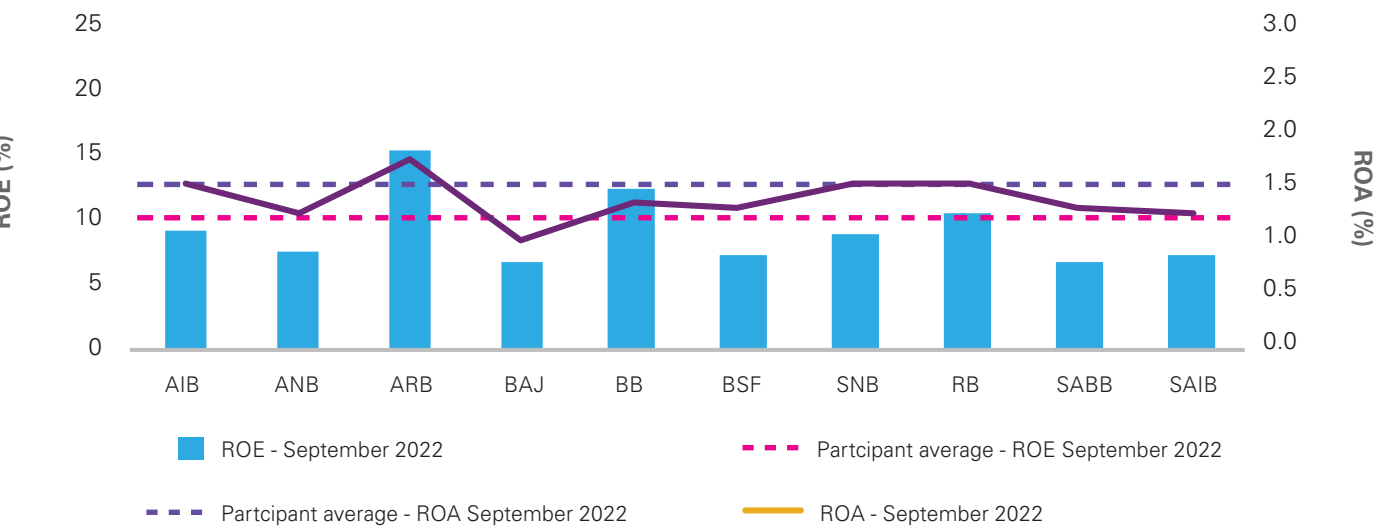
Net income



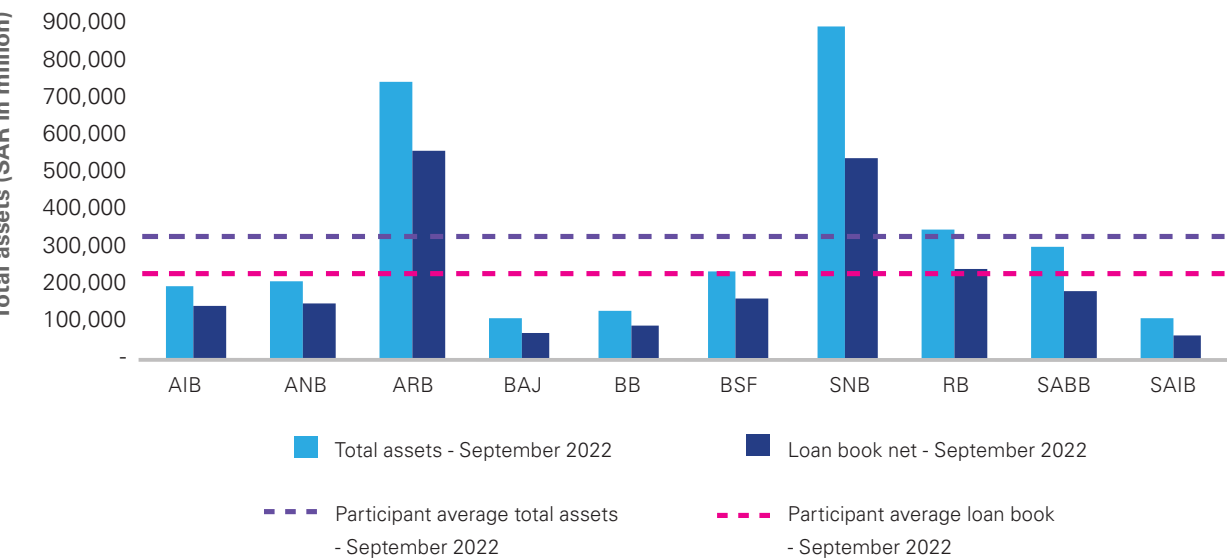
Glossary

PE ratio is calculated as the closing share price as of 30 September 2022 quoted on Tadawul divided by the EPS. **ROE** is the ratio of net income after zakat and income tax to total equity as of 30 September 2022. **ROA** is the ratio of net income after zakat and income tax to total assets as of 30 September 2022. **Retention ratio** is calculated netting reinsurance premium only from gross written premium. **Loss ratio** is calculated by dividing net claims incurred to net earned premium. **ROI** is the ratio of investment income to total investments as of 30 September 2022. **EPS** is earnings per share.

ROE & ROA



Total assets & Total loan book

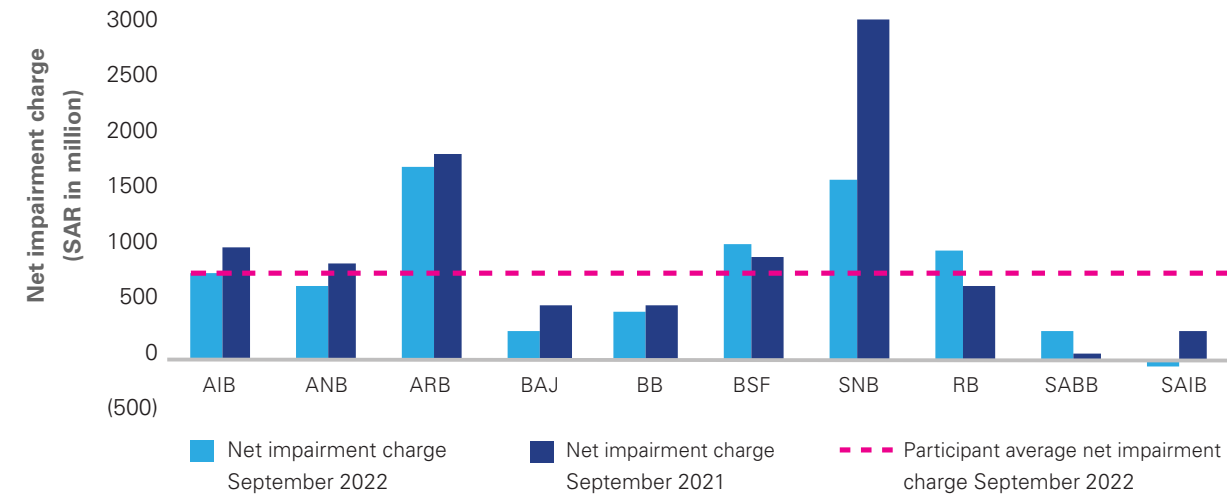


Legend

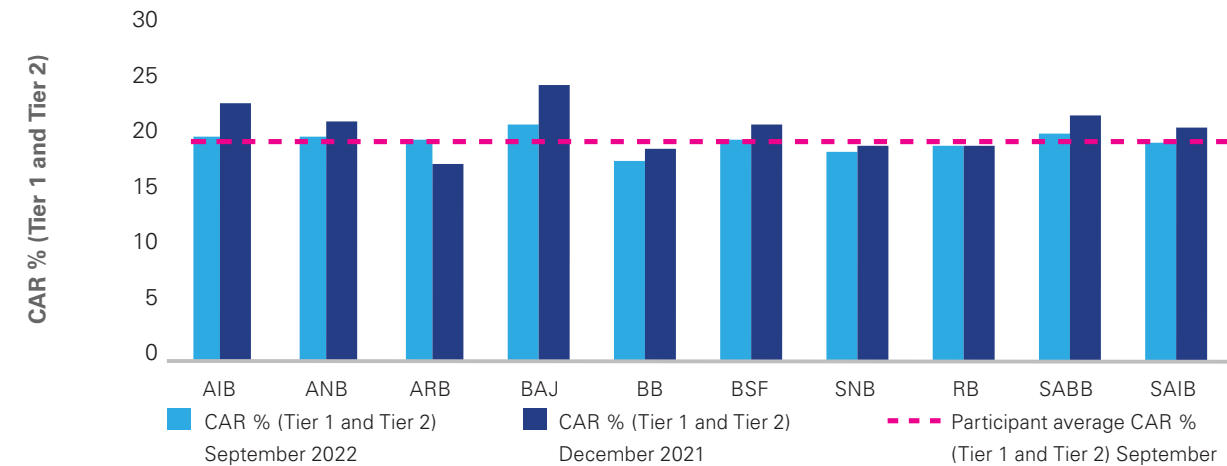
Alinma Bank	AIB	Bank Al Bilad	BB	Saudi British Bank	SABB
Arab National Bank	ANB	Banque Saudi Fransi	BSF	Saudi Investment Bank	SAIB
Al Rajhi Bank	ARB	Saudi National Bank	SNB		
Bank Al Jazira	BAJ	Riyad Bank	RB		

Financial performance of 10 listed banks

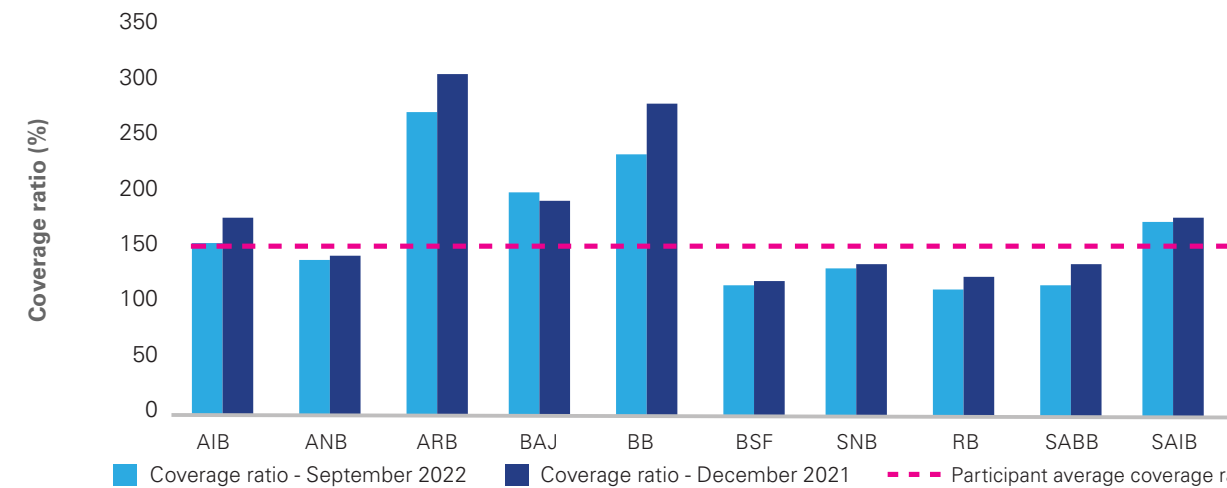
Net impairment charge



Capital adequacy ratio



NPL coverage ratio



Contacts



Khalil Ibrahim Al Sedais

Office Managing Partner – Riyadh
KPMG Professional Services
E: kalsedais@kpmg.com



Ovais Shahab

Head of Financial Services
KPMG Professional Services
E: oshahab@kpmg.com



Farid Memon

Director, Financial Services
KPMG Professional Services
E: mmemon@kpmg.com

Contributors

Farid Ahmed, Director, Financial Services

Peter Bannink, Head of Marketing & Thought Leadership

Muhammad Hasnain, Manager, Financial Services

kpmg.com/sa



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