



البنك السعودي للاستثمار
The Saudi Investment Bank

Earnings Presentation

9M 2023

6 November 2023

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Growth momentum sustained in 9M 2023 demonstrating solid progress

Loans

+16% YTD

SAR 80.2 bn ▲

Deposits

+23% YTD

SAR 85.5 bn ▲

9M 2023 Operating Income

+26% YoY

SAR 2,954 mn ▲

9M 2023 Net Income

+14% YoY

SAR 1,314 mn ▲

Loan growth of 16% YTD driven by corporate segment while deposits grew 23% YTD on higher time deposits

Double digit growth in operating income underpinned by 19% YTD growth in assets and higher profit margins

Maintained cost discipline with cost to income ratio declining to 41.7%

Return on tangible equity at 12.2%, maintains an upwards trajectory

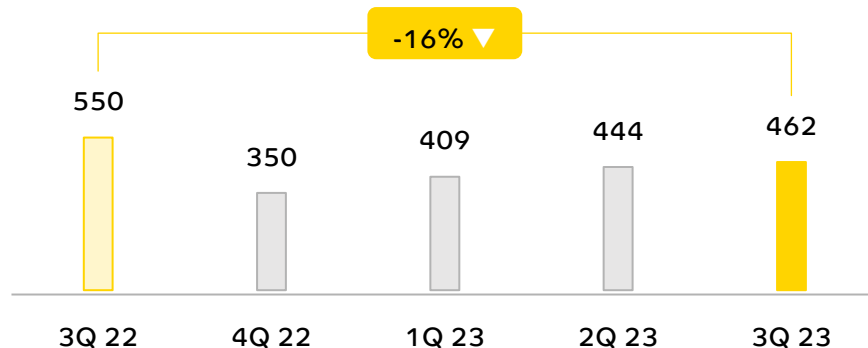
Asset quality continued to improve with NPL ratio declining by 9bps to 1.48% with NPL coverage ratio at 169%

Strong capital ratios with T1 ratio at 18.6%

Solid liquidity position with LCR of 202% and SAMA LTD at 74.4%

Net Income (SARmn)

SAR 462 mn



9M 2023 RoTE

+151 bps YoY

12.2% ▲

3Q 2023 NPL

-9 bps YTD

1.48% ▼

3Q 2023 T1 Ratio

+1.0 ppt YTD

18.6% ▲

3Q 2023 LCR

-18.3 ppt YTD

201.6% ▼

Strategy

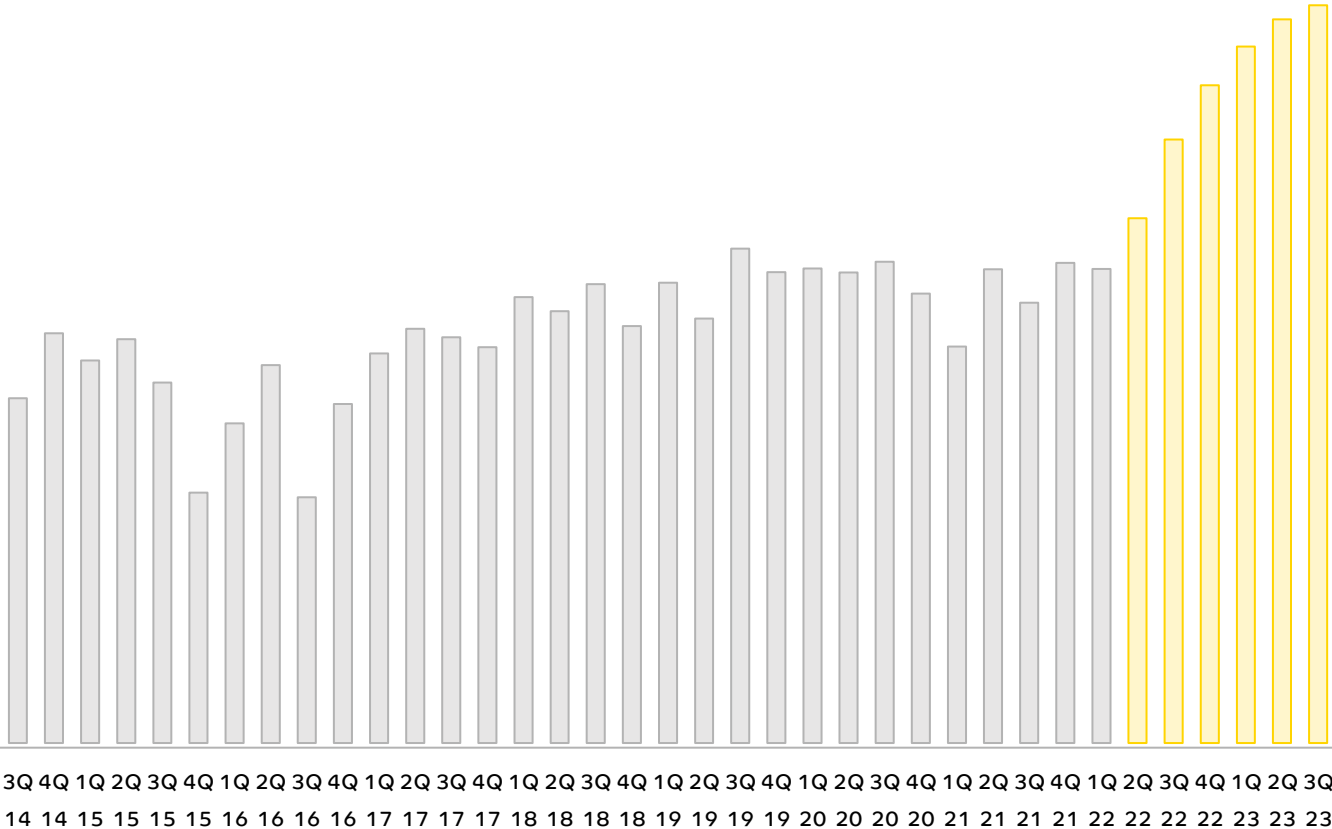


SAIB has started to see real growth momentum, reaching Revenue of SAR1 bn in 3Q 2023



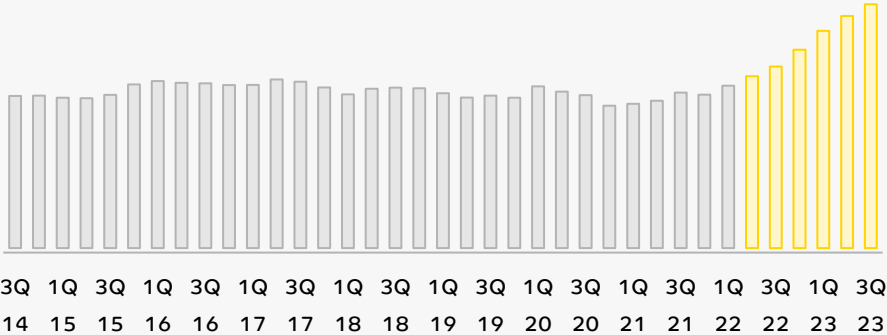
Revenue (3Q 2014 to 3Q 2023)

SAR 1.0 bn



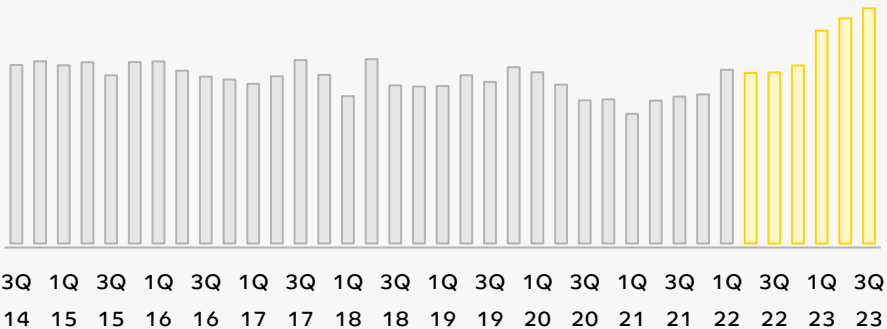
Net Loans (3Q 2014 to 3Q 2023)

SAR 80 bn

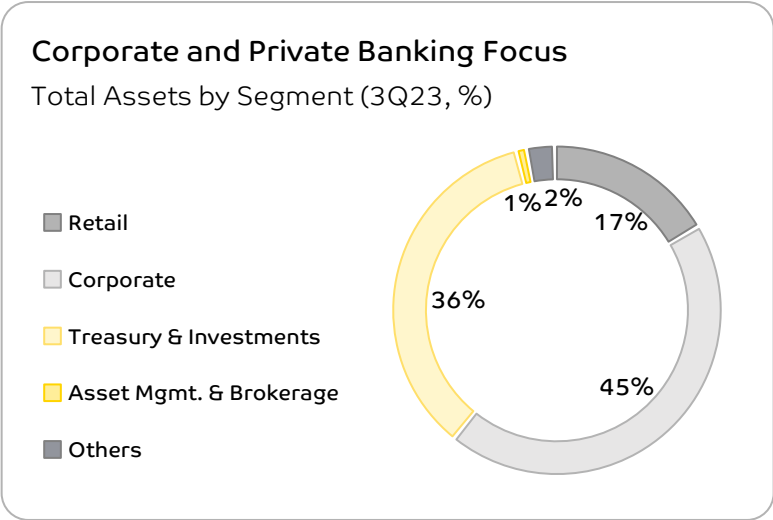
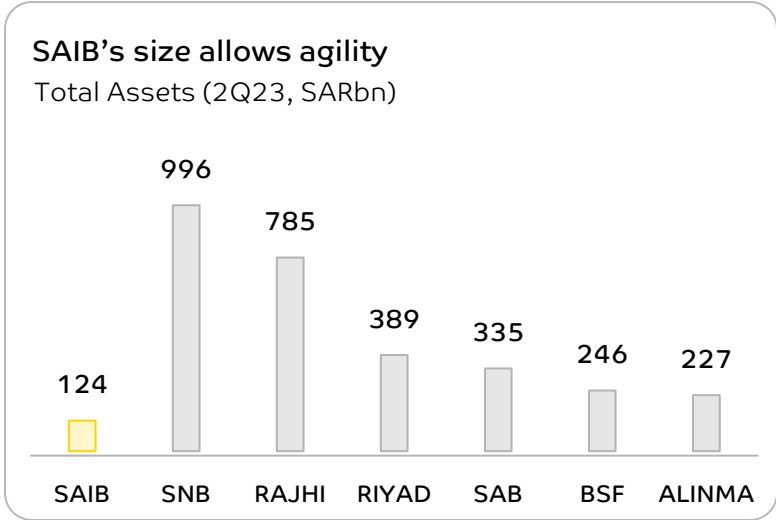


Total Deposits (3Q 2014 to 3Q 2023)

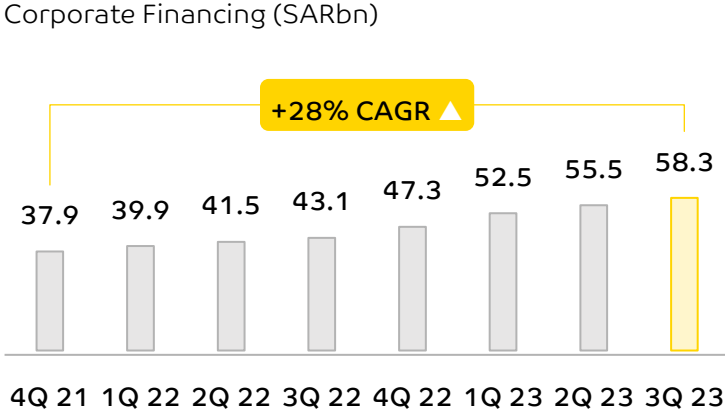
SAR 85 bn



This is underpinned by the Bank’s strategy to build on its agility, culture of innovation and focus on corporate and HNW customer relationships...



Corporate and HNW customers are in SAIB’s DNA



Innovation is key to SAIB’s success

“Flexx” Transfer

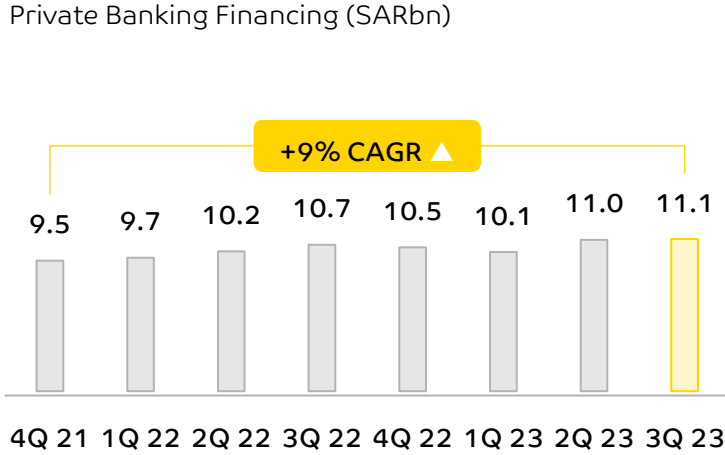
“100 Currency” Travelcard

Deep Customer Relationships

13

Years

Mid-corporate average length of relationship



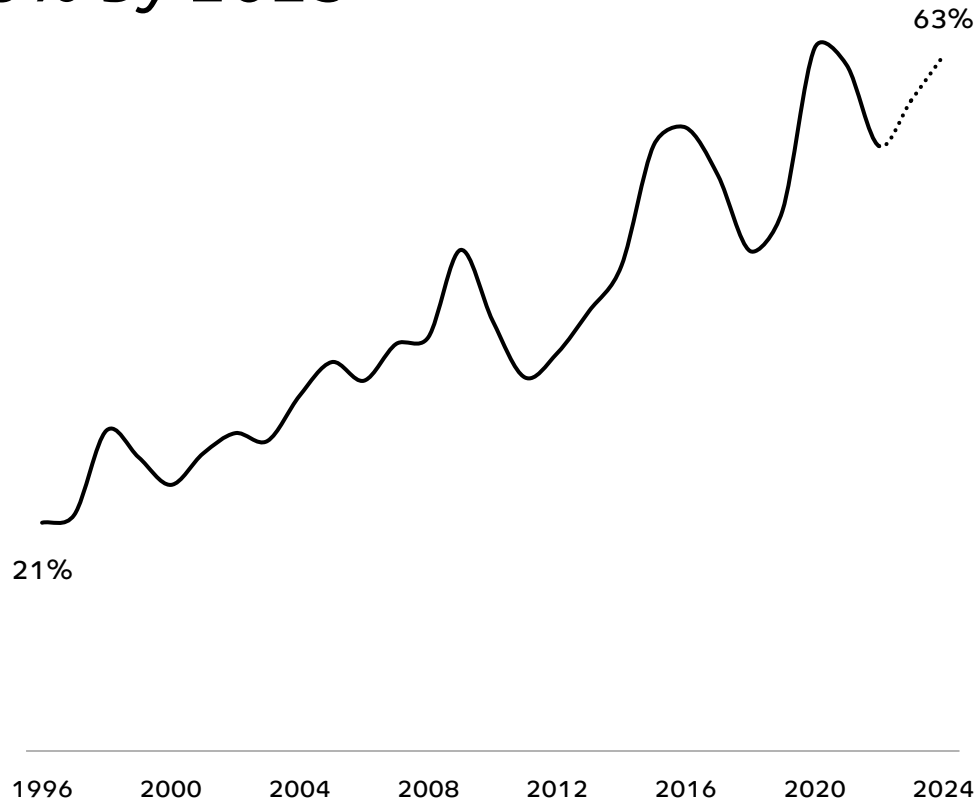


...and a real focus on building on market opportunities

Corporate banking is still underpenetrated in KSA with...

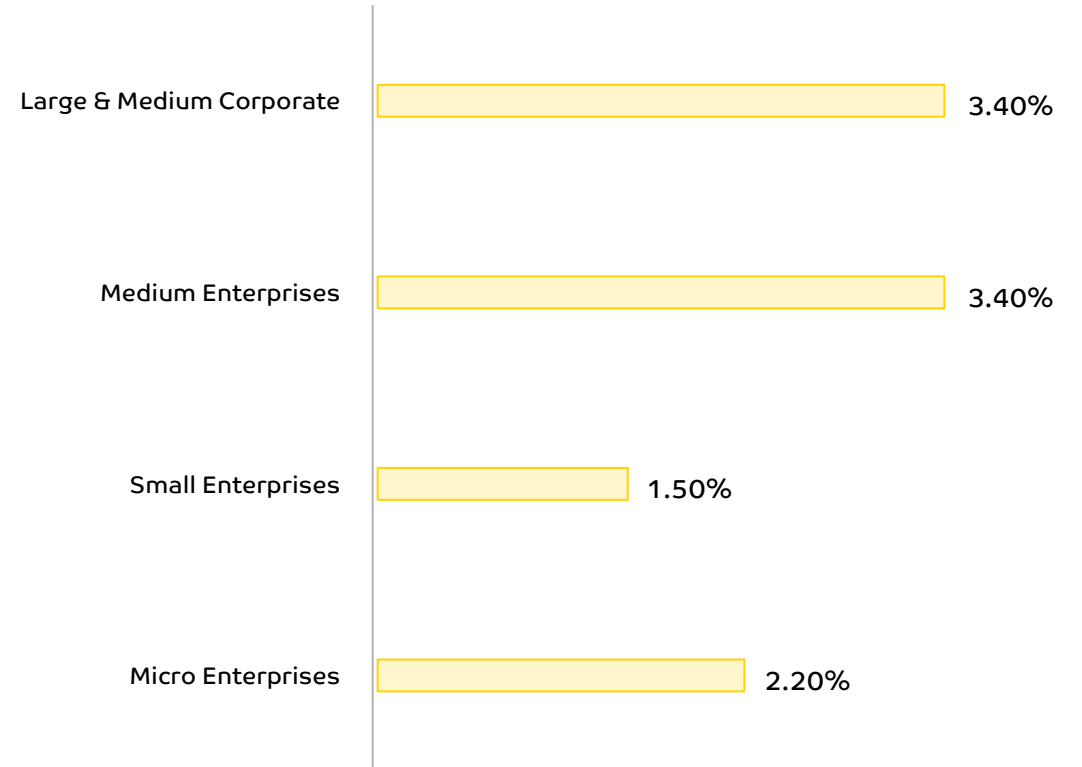
Saudi Arabia Credit to GDP

63% by 2025



...ample room to grow – SAIB market shares have upside from today

SAIB Market Share by Corporate Loans (FY22, %)

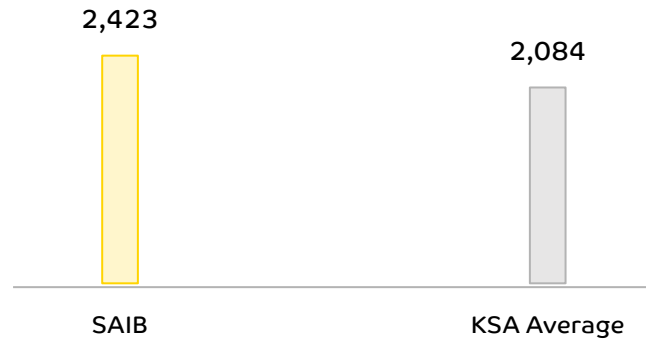




We have identified key areas for improvement and are addressing them...

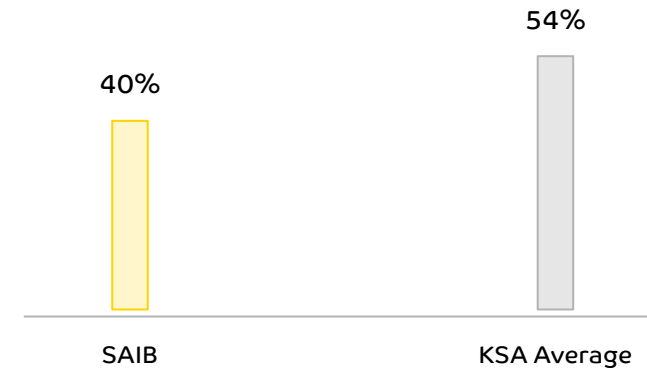
Further Upside - Cost Efficiency from Digitization of Branches

Total assets per branch (2Q23, SARm)



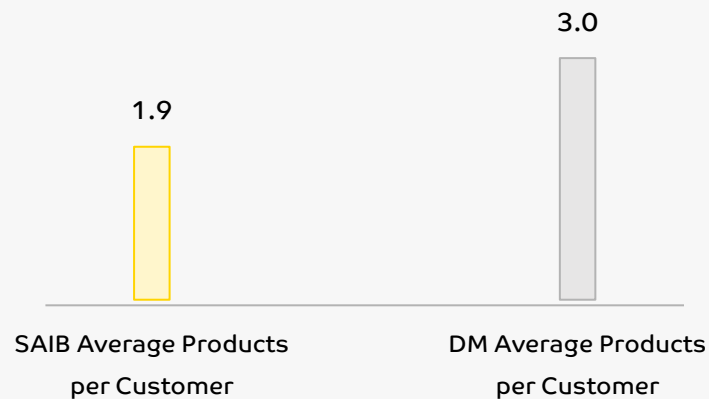
Significant opportunity to improve the NIBD ratio

NIBD % of Total Deposits (2Q23, %)



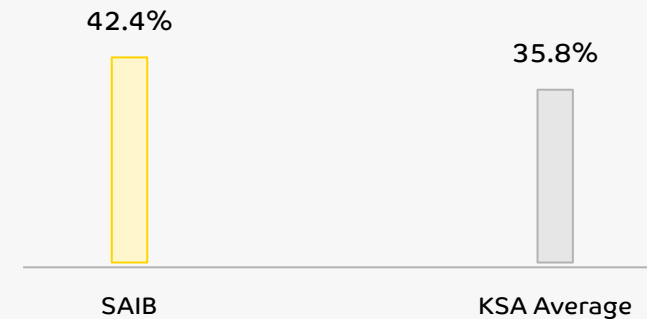
Room for Improvement – product penetration vs. KSA average

Average Products per Customer (FY22)



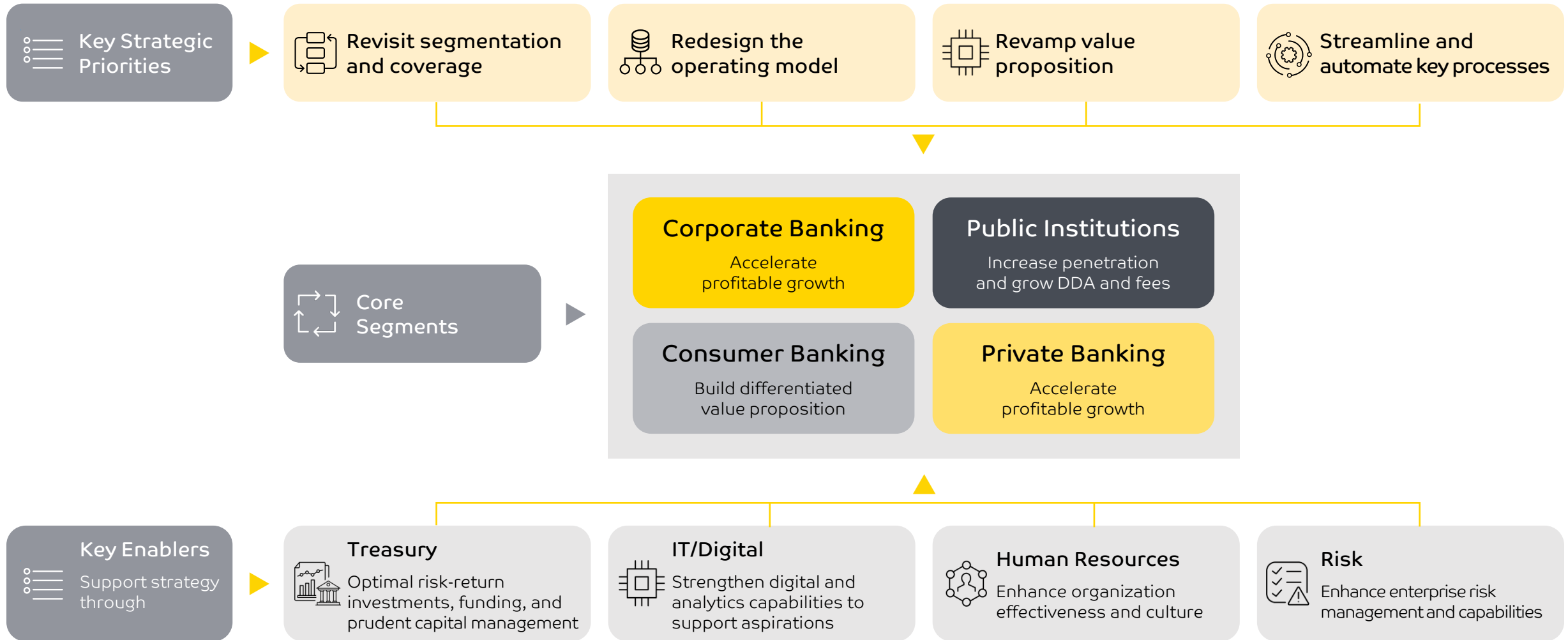
SAIB deployment of new customer coverage and digital channels to improve CIR

Cost / Income Ratio (1H23, %)





...with a strategy that is focused on growth opportunities in the KSA market

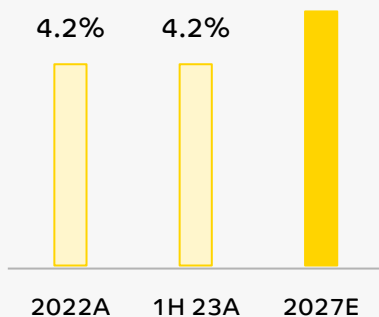


We aim to grow market share, increase fee income and improve efficiency to drive higher ROTE



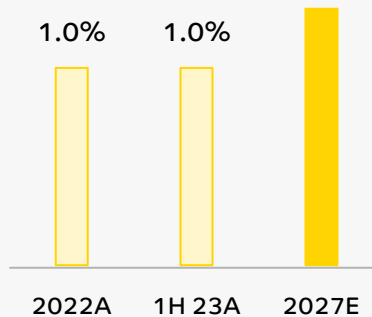
Grow Market Share in Corporate Loans

Corporate KSA Market Share



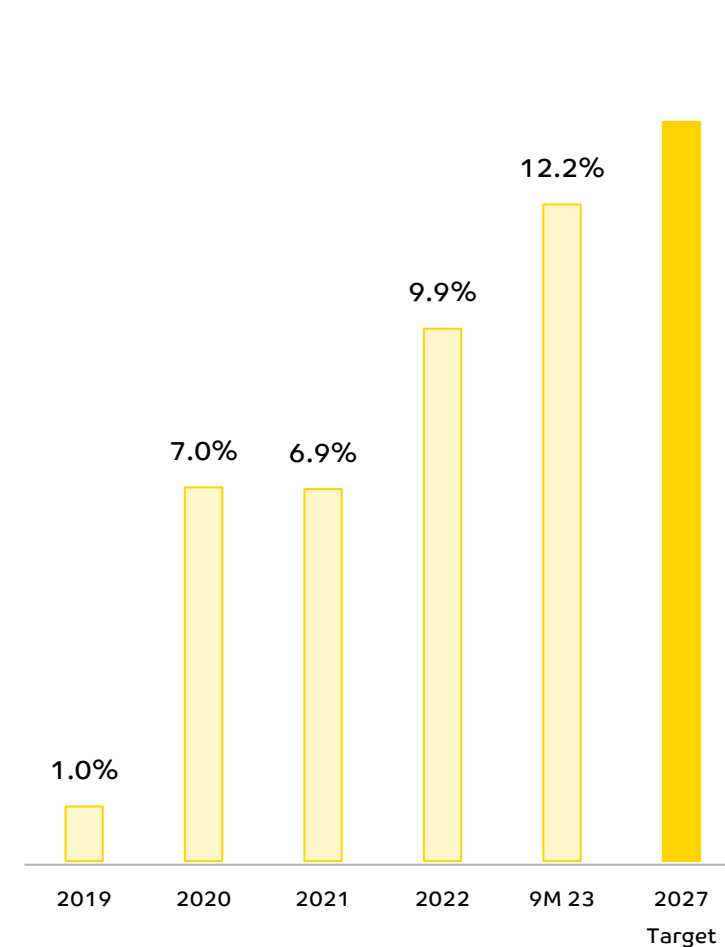
Grow Market Share in Retail Loans

Retail KSA Market Share



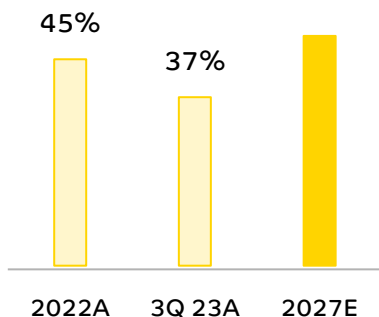
SAIB has already started to close the gap towards KSA peers' return on equity

Return on Tangible Equity



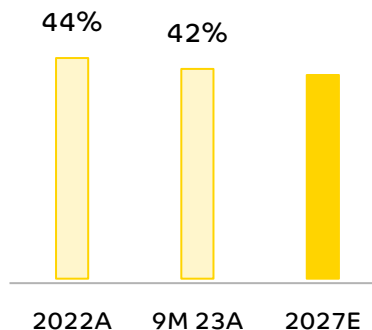
Improve Funding Costs

NIBD Share of Deposits



Improve Efficiency

Cost / Income Ratio



Financial Performance

9M 2023



SAIB is focused on delivering strong results across key performance indicators



		9M 2023	DRIVERS
Balance Sheet	LOANS & ADVANCES	SAR 80.2 _{bn} +16% YTD	Strong growth in Corporate (+23%) and Private Banking (+6%) loans
	DEPOSITS	SAR 85.5 _{bn} +23% YTD	Strong growth in IBDs (+41%) mainly from public institutions, while NIBDs were stable YTD; CASA ratio moderated -8.2ppts to 36.7%
Profitability	NET INTEREST MARGIN	3.07% +24bps YoY	NIM expansion YoY from higher benchmark rates, but 5bps contraction QoQ from shift in deposit mix
	COST TO INCOME RATIO	41.7% -2.9ppt YoY	Operating expenses rose 18% from spend on strategic initiatives, but positive jaws improve cost to income ratio
	RETURN ON TANGIBLE EQUITY	12.2% +1.5ppt YoY	ROTE improvement as net income growth YoY of 15% to SAR 1,314mn exceeds growth in tangible common equity (+4% YoY)
Asset Quality	COST OF RISK	0.43% +59bps YoY	Cost of risk remains low at 43bps, but rose YoY due to elevated recoveries in the prior year
	NPL RATIO	1.48% -9bps YTD	NPL ratio on improving trend from benign credit environment
	NPL COVERAGE RATIO	169.1% +6.1ppt YTD	Improved stage 3 and overall coverage as additional provisions were made for certain corporate NPL exposures
Capital & Liquidity	TIER 1 RATIO	18.6% +1.0ppt YTD	Capitalization improvement mainly driven by RWA decline following new SAMA regulations which allow share collaterals as RWA reductions
	SAMA LTD RATIO	74.4% -4.5ppt YTD	Improvement driven by strong deposit growth YTD.



Growth across assets, funded largely by increase in deposits

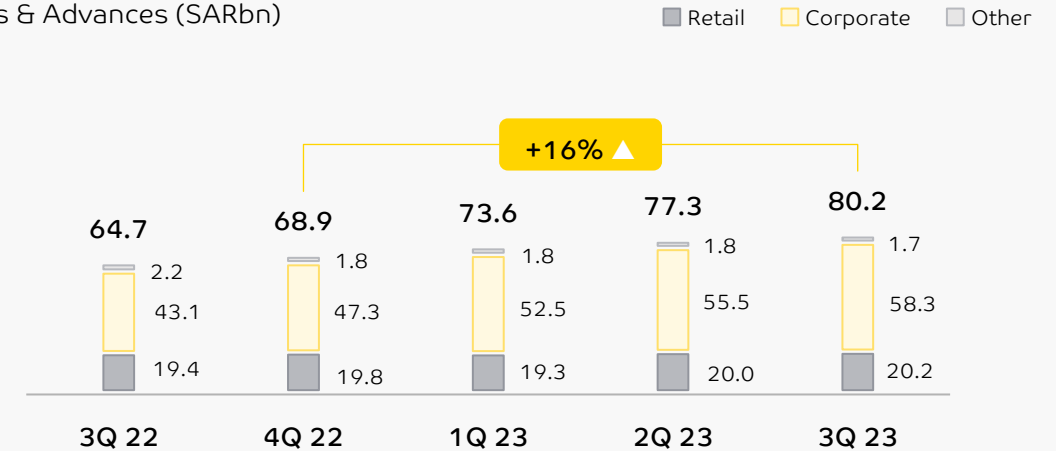
Total assets increased by 19% YTD as loans grew 16% and investments rose 16%, further supported by increase in SAMA and bank placements

Total liabilities increased 23% YTD, mainly driven by growth in deposits of 23% YTD

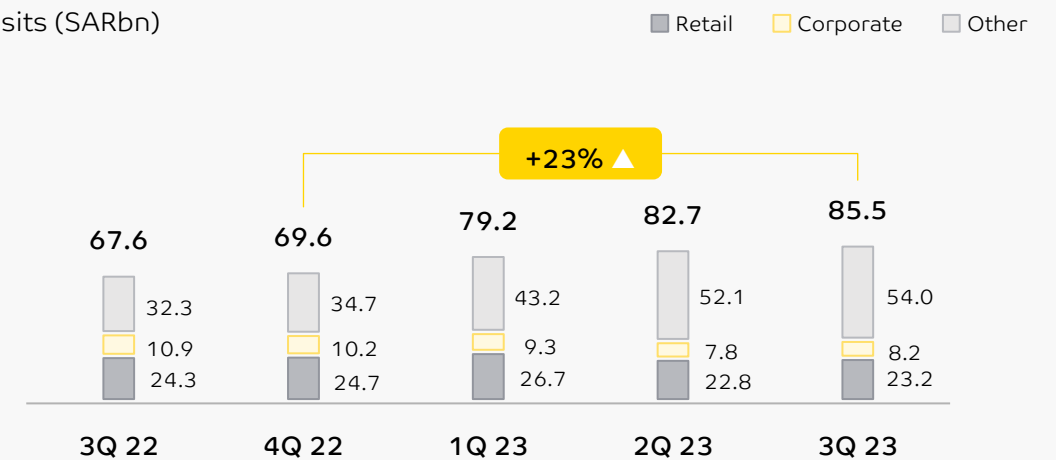
Total equity was stable YTD as solid retained earnings generation was offset by reduction (net of repayment and issuance) in Tier 1 sukuk and payment of 2022 final and 2023 interim dividends

SAR Million	3Q 2023	2Q 2023	Δ	4Q 2022	Δ
Cash and balances with SAMA	9,739	8,149	+20%	6,401	+52%
Due from banks and financial Institutions, net	2,486	2,179	+14%	1,305	+91%
Investments, net	32,754	31,707	+3%	28,180	+16%
Loans and advances, net	80,201	77,305	+4%	68,883	+16%
Other assets, net	4,646	4,255	+9%	4,302	+8%
Total assets	129,826	123,595	+5%	109,071	+19%
Due to banks and other financial institutions, net	25,885	22,287	+16%	20,892	+24%
Customers' deposits	85,455	82,664	+3%	69,579	+23%
Other liabilities	1,948	1,949	+0%	1,810	+8%
Total liabilities	113,288	106,900	+6%	92,281	+23%
Share capital	10,000	10,000	+0%	10,000	+0%
Retained earnings	1,771	1,725	+3%	957	+85%
Other reserves	2,053	2,255	-9%	2,618	-22%
Shareholders' equity	13,824	13,980	-1%	13,575	+2%
Tier 1 sukuk	2,715	2,715	+0%	3,215	-16%
Total equity	16,539	16,695	-1%	16,790	-1%

Loans & Advances (SARbn)



Deposits (SARbn)





Loan growth continues to gain momentum driven by corporate lending

16% YTD growth in loans driven by 23% increase in corporate lending

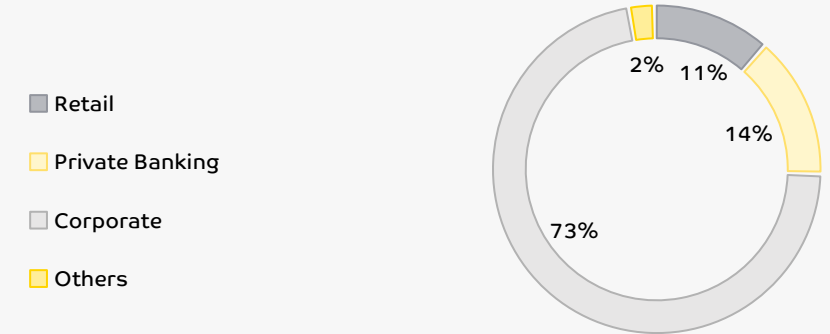
Active participation in syndicated loan market for infrastructure projects, well supported by demand from other key sectors such as commerce, financial institutions, building & construction and services

Retail lending grew 2% YTD as consumer loans declined 4% YTD, partially offset by an increase of 6% in private banking lending

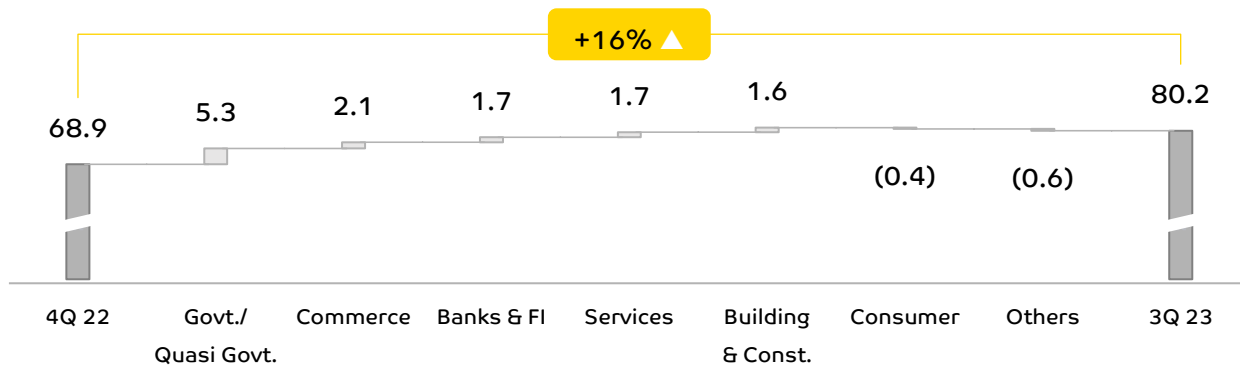
+4% Loans QoQ

+16% Loans YTD

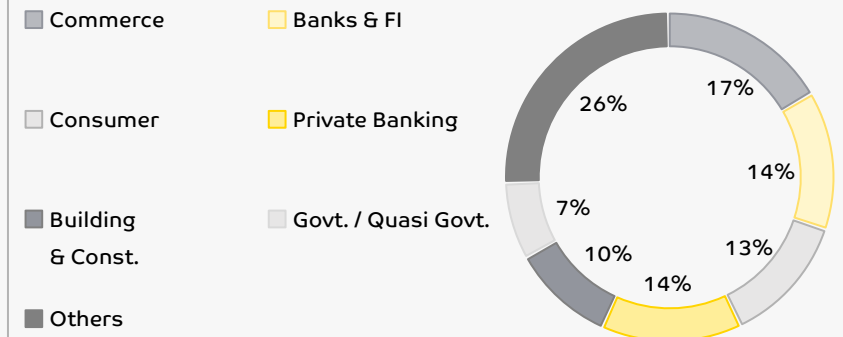
Loans & Advances by segment (%)



Loans & Advances Movement YTD (SAR bn)



Loans & Advances by economic activity (%)





Investments grew 16% YTD driven by debt securities

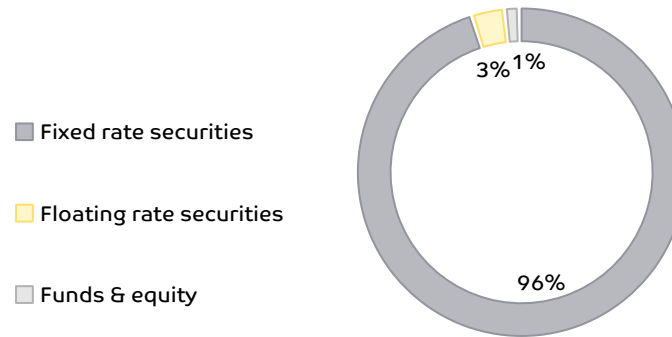
96% of investments were fixed rate debt securities as of 9M 2023

61% of investments were accounted for at fair value through other comprehensive income and 38% at amortized cost

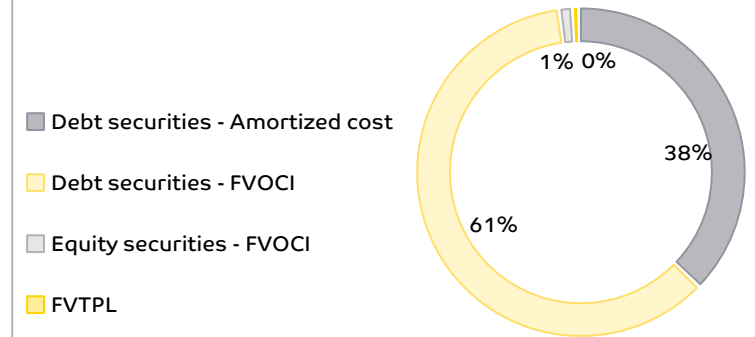
High-grade investment portfolio with 60% of investment securities issued by government, 26% by banks and other financial institutions

Increase in investments during 9M 2023 was mainly driven by new securities to lock-in and benefit from high rate environment (mainly in fixed-rate debt securities issued by international financial institutions)

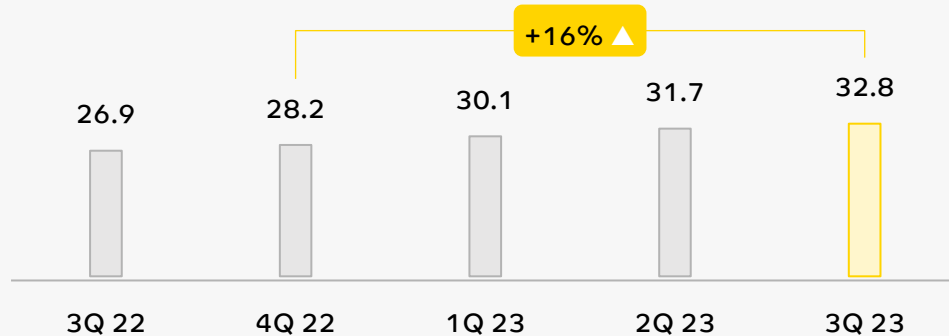
Investments, Gross by type (%)



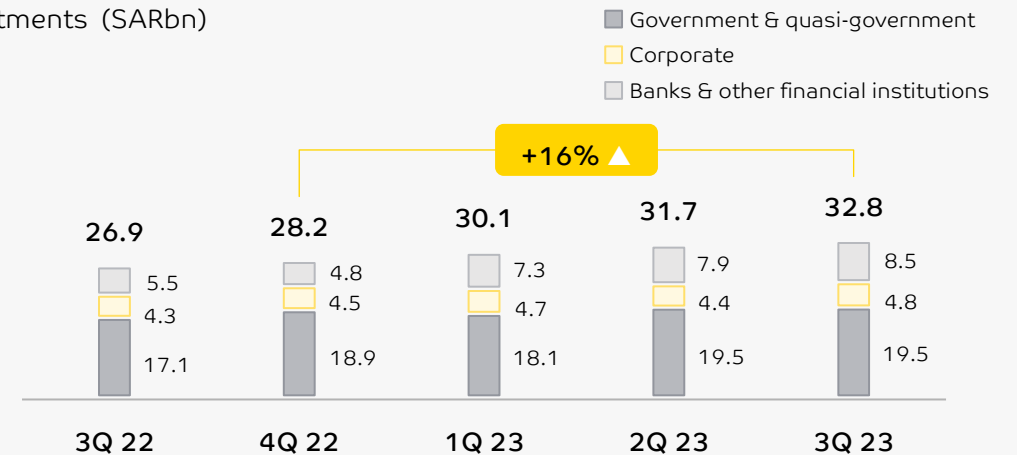
Investments by accounting classification (%)



Investments (SARbn)



Investments (SARbn)





Customer deposits increased 23% driven by IBDs

Deposits grew 23% YTD during 9M 2023 mainly driven by increase in interest-bearing deposits

IBDs rose 41% YTD from large inflows to time deposits amid higher interest rate environment

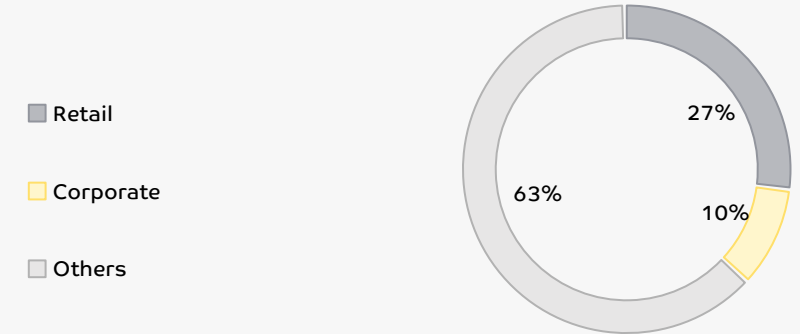
NIBDs were stable YTD

Retail and Corporate deposits declined by 6% and 19% respectively; Treasury and Investment deposits grew 56% due to inflow from public institutions

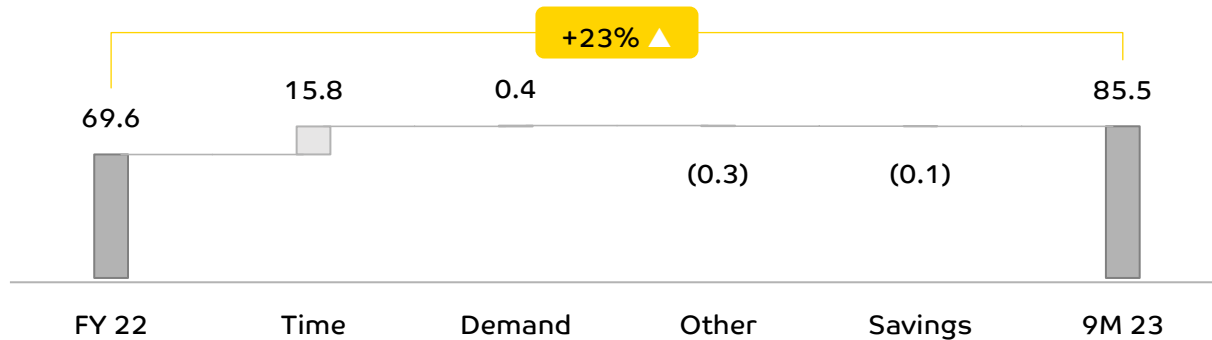
+23% Deposits YTD ▲

+3% Deposits QoQ ▲

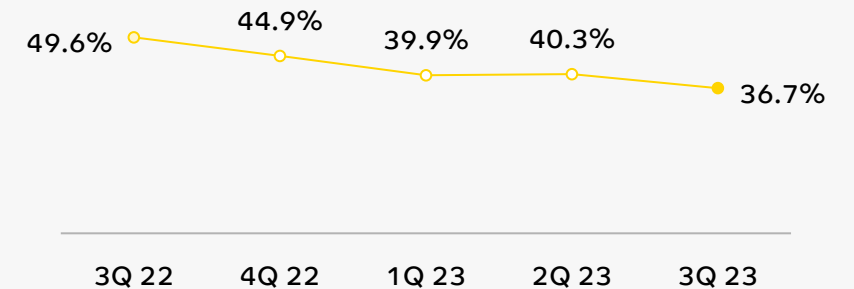
Deposits by segment (%)



Deposits Movement YTD (SAR bn)



NIBD % of total



14% growth in 9M 2023 earnings driven by NCSI growth moderated by lower recoveries

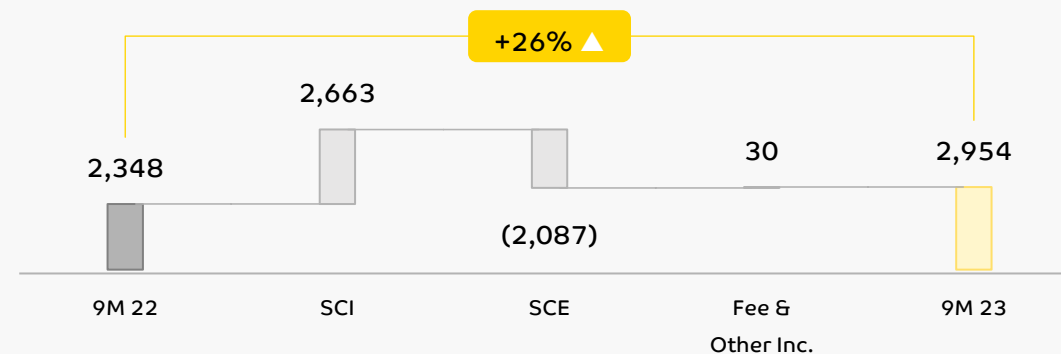


Net income increased 14% YoY in 9M 2023 driven by strong growth of 26% in operating income, partially offset by an increase of 18% in operating expenses and a rise in impairment charges from elevated recoveries in the prior year

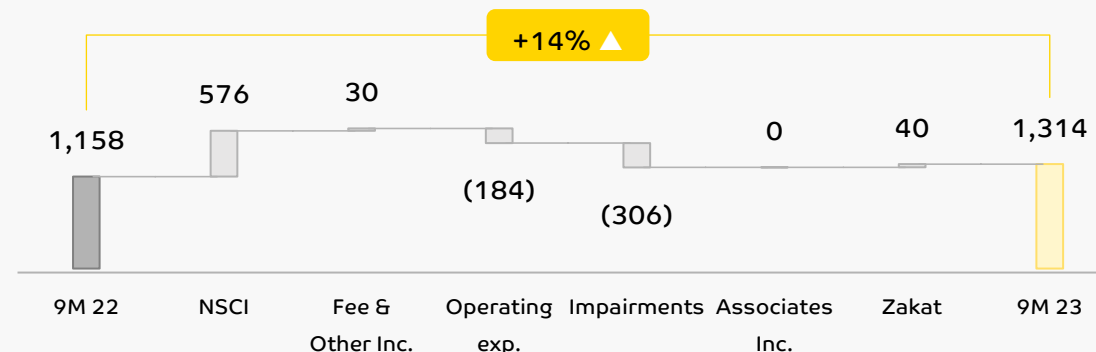
Net income during 3Q 2023 declined 16% YoY despite 17% income growth due to elevated recoveries in 3Q 2022, while it increased by 4% QoQ

SAR Million	3Q 2023	3Q 2022	Δ	9M 2023	9M 2022	Δ
Net special commission income	887	758	+17%	2,592	2,017	+29%
Fee and other income	118	100	+17%	362	331	+9%
Total operating income	1,005	858	+17%	2,954	2,348	+26%
Operating expenses before impairments	(405)	(364)	+11%	(1,232)	(1,048)	+18%
Provisions for credit and other losses	(87)	149	-159%	(248)	58	-531%
Net Operating Income	512	643	-20%	1,473	1,357	+9%
Share in earnings of associates	24	28	-12%	55	55	+1%
Income before provisions for Zakat	537	671	-20%	1,528	1,412	+8%
Provisions for Zakat	(75)	(121)	-38%	(214)	(254)	-16%
Net Income attributed to equity holders	462	550	-16%	1,314	1,158	+14%
Earnings per share	0.45	0.53	-16%	1.21	1.10	+11%
Net interest margin	2.98%	3.05%	-7bps	3.07%	2.83%	+24bps
Cost to income ratio	40.3%	42.4%	-2.1ppt	41.7%	44.7%	-2.9ppt
Cost of risk	0.43%	-0.95%	+139bps	0.43%	-0.16%	+59bps
Return on tangible common equity	13.3%	16.4%	-3.1ppt	12.2%	10.7%	+1.5ppt

Total Operating Income Movement YoY (SARmn)



Net Income Movement YoY (SARmn)



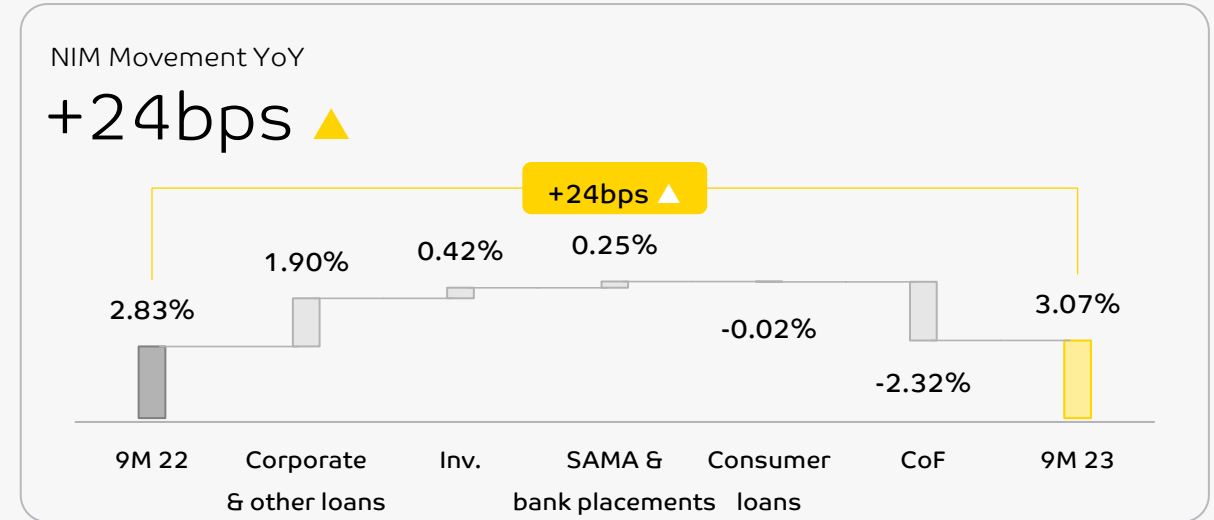
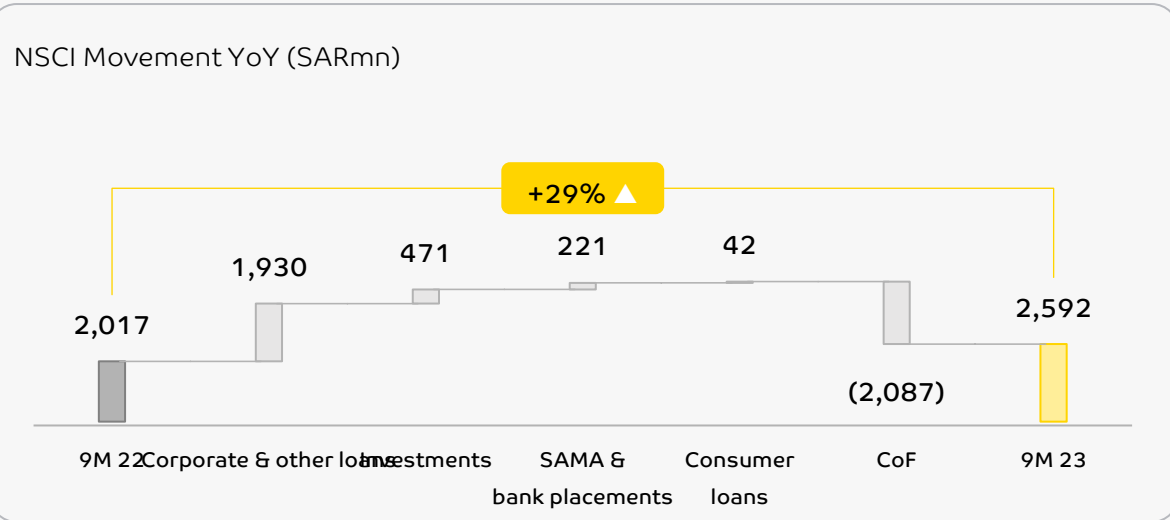
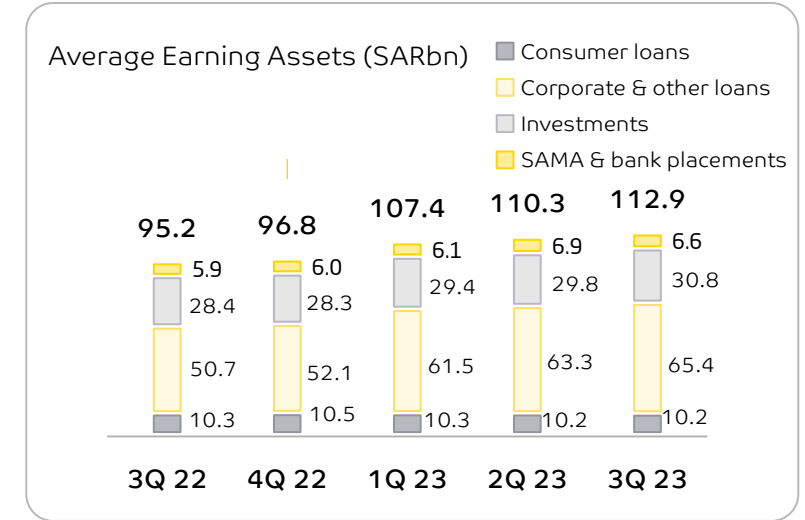
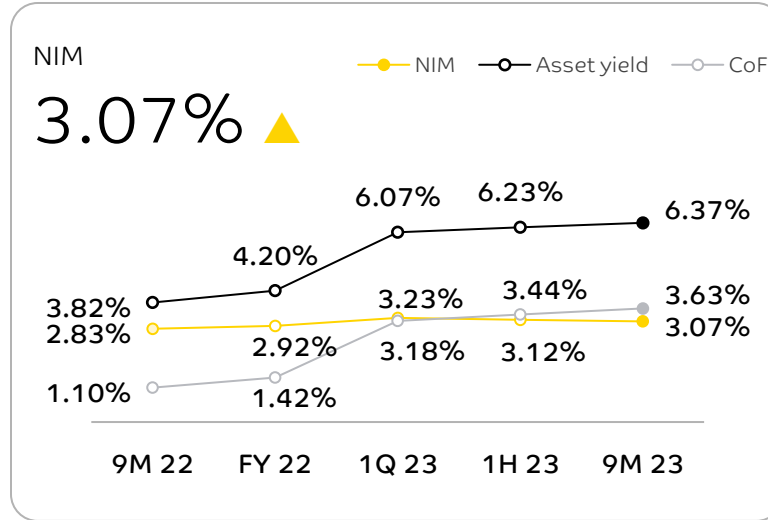


NSCI growth of 29% YoY on 19% growth in earning assets and a 24bps NIM expansion

NSCI growth of 29% YoY was underpinned by 19% growth in average earnings assets as well as NIM expansion of 24 bps reflecting higher asset yield from increased benchmark rates

Asset yield increased by 2.55 ppts YoY to 6.37% in 9M 2023 while of cost of funding increased by 2.53 ppts to 3.63%

NIM also increased by 24bps YoY in to 3.07% in 9M 2023, however it declined by 5bps QoQ due to the shift in the deposit mix



Growth in fee and other income driven by foreign exchange and investment income



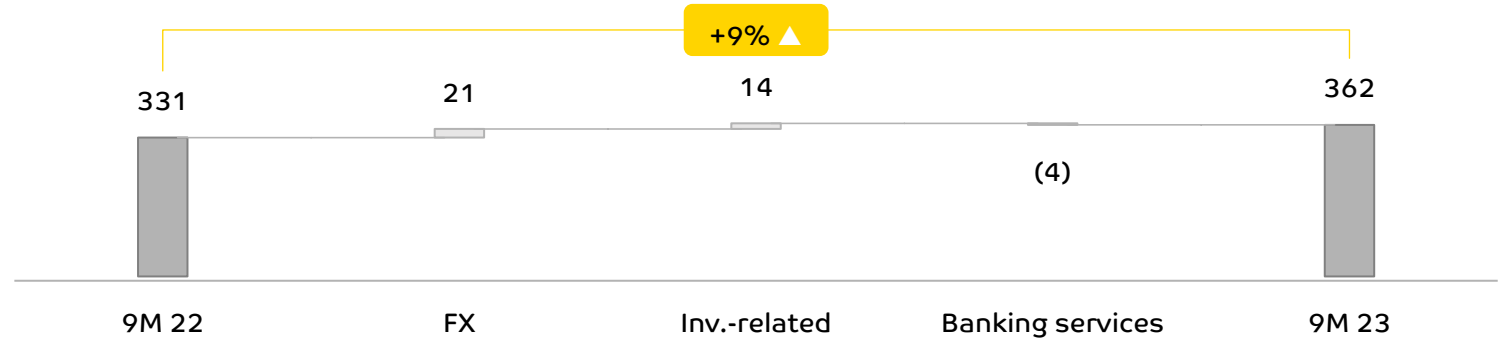
Fee & other income increased 9% YoY in 9M 2023, mainly driven by foreign exchange and investment income

Foreign exchange income was well supported by strong transaction volumes in travel card and remittance products

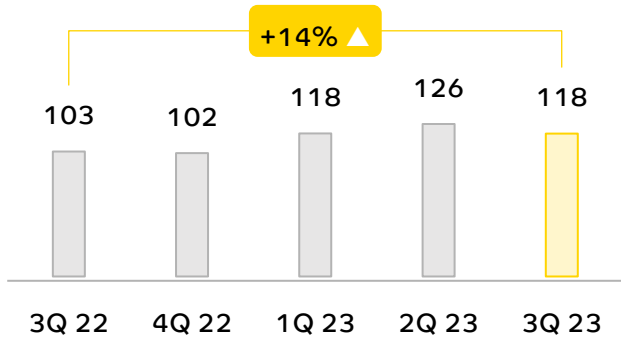
Investment related losses decreased due to lower mark to market fair value losses

Fee from banking services declined due to lower fees from other banking services

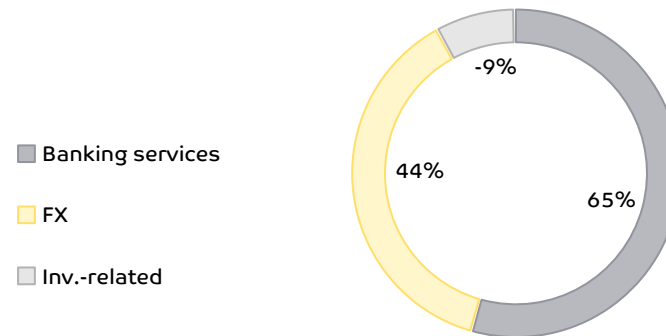
Fee & Other Income Movement YoY (SARmn)



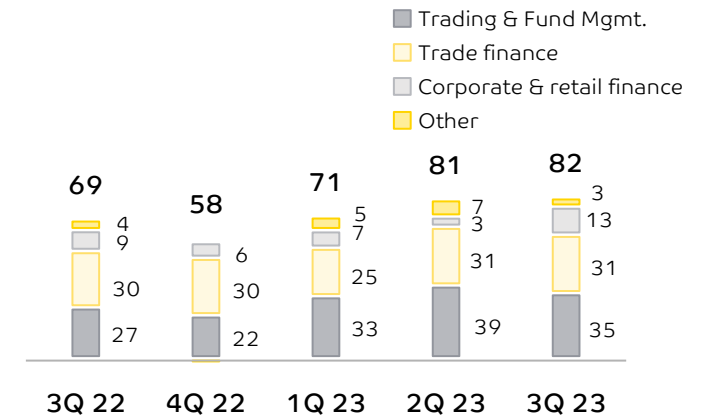
Fee And Other Income (SARmn)



Fee & Other Income by segment (%) - 9M 23



Fee Income From Banking Services (SARmn)





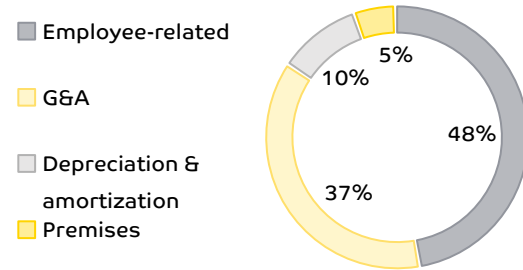
An 18% increase in operating expenses reflects implementation of strategic initiatives

Operating expenses increased 18% YoY in 9M 2023, mainly due to increase in general & administration expenses and employee related costs as bank continued to execute on its digital transformation and strategic growth initiatives

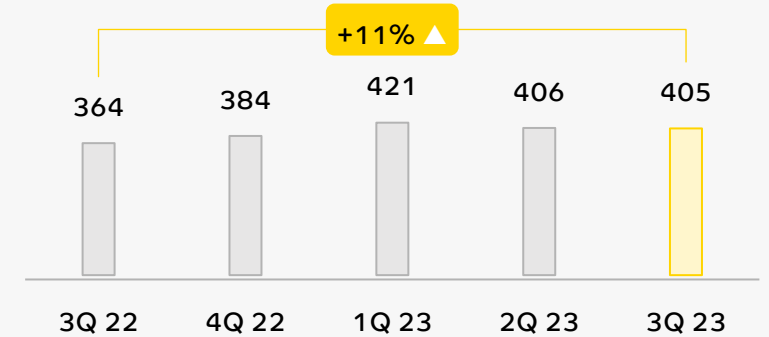
Cost to income ratio continued to fall, reaching 41.7% in 9M 2023, a decline of 2.9ppts YoY

Operating expenses were stable QoQ in 3Q 2023 given better cost controls, resulting in cost to income ratio for the quarter reaching 40.3%

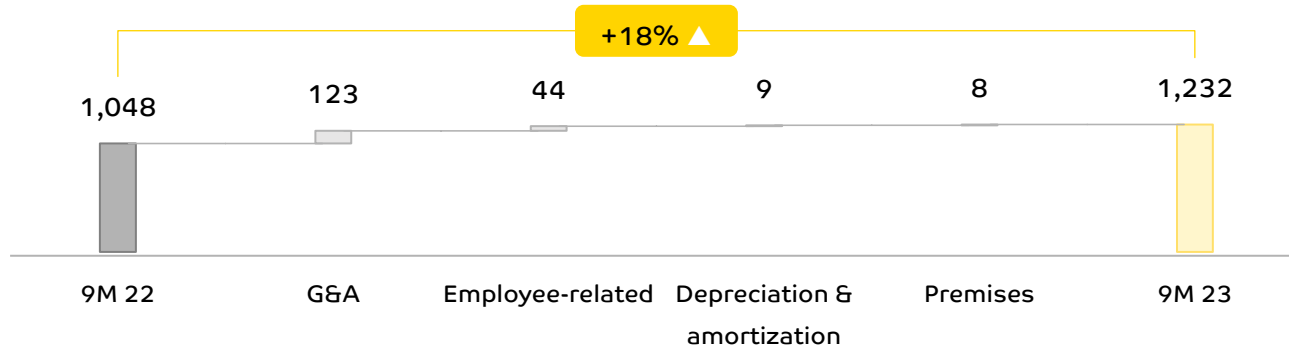
Operating Expenses Composition (%) - 9M 23



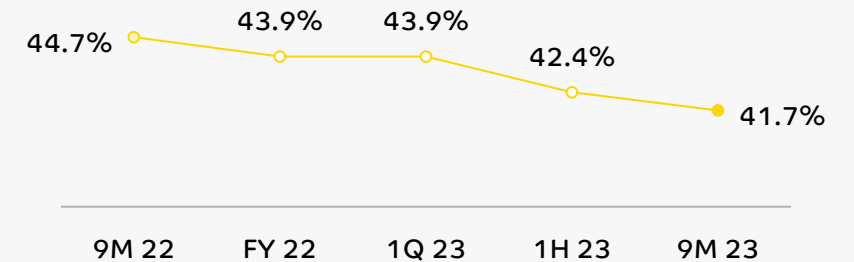
Operating Expenses (SARmn)



Operating Expenses Movement YoY (SARmn)



Cost to income ratio





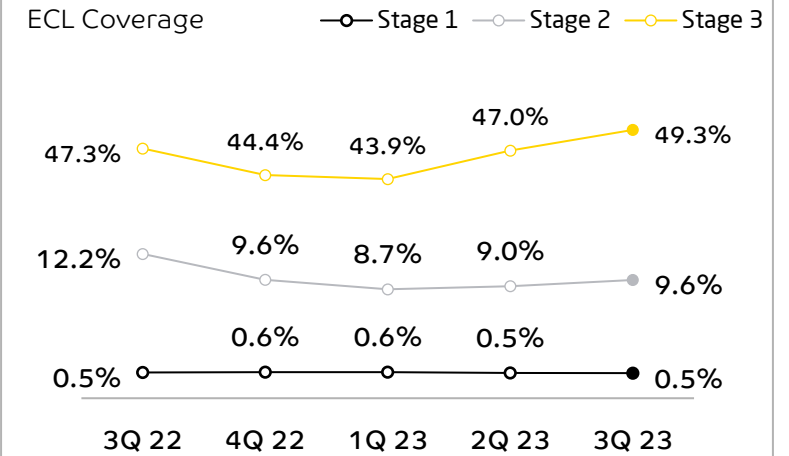
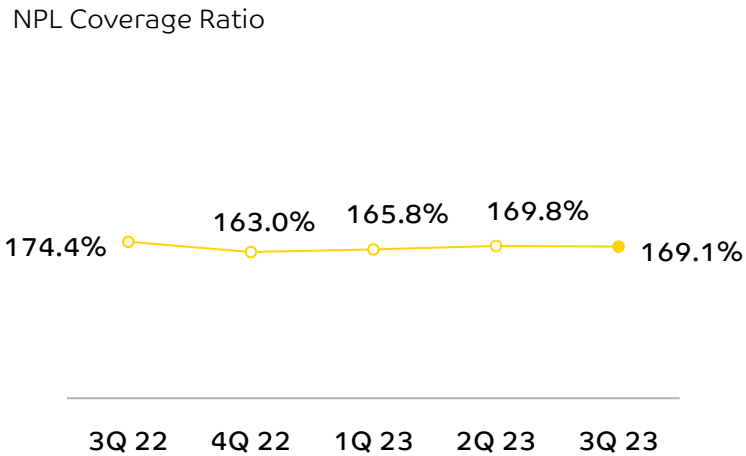
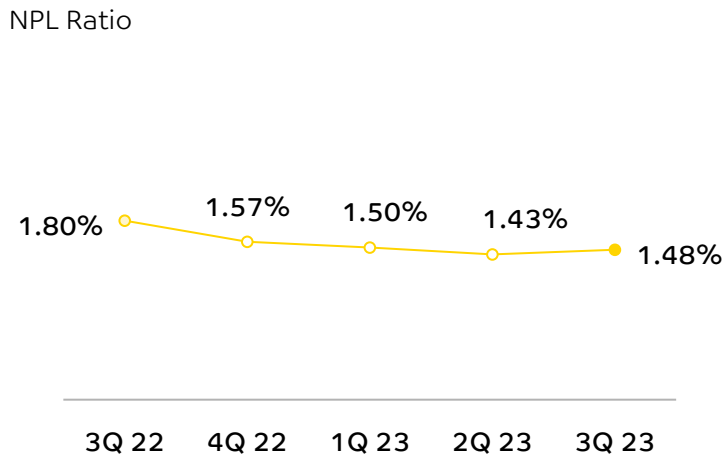
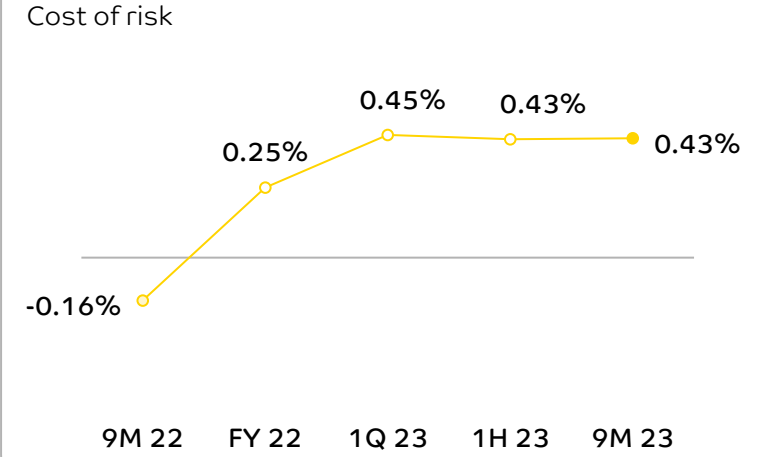
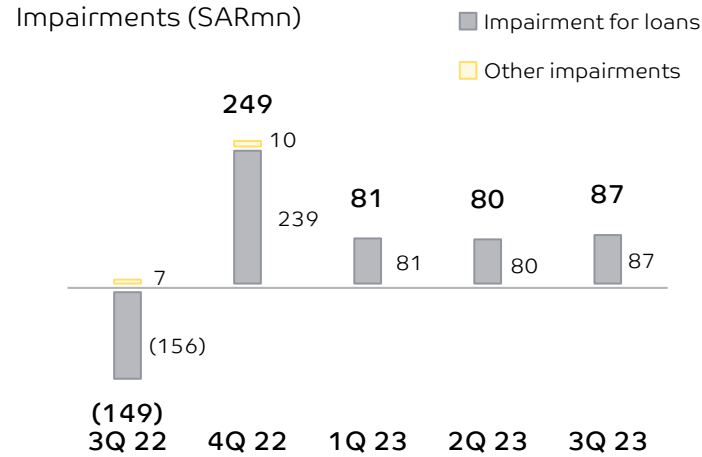
Credit quality improved further with NPL ratio at low levels

Total impairments increased SAR 306mn YoY in 9M 2023 mainly due elevated recoveries in 9M 2022 totaling SAR 294mn vs. SAR 45mn in 9M 2023

Cost of risk at 0.43% in 9M 2023 remained low

Non-performing loans ratio decreased by 9bps YTD to reach 1.48%

NPL coverage ratio at 169.1% as of 9M 2023 improved by 6.1 ppts YTD, stage 3 expected credit loss coverage also moved up to 49.3% on additional provisioning of certain exposures





Solid liquidity, funding and capital position with adequate buffers

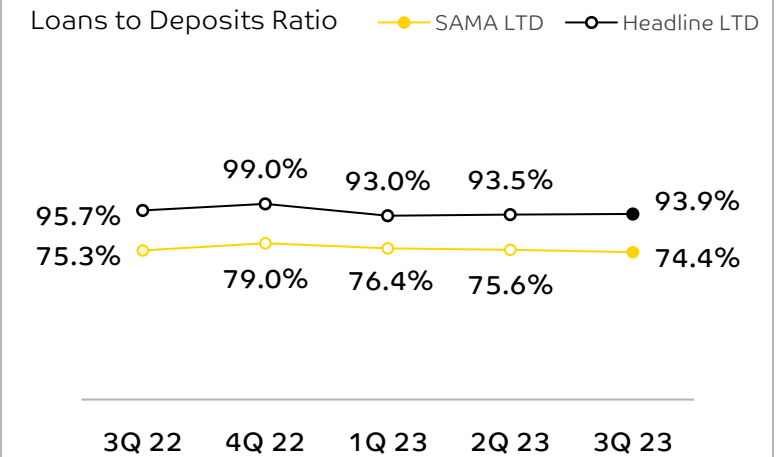
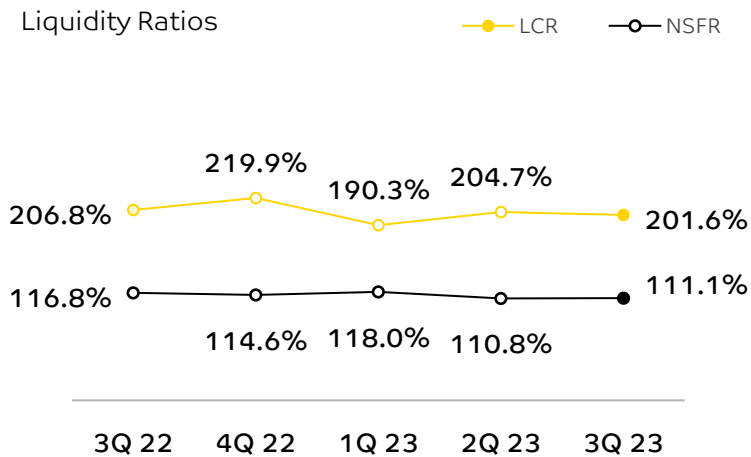
LCR declined by 18.3ppts during 9M 2023 to 201.6%, while NSFR moderated 3.6ppts to 111.1%

As of 9M 2023, the SAMA regulatory LTD ratio was within required levels at 74.4%

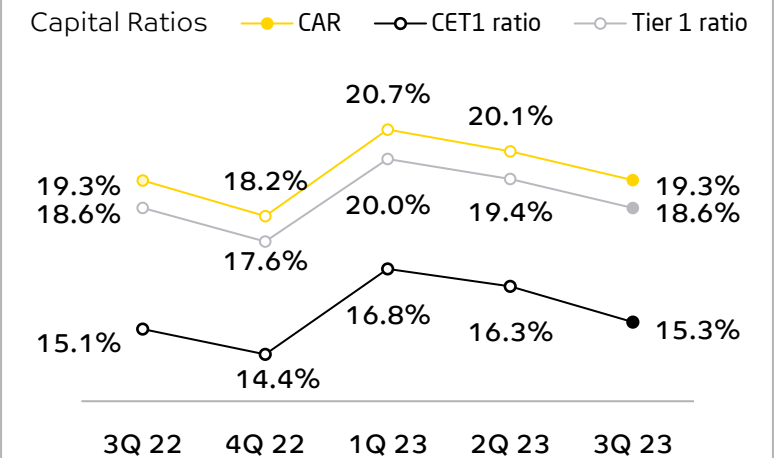
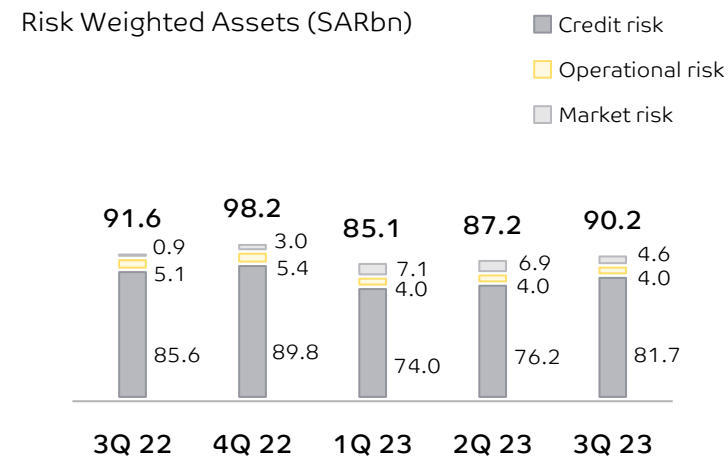
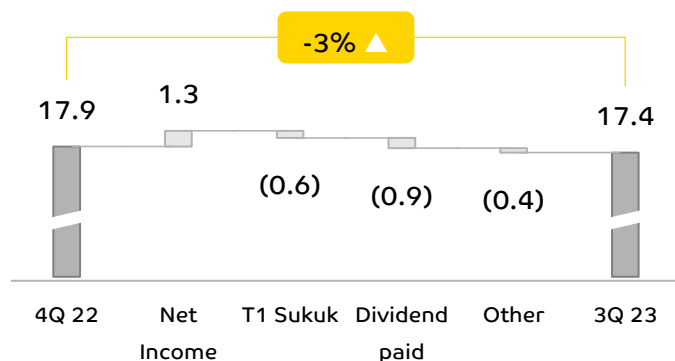
Total capital (Tier 1 + Tier 2 regulatory capital) declined modestly by 3% during 9M 2023 as net income generation was offset by the dividend payments and reduction in Tier 1 sukuk

RWAs declined 8% YTD during 9M 2023

CAR was 19.3% and the Tier 1 ratio stood at 18.6%



Total Regulatory Capital Movement (SARbn)



2023 Guidance

2023 Guidance and Outlook



		2022A	9M 2023A	2023 GUIDANCE	DRIVERS
Balance Sheet	LOANS & ADVANCES	+19% YoY	+16% YTD	Mid to high teens	Strong growth in Corporate and Private Banking loans; guidance unchanged from 2Q 23
Profitability	NET INTEREST MARGIN	2.92% +33bps YoY	3.07% +24bps YoY	3.00% – 3.05%	Guidance downgraded from 3.10% – 3.20% on faster than expected shift in deposit mix
	COST TO INCOME RATIO	43.9% -2.5ppt YoY	41.7% -2.9ppt YoY	41% - 42%	Guidance upgraded from 42% - 43% on improved cost control
	RETURN ON TANGIBLE EQUITY	9.9% +3.0ppt YoY	12.2% +1.5ppt YoY	> 12.0%	Guidance modestly upgraded to >12.0% from >11.5% on increased certainty
Asset Quality	COST OF RISK	0.25% -17bps YoY	0.43% +59bps YoY	0.45% - 0.50%	Guidance tightened from 0.45% - 0.55% on increased certainty
Capital	TIER 1 RATIO	17.6% -2.5ppt YoY	18.6% -1.0ppt YTD	> 18.75%	Guidance unchanged as 4Q 23 net income generation to improve T1

FOCUSED ON DELIVERING STRONG RESULTS ACROSS KEY PERFORMANCE INDICATORS

Q&A

Appendix



البنك السعودي للاستثمار
The Saudi Investment Bank

SAIB Investor Relations

For more information, please visit www.saib.com.sa/en/investor-relations
or contact SAIB Investor Relations at ir@saib.com.sa