



البنك السعودي للاستثمار
The Saudi Investment Bank

Earnings Presentation

1H 2023

9 August 2023

Contents

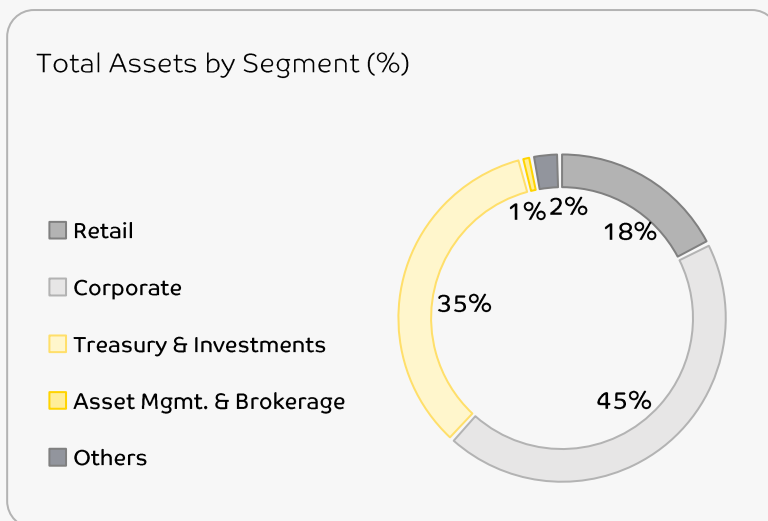
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Overview

Strong corporate and private banking franchise with well capitalized balance sheet



<p>Total assets</p> <p>+13% YTD</p> <p>123.6 SAR bn ▲</p>	<p>Number of branches</p> <p>Unchanged YTD</p> <p>51 ▶</p>	<p>% of Digital transactions</p> <p>Unchanged YTD</p> <p>99.6% ▶</p>	<p>Number of customers</p> <p>+6% YTD</p> <p>+800 k ▲</p>	<p>Credit ratings</p> <p>S&P / Fitch / Moody's</p> <p>BBB / A- / A3 ▲</p>
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Key financial metrics

11.5% ▲ RoTE	3.12% ▲ NIM
19.4% ▲ T1	204.7% ▲ LCR

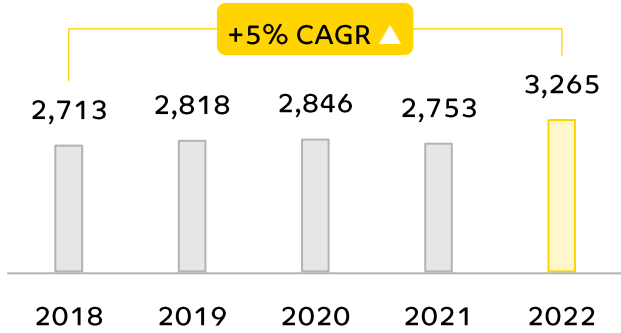
Key stock market indicators

SAR 15.3 bn Market Cap.	+73% Share Price (in last 3 years)
SAR 6.5 mn ADTV	4.4% Div. Yield

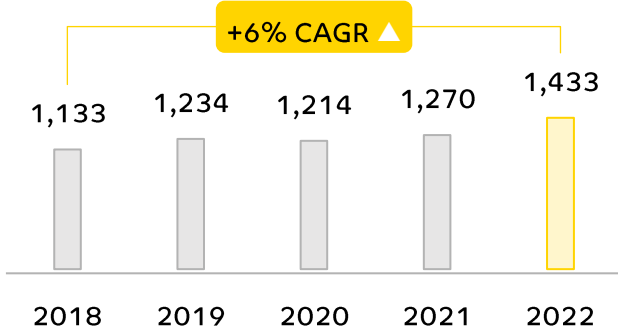
Robust financial performance with double digit net profit growth and improved profitability



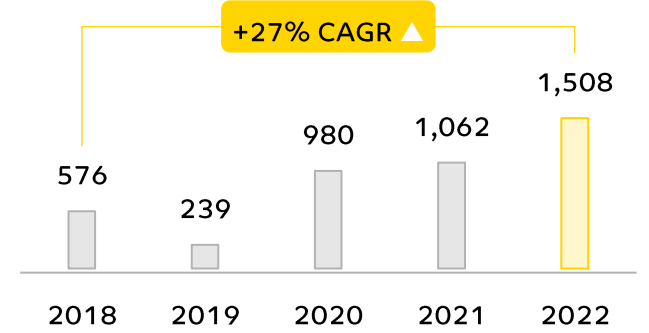
Total Operating Income



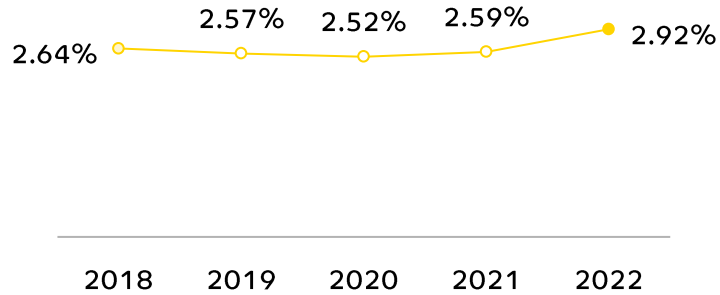
Operating Expenses



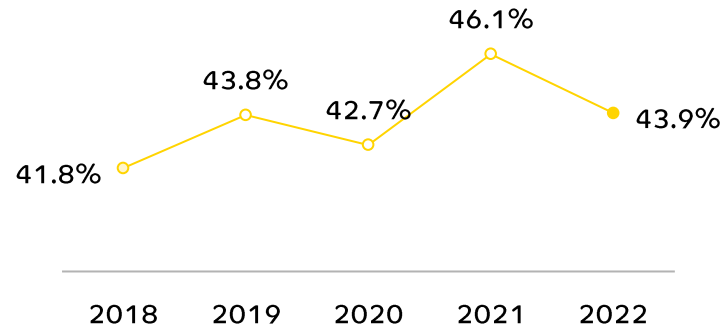
Net Income



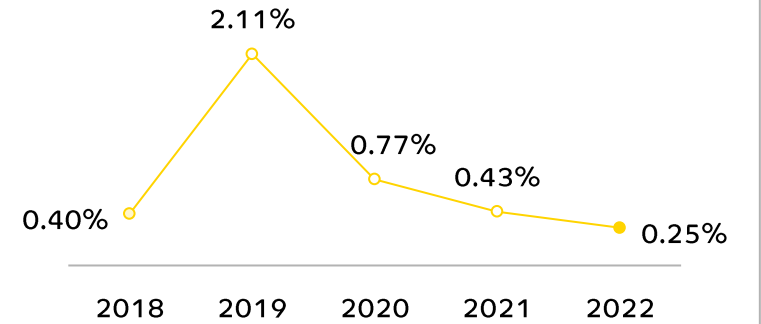
NIM



Cost To Income Ratio



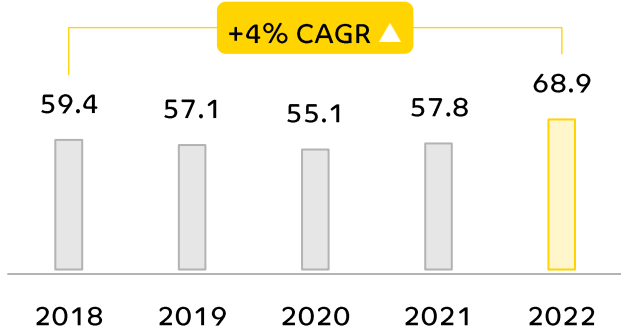
Cost of Risk



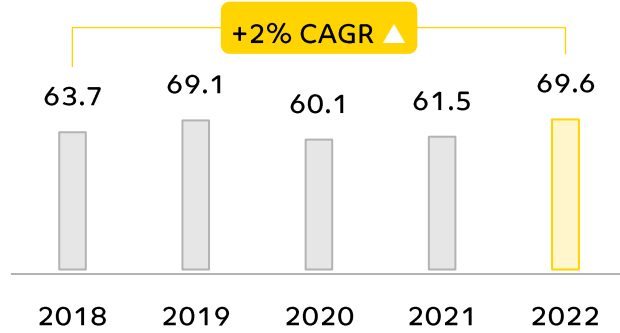
Resilient asset quality, adequate capital and liquidity position to accelerate growth and returns



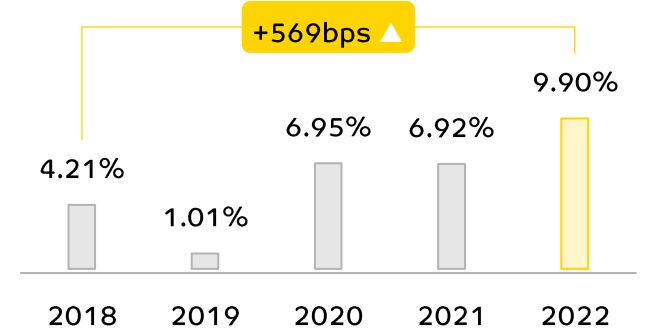
Loans & Advances



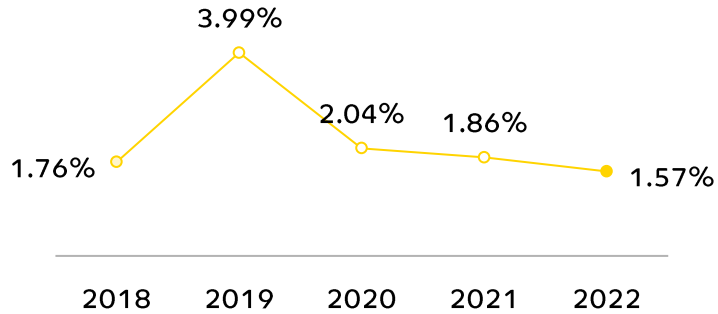
Deposits



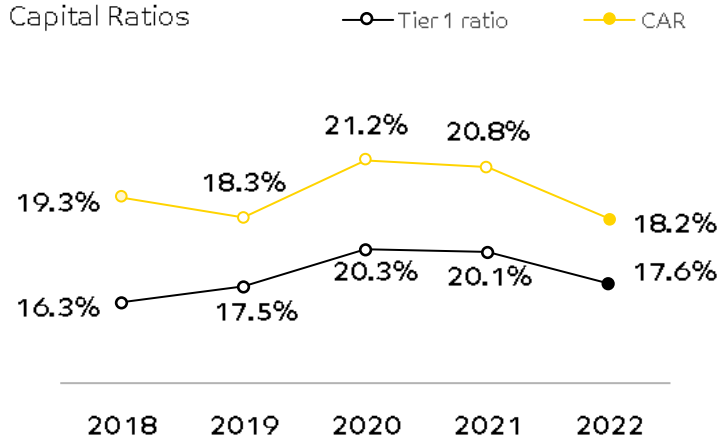
RoTE



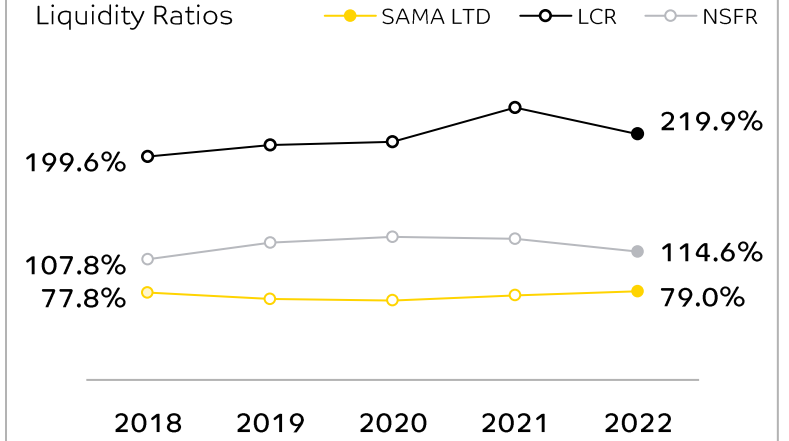
NPL Ratio



Capital Ratios



Liquidity Ratios

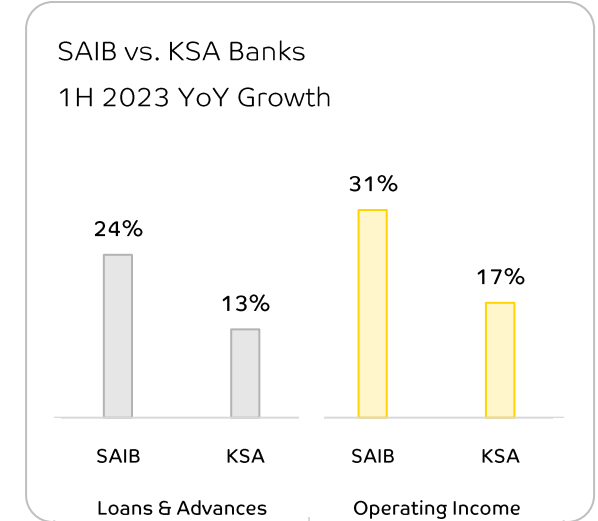
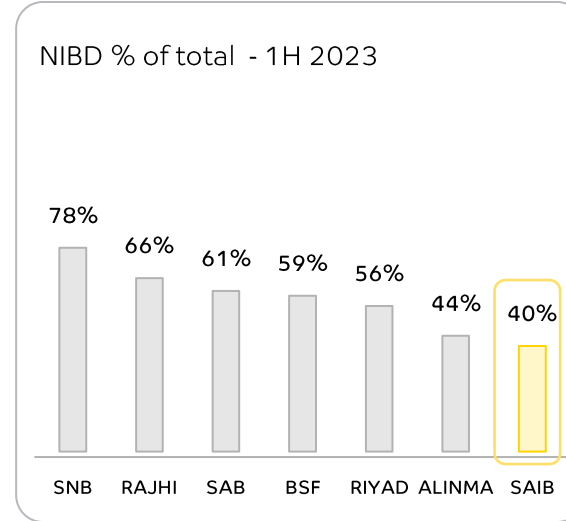
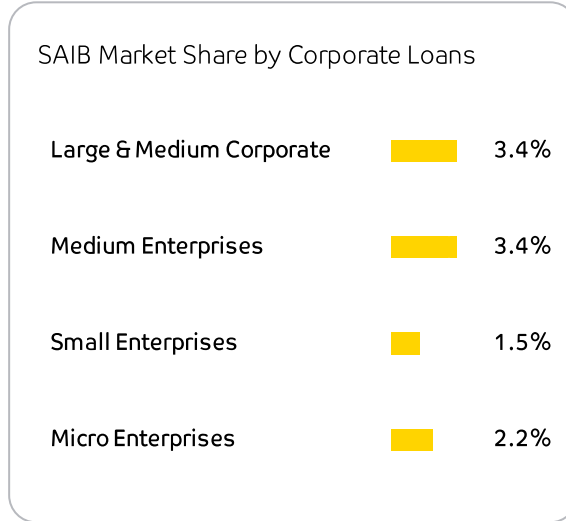
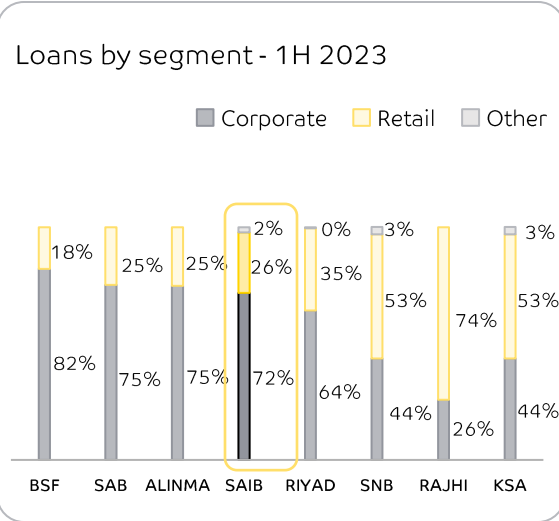


Strategy





SAIB well positioned to deliver faster bottom line growth than KSA system



SAIB well positioned to increase corporate loan growth

Corporate loans account for 72% of total loans for SAIB versus KSA Banks average of 44%

Clear opportunity to grow market share in large and medium corporate

Further upside to grow market share in corporate lending by leveraging on cross-sell opportunities

Significant opportunity to improve the NIBD ratio

Strong potential to optimize cost of funding by tapping into lower cost deposits

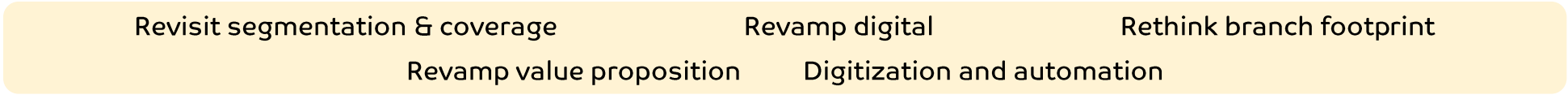
SAIB has already started to outperform market growth and bridge the gap towards KSA peers' return on equity

SAIB's return on tangible equity increased 3.0 pts YoY in 2022 and 3.3 pts YoY in 1H 2023

Bold strategy to accelerate profitable growth through differentiated value proposition and increased product penetration



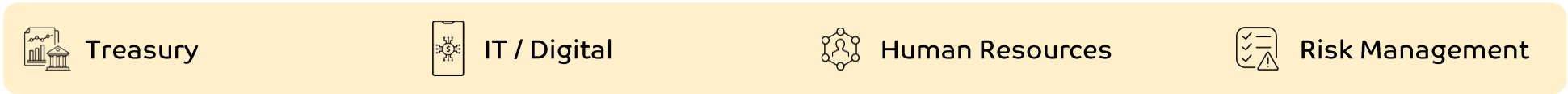
Key Priorities



Strategic Objectives

Revisit segmentation & coverage Revamp value proposition	Revamp digital Digitization and automation	Rethink branch footprint
<ul style="list-style-type: none"> • Serve large corporates and mid-market through differentiated coverage • Enhance cross-sell capabilities and increase industry focus • Improve digital platform and address gaps in transaction banking and credit product offering • Digitize credit, trade finance, account opening and servicing 	<ul style="list-style-type: none"> • Increase focus on high value private banking customers • Elevate private banking experience • Introduce new products and services, revamp investment offerings • Digitize credit, onboarding and account maintenance 	<ul style="list-style-type: none"> • Increase coverage for prioritized customer segments • Redefine the operating model • Introduce new value propositions such as B2B, mobile and priority services for high value clients • Digitize account opening and maintenance
		<ul style="list-style-type: none"> • Segregate coverage of affluent and mass affluent • Develop and launch digital app • Introduce dedicated branches for corporate, affluent and private banking • Introduce new products and services

Key Enablers





Key initiatives to achieve strategic objectives

Corporate Banking

- Update segmentation model
- Review capacity and hire RMs, transaction banking & treasury specialists as needed
- Implement account planning and re-equip RMs with tools
- Revise scorecards and KPIs
- Review product offering and address key gaps
- Enhance digital capabilities and process automation

Private Banking

- Revise customer segments and set tiered benefits and value proposition to customers
- Revise capacity and hiring of RMs, update RMs performance KPIs
- Introduce new products and services, revamp investment offering
- Streamline credit onboarding and account maintenance journeys

Public Institutions

- Review capacity and hire RMs as needed
- Implement account planning and re-equip RMs with tools
- Revise scorecards and KPIs
- Implement target public institutions organization
- Introduce dedicated employee team, B2B, mobile and priority services for high value clients
- Simplify and automate account opening and maintenance process

Personal Banking

- Revise customer segments including upgrade / downgrade processes
- Launch new digital app
- Revise branch coverage and implement based on SAMA approval
- Develop new value proposition addressing product gaps and develop compelling savings/credit card offering
- Redesign credit, onboarding and account maintenance journeys



Strategic progress so far



- Launched new innovative products to market (e.g. Travel credit cards)
- Further investment in IT and technology capabilities and digitization of key journeys



- Renewed focus on private banking
- Acceleration of growth in corporate banking
- Established innovation lab & fintech / partnership model

Financial Performance

1H 2023





Growth momentum sustained in 1H 2023 demonstrating solid progress

Loans

+12% YTD

SAR 77.3 bn ▲

Deposits

+19% YTD

SAR 82.7 bn ▲

1H 2023 Operating Income

+31% YoY

SAR 1,949 mn ▲

1H 2023 Net Income

+40% YoY

SAR 853 mn ▲

Loan growth of 12% YTD driven by corporate segment while deposits grew 19% YTD on higher time deposits

Double digit growth in operating income underpinned by 13% YTD growth in assets and higher profit margins

Maintained cost discipline with cost to income ratio declining to 42.4%

Return on tangible equity at 11.5%, maintains an upwards trajectory

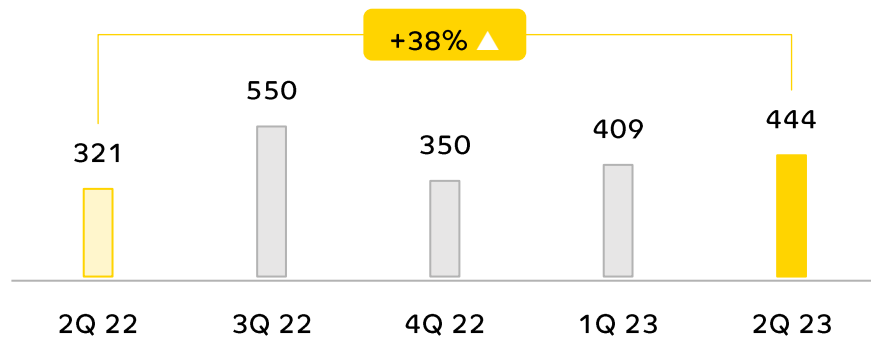
Asset quality continued to improve with NPL ratio declining by 14bps to 1.43% with NPL coverage ratio at 170%

Significant improvement in capital ratios with T1 ratio at 19.4%

Solid liquidity position with LCR of 205%

Net Income (SARmn)

SAR 444 mn



1H 2023 RoTE

3.3 ppt YoY

11.5% ▲

1H 2023 NPL

-14 bps YTD

1.43% ▼

1H 2023 T1 Ratio

+1.8 ppt YTD

19.4% ▲

1H 2023 LCR

-15.2 ppt YTD

204.7% ▼



Growth across assets, funded largely by increase in deposits

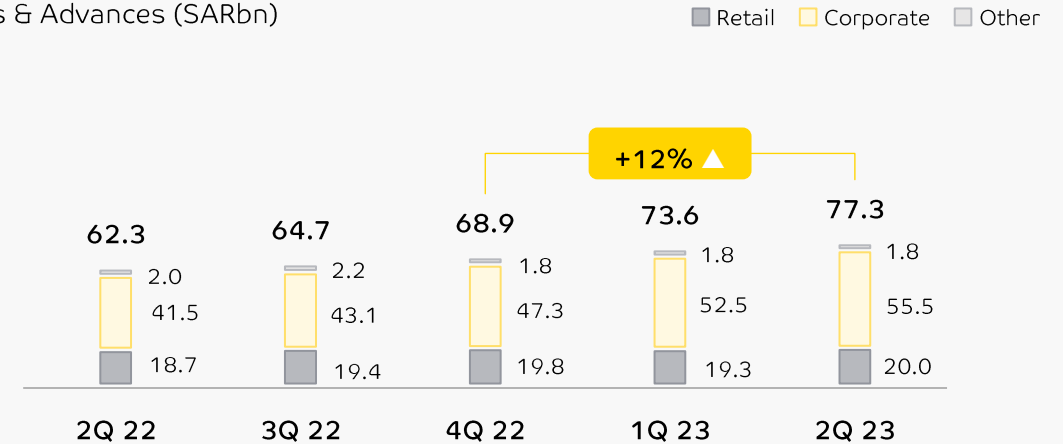
Total assets increased by 13% YTD as loans grew 12% and investments rose 13%, further supported by increase in SAMA and bank placements

Total liabilities increased 16% YTD, mainly driven by growth in deposits of 19% YTD

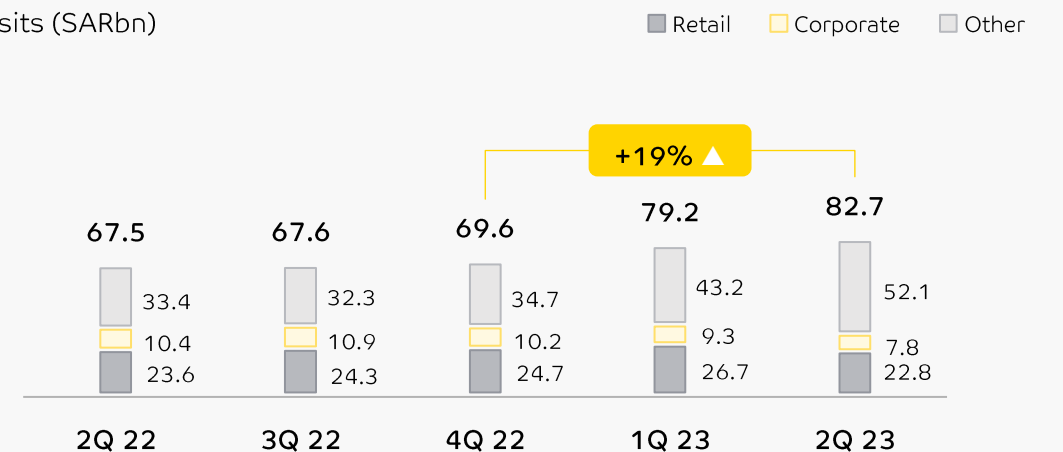
Total equity was stable YTD as strong growth in retained earnings generation was offset by reduction (net of repayment and issuance) in Tier 1 sukuk and payment of 2022 final dividend

SAR Million	2Q 2023	1Q 2023	Δ	4Q 2022	Δ
Cash and balances with SAMA	8,149	11,159	-27%	6,401	+27%
Due from banks and financial Institutions, net	2,179	3,041	-28%	1,305	+67%
Investments, net	31,707	30,054	+6%	28,180	+13%
Loans and advances, net	77,305	73,632	+5%	68,883	+12%
Other assets, net	4,255	4,017	+6%	4,301	-1%
Total assets	123,595	121,901	+1%	109,071	+13%
Due to banks and other financial institutions, net	22,287	24,041	-7%	20,892	+7%
Customers' deposits	82,664	79,216	+4%	69,579	+19%
Other liabilities	1,948	1,862	+5%	1,810	+8%
Total liabilities	106,900	105,118	+2%	92,281	+16%
Share capital	10,000	10,000	+0%	10,000	+0%
Retained earnings	1,725	1,347	+28%	957	+80%
Other reserves	2,255	2,721	-17%	2,618	-14%
Shareholders' equity	13,980	14,068	-1%	13,575	+3%
Tier 1 sukuk	2,715	2,715	+0%	3,215	-16%
Total equity	16,695	16,783	-1%	16,790	-1%

Loans & Advances (SARbn)



Deposits (SARbn)





Loan growth continues to gain momentum driven by corporate lending

12% YTD growth in loans driven by 17% increase in corporate lending

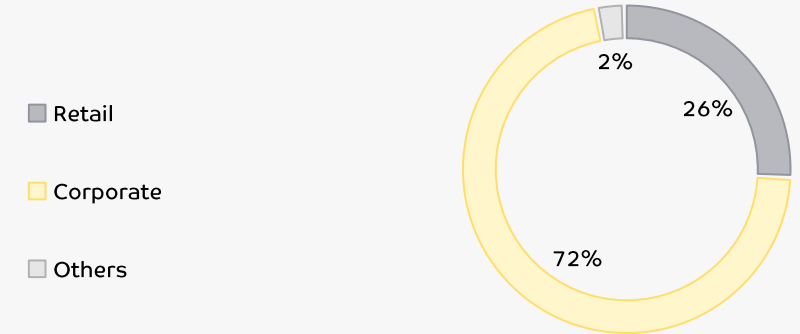
Active participation in syndicated loan market for infrastructure projects, well supported by demand from other key sectors such as commerce, building & construction, manufacturing and services

Retail lending remained broadly stable YTD as consumer loans declined 4% YTD due to historically cautious approach towards mortgage lending rates, partially offset by an increase in private banking lending

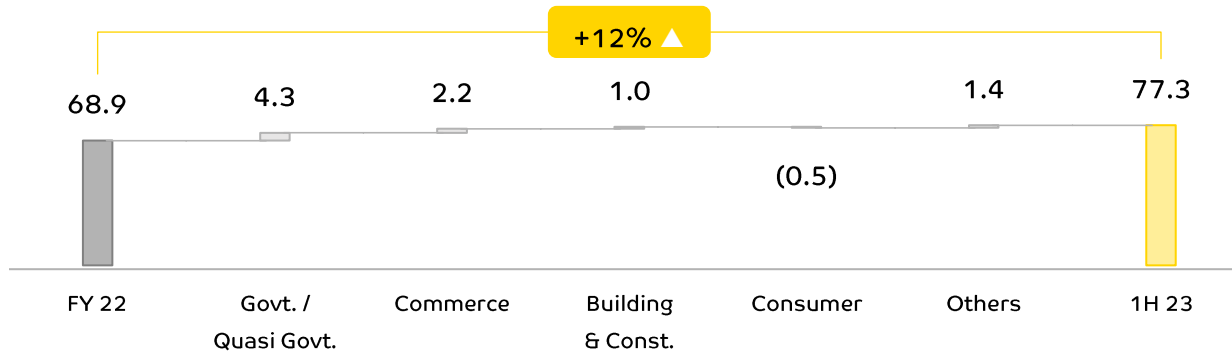
+5% Loans QoQ ▲

+12% Loans YTD ▲

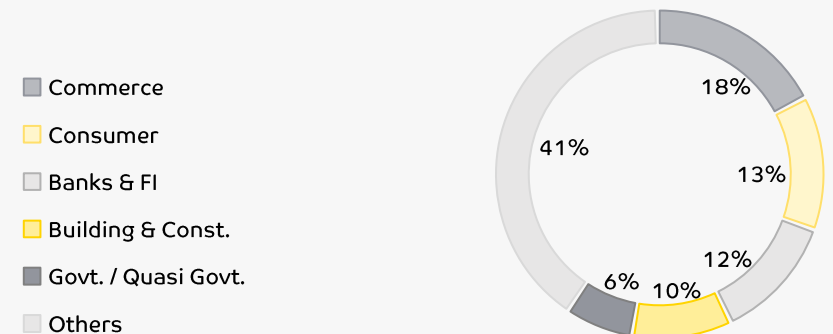
Loans & Advances by segment (%)



Loans & Advances Movement YTD (SAR bn)



Loans & Advances by economic activity (%)





Investments grew 13% YTD driven by debt securities

96% of investments were fixed rate debt securities as of 1H 2023

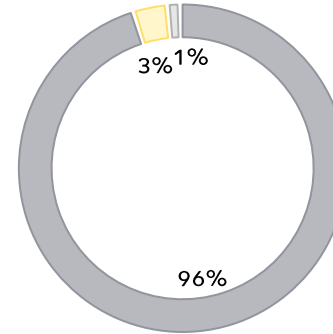
64% of investments were accounted for at fair value through other comprehensive income and 35% at amortized cost

High-grade investment portfolio with 61% of investment securities issued by government, 25% by banks and other financial institutions

Increase in investments during 1H 2023 was mainly driven by new securities to lock-in and benefit from high rate environment

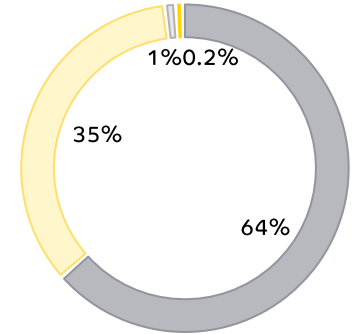
Investments, Gross by type (%)

- Fixed rate securities
- Floating rate securities
- Funds & equity

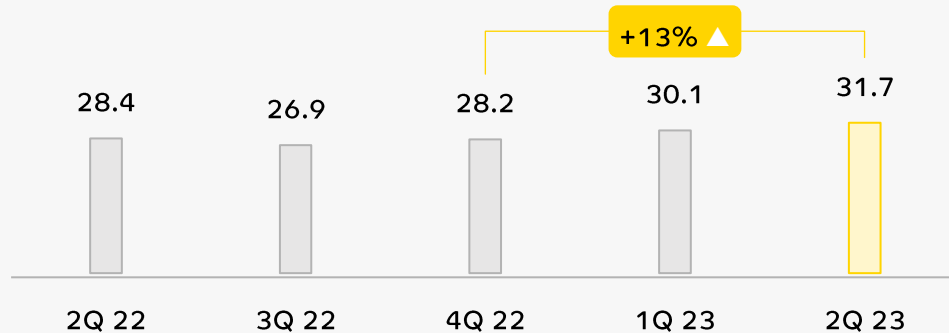


Investments by type (%)

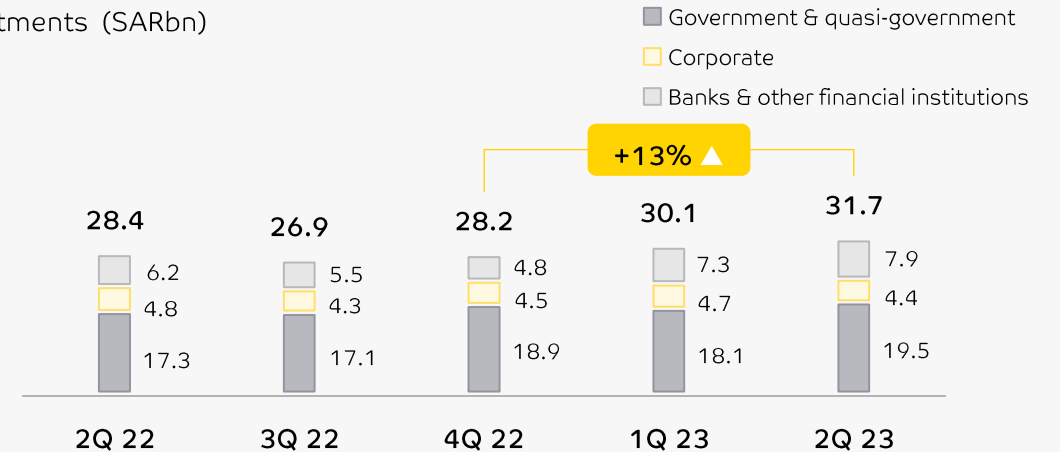
- Debt securities - FVOCI
- Debt securities - Amortized cost
- Equity securities - FVOCI
- FVTPL



Investments (SARbn)



Investments (SARbn)





Customer deposits increased 19% driven by IBDs

Deposits grew 19% YTD during 1H 2023 mainly driven by increase in interest-bearing deposits

IBDs rose 29% YTD from large inflows to time deposits amid higher interest rate environment

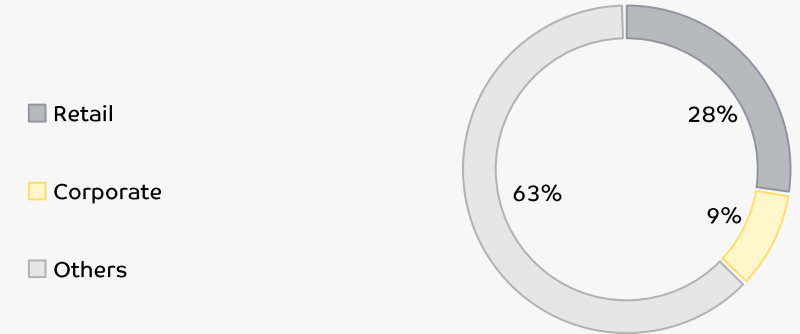
NIBDs increased 7% YTD driven by demand deposits

Retail and Corporate deposits declined by 8% and 23% respectively given better access to lower cost deposits; Treasury and Investment deposits grew 50% due to inflow from public institutions

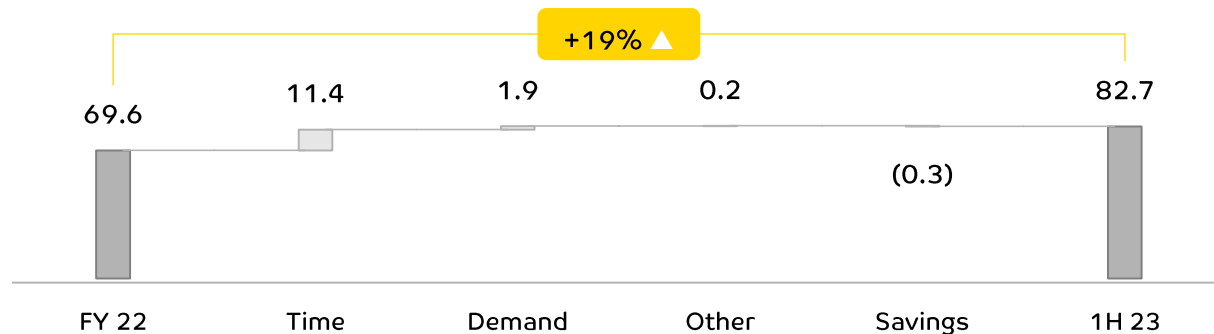
+19% Deposits YTD ▲

+4% Deposits QoQ ▲

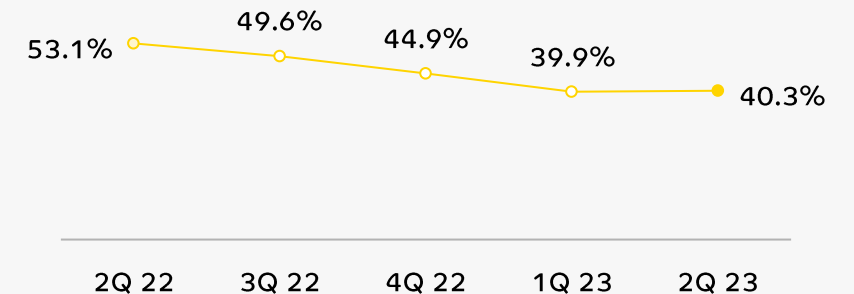
Deposits by segment (%)



Deposits Movement YTD (SAR bn)



NIBD % of total





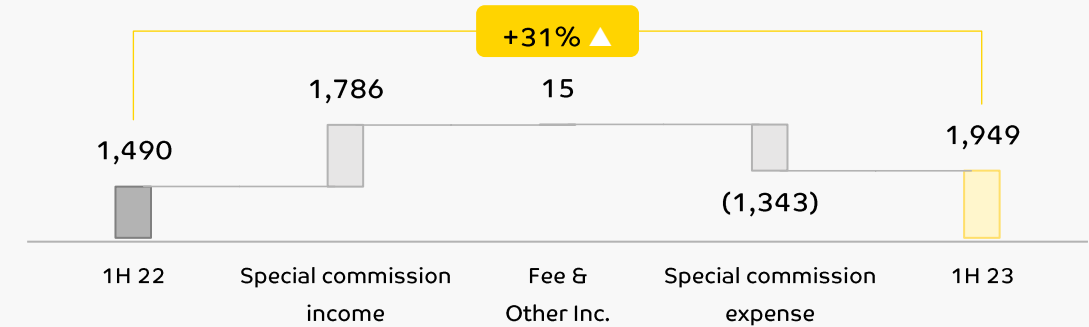
40% growth in 1H 2023 earnings driven by net special commission income

Net income increased 40% YoY in 1H 2023 driven by strong growth of 31% in operating income, partially offset by an increase of 21% in operating expenses and a rise of 76% in impairment charges

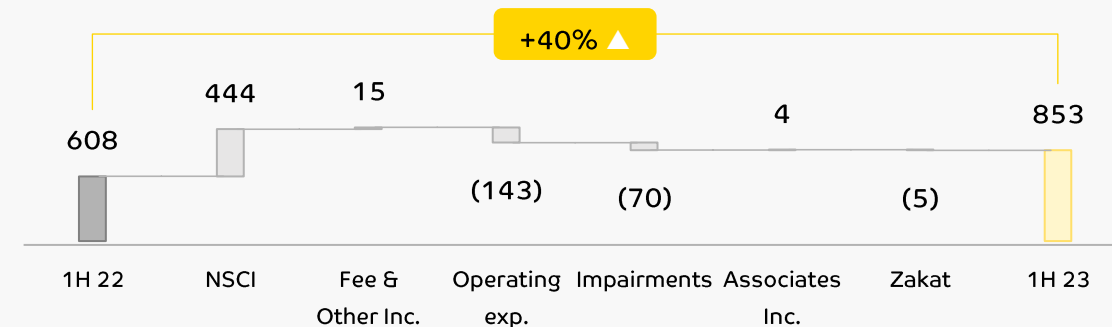
Net income during 2Q 2023 rose 38% YoY driven by similar factors as 1H 2023, while it increased by 9% QoQ on lower operating expenses and impairment charges

SAR Million	2Q 2023	2Q 2022	Δ	1H 2023	1H 2022	Δ
Net special commission income	864	672	+28%	1,705	1,261	+35%
Fee and other income	126	100	+25%	244	228	+7%
Total operating income	989	772	+28%	1,949	1,490	+31%
Operating expenses before impairments	(406)	(339)	+20%	(827)	(684)	+21%
Provisions for credit and other losses	(80)	(54)	+48%	(161)	(91)	+76%
Net Operating Income	504	379	+33%	961	714	+35%
Share in earnings of associates	13	12	+8%	31	27	+14%
Income before provisions for Zakat	516	391	+32%	992	741	+34%
Provisions for Zakat	(72)	(70)	+3%	(139)	(133)	+4%
Net Income attributed to equity holders	444	321	+38%	853	608	+40%
Earnings per share	0.38	0.29	+29%	0.77	0.56	+36%
Net interest margin	3.14%	2.88%	+26bps	3.12%	2.72%	+40bps
Cost to income ratio	41.1%	43.9%	-2.9ppt	42.4%	45.9%	-3.5ppt
Cost of risk	0.41%	0.32%	+9bps	0.43%	0.27%	+16bps
Return on tangible common equity	11.1%	8.7%	+2.4ppt	11.5%	8.2%	+3.3ppt

Total Operating Income Movement YoY (SARmn)



Net Income Movement YoY (SARmn)



Net special commission income driven by balance sheet growth and margin improvement

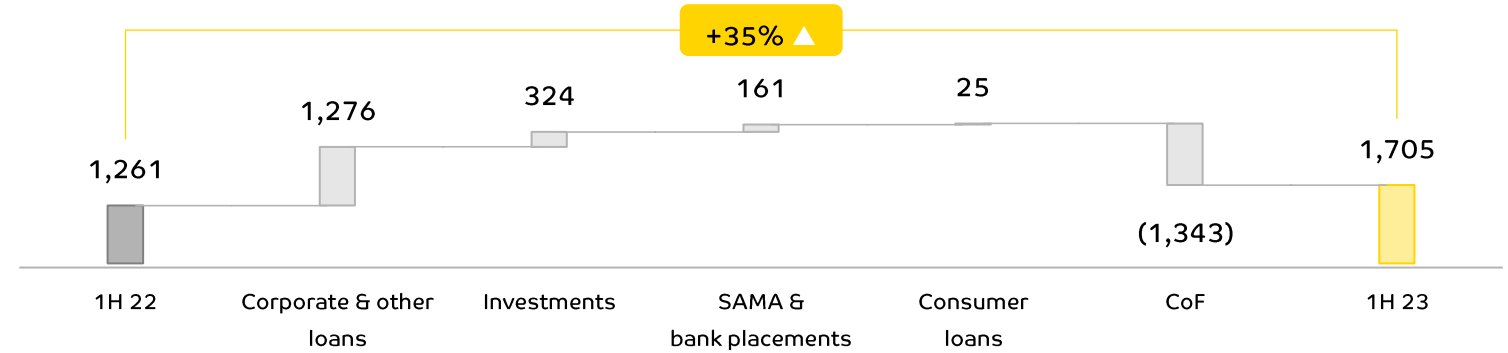


Net special commission income growth of 35% YoY was underpinned by growth in average earnings assets as well as increase in benchmark rates

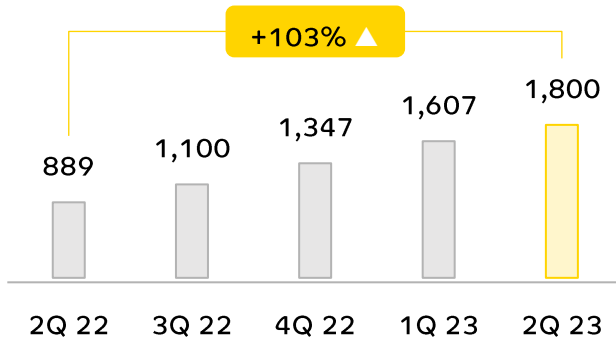
Large part of NSCI growth came from **corporate segment**, further supported by investments, SAMA and bank placements

Cost of funding increased at higher rate than commission income as deposits growth outpaced assets growth, portion of assets (investments and part of loan book) carrying fixed rates and lag in repricing of loans compared to liabilities

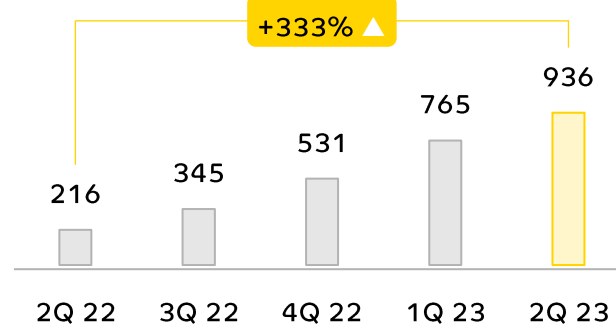
NSCI Movement YoY (SARmn)



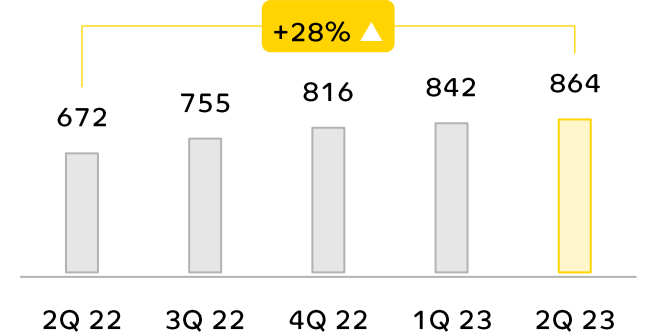
Special Commission Income (SARmn)



Special Commission Expense (SARmn)



Net Special Commission Income (SARmn)





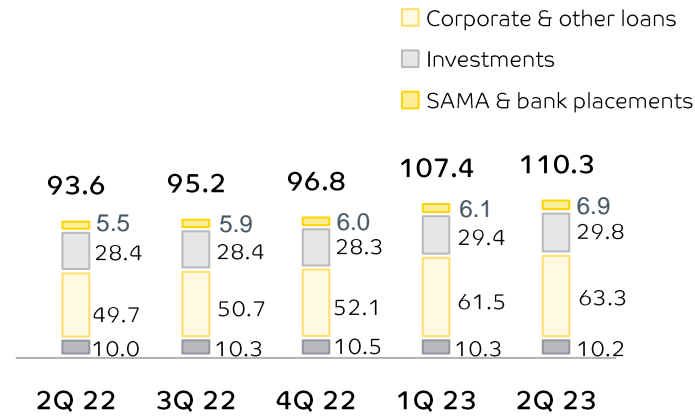
NIM improved 40bps YoY on higher yields

Net interest margin improved 40 bps YoY during 1H 2023, reflecting higher asset yield

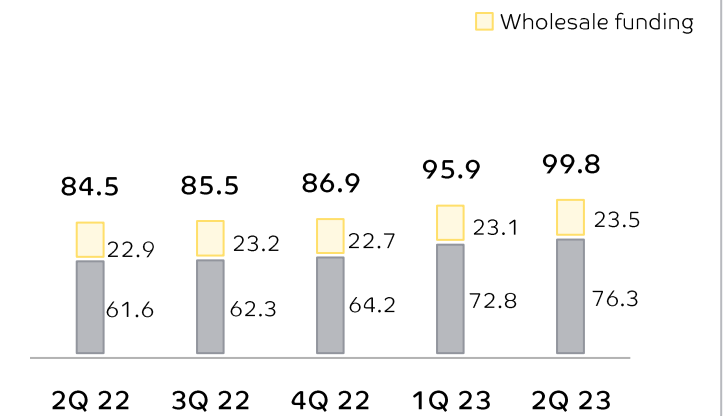
Asset yield increased by 2.75 ppts YoY in 1H 2023 while of cost of funding increased by 2.59 ppts

NIM also increased by 26bps YoY in 2Q 2023, however, it declined by 4bps QoQ due to lagged repricing of assets than liabilities

Average Earning Assets (SARbn)

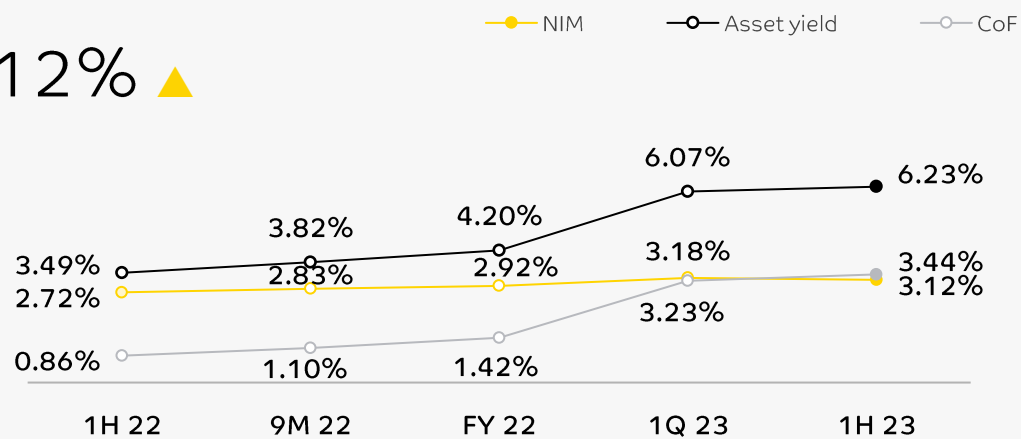


Average Bearing Liabilities (SARbn)



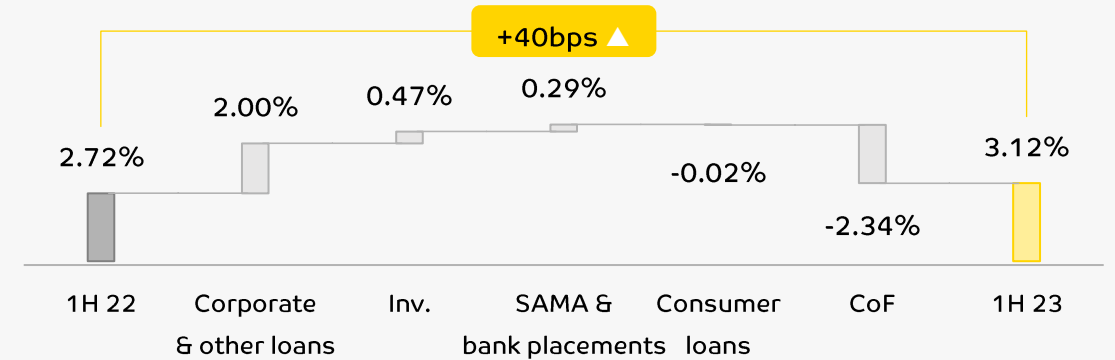
NIM

3.12% ▲



NIM Movement YoY

+40bps ▲



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



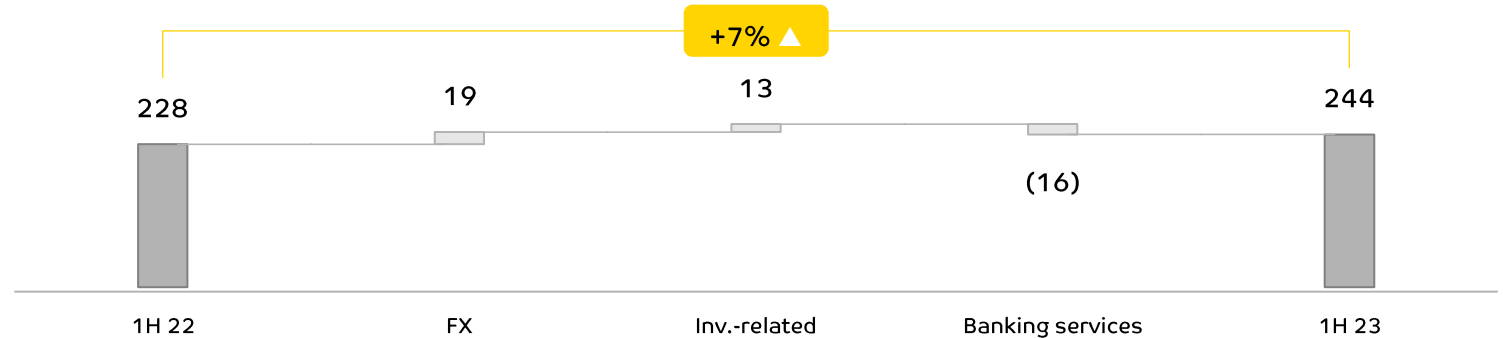
Fee & other income increased 7% YoY in 1H 2023, mainly driven by foreign exchange and investment income

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

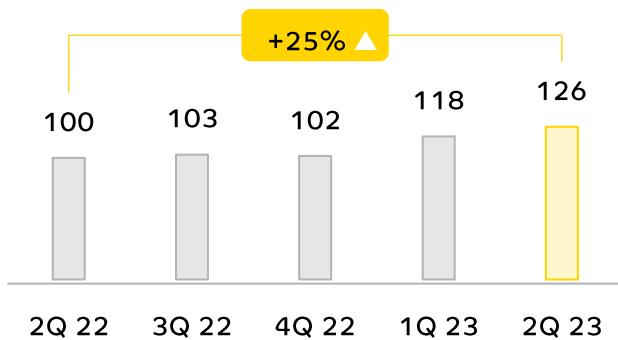
Investment related losses decreased due to lower mark to market fair value losses

Fee from banking services declined due to lower brokerage and cards related income

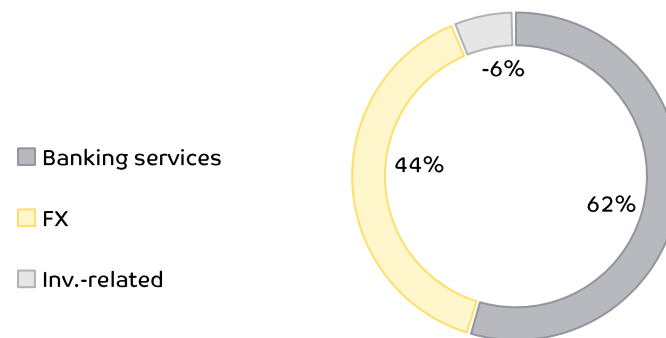
Fee & Other Income Movement YoY (SARmn)



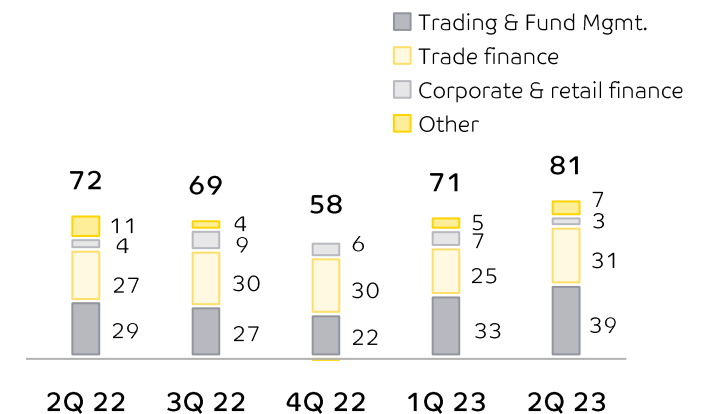
Fee And Other Income (SARmn)



Fee & Other Income by segment (%) - 1H 23



Fee Income From Banking Services (SARmn)



Operating expenses increased by 21% as the bank embarks on to its transformation journey and execution of strategic initiatives

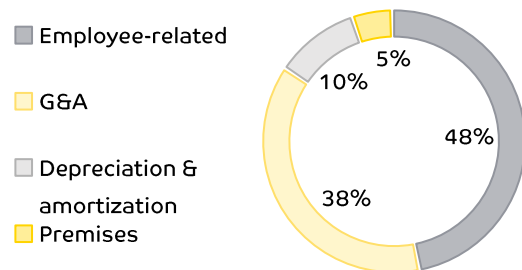


Operating expenses increased 21% YoY in 1H 2023, mainly due to increase in employee related costs and other general & administration expenses as bank continued to execute on its digital transformation and strategic growth initiatives to expand market share

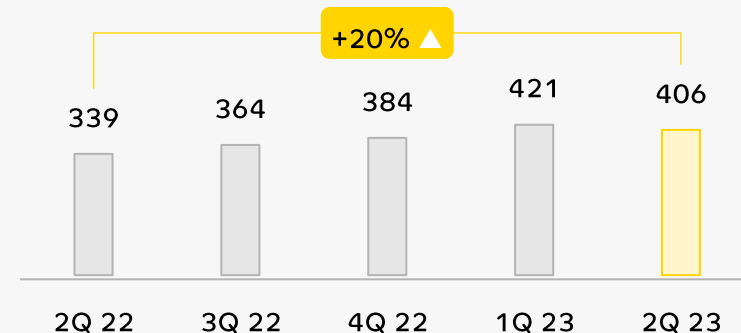
Cost to income ratio continued to fall, reaching 42.4% in 1H 2023, a decline of 3.5ppts YoY

Operating expenses declined 4% QoQ in 2Q 2023 given better cost controls, resulting in cost to income ratio reaching 41.1%

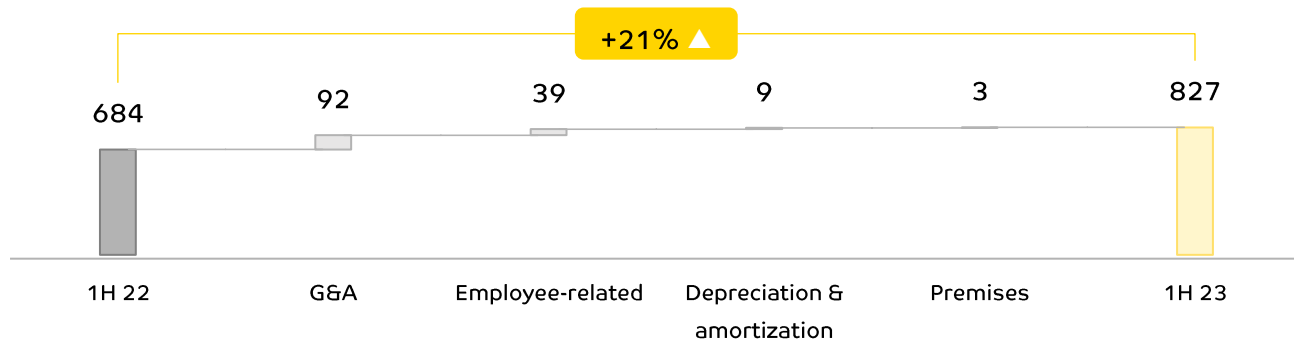
Operating Expenses Composition - 1H 23



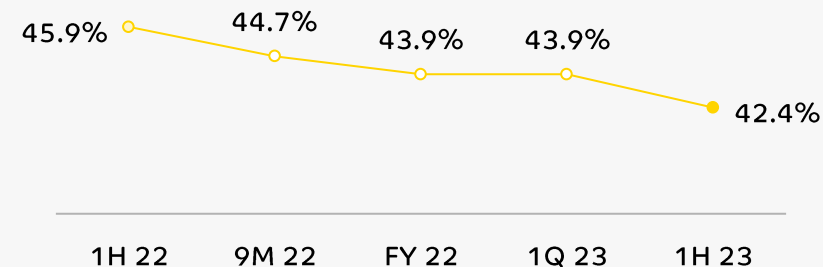
Operating Expenses Before Impairments (SARmn)



Operating Expenses Movement YoY (SARmn)



Cost to income ratio





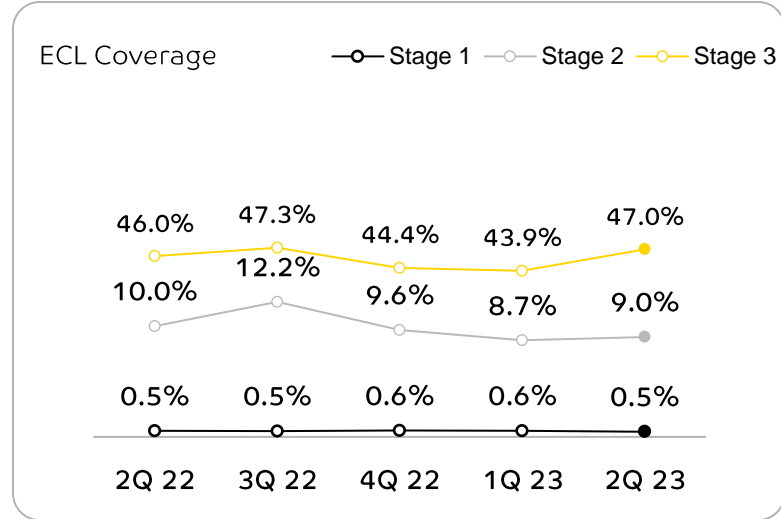
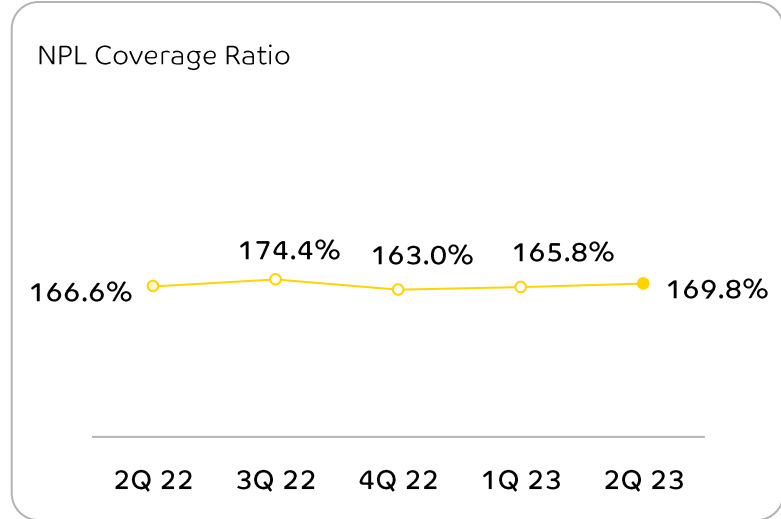
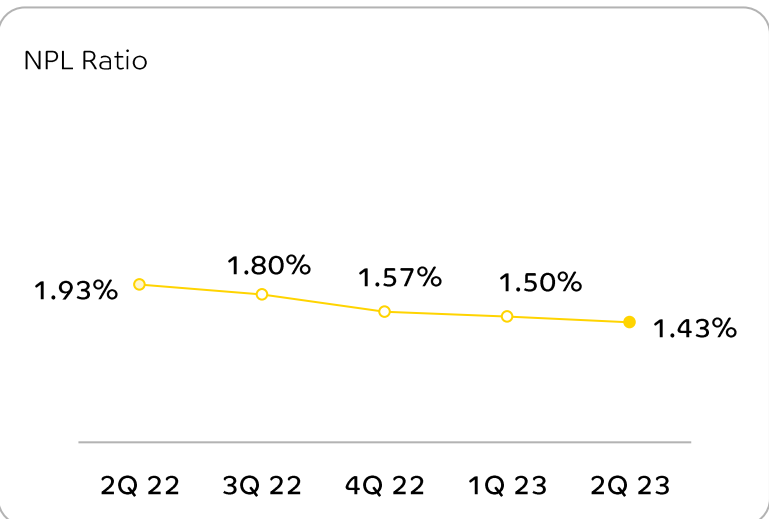
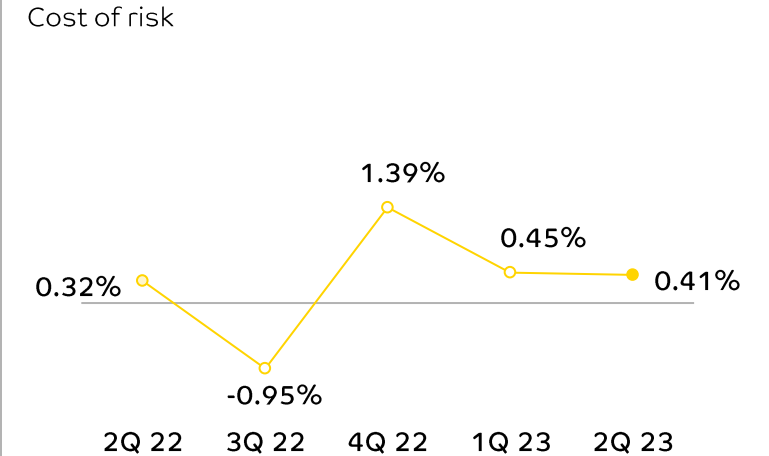
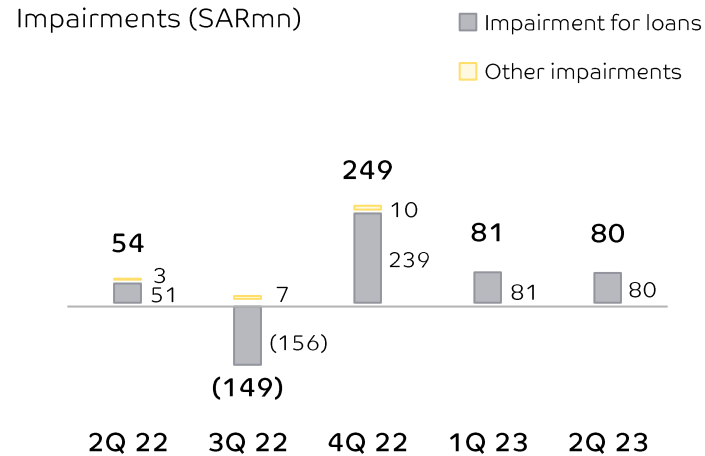
Credit quality improved further with NPL ratio at historically low levels

Total impairments increased 76% YoY in 1H 2023 mainly due to a one-off recovery in 1H 2022

Cost of risk at 0.43% in 1H 2023 remained low

Non-performing loans ratio decreased by 14bps YTD to reach 1.43%, lowest level in the last five years

NPL coverage ratio at 169.8% as of 1H 2023 improved further by 6.8 ppts, stage 3 expected credit loss coverage also moved up to 47.0% on full provisioning of certain exposures





Solid liquidity, funding and capital position with adequate buffers

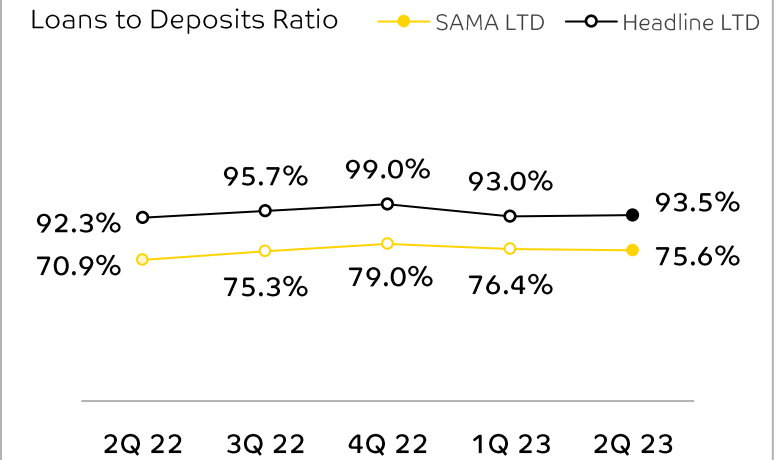
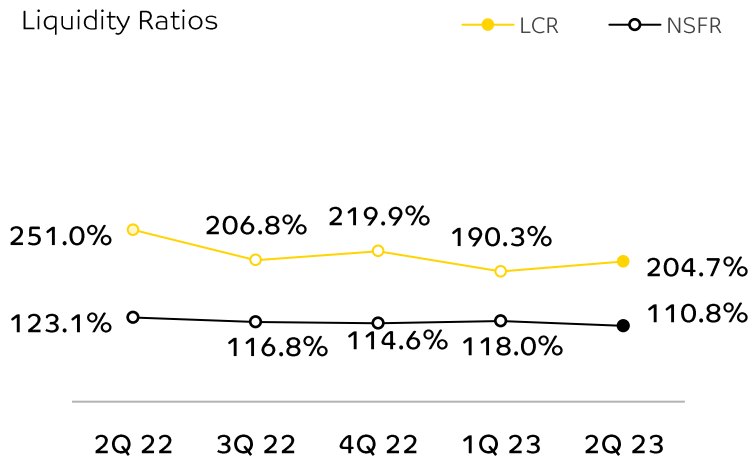
LCR declined by 15.2ppts during 1H 2023 to 204.7%, while NSFR moderated 3.8ppts to 110.8%

As of 1H 2023, the SAMA regulatory LTD ratio was within required levels at 75.6%

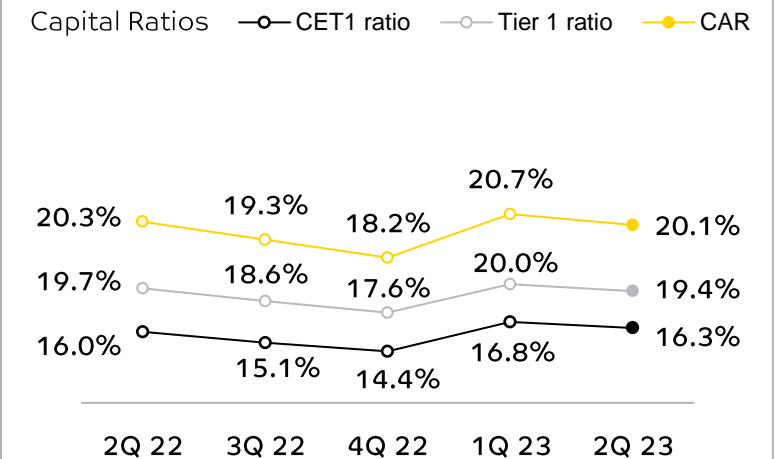
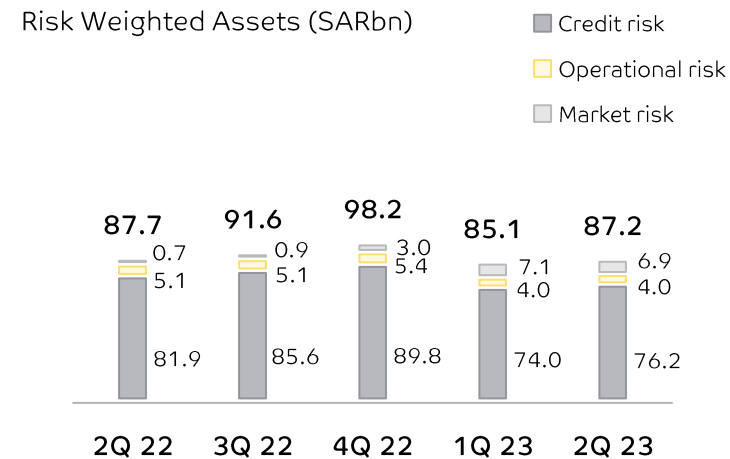
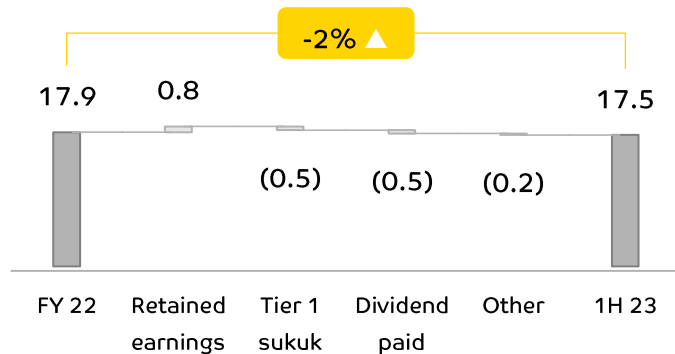
Total capital (Tier 1 + Tier 2 regulatory capital) declined modestly by 2% during 1H 2023 as net income generation was offset by the final 2022 dividend payment and reduction in Tier 1 sukuk

RWAs declined 11% YTD during 1H 2023

CAR was 20.1% and the Tier 1 ratio stood at 19.4%



Total Regulatory Capital Movement (SARbn)



2023 Guidance



2023 Guidance and Outlook



		2022A	1H 2023A	2023 GUIDANCE	DRIVERS
Balance Sheet	LOANS & ADVANCES	+19% YoY	+12% YTD	Mid to high teens	Strong growth in Corporate and Private Banking loans
Profitability	NET INTEREST MARGIN	2.92% +33bps YoY	3.12% +40bps YoY	3.10% – 3.20%	Rising interest rates
	COST TO INCOME RATIO	43.9% -2.5ppt YoY	42.4% -3.5ppt YoY	42% - 43%	Execution of strategic initiatives
	RETURN ON TANGIBLE EQUITY	9.9% +3.0ppt YoY	11.5% +3.3ppt YoY	> 11.5%	Net income growth
Asset Quality	COST OF RISK	0.25% -17bps YoY	0.43% +16bps YoY	0.45% - 0.55%	Marginal increase due to loan book growth
Capital	TIER 1 RATIO	17.6% -2.5ppt YoY	19.4% +1.8ppt YTD	> 18.75%	Increase in RWA underpinned by growth in loans

FOCUSED ON DELIVERING STRONG RESULTS ACROSS KEY PERFORMANCE INDICATORS

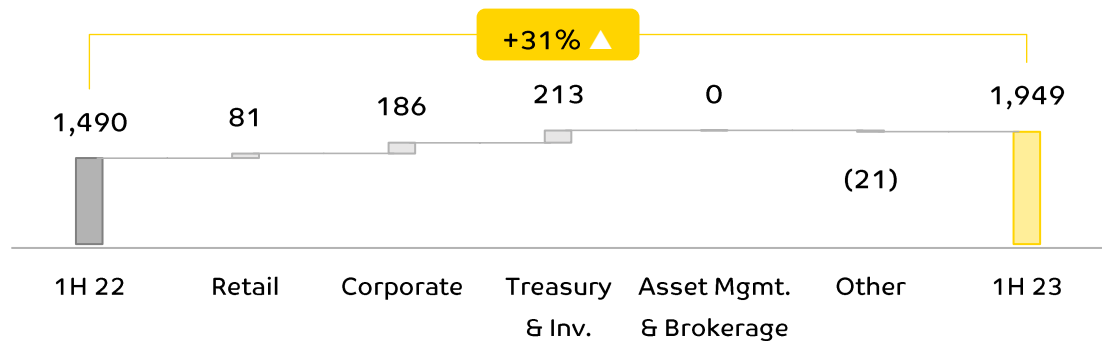
Q&A

Appendix

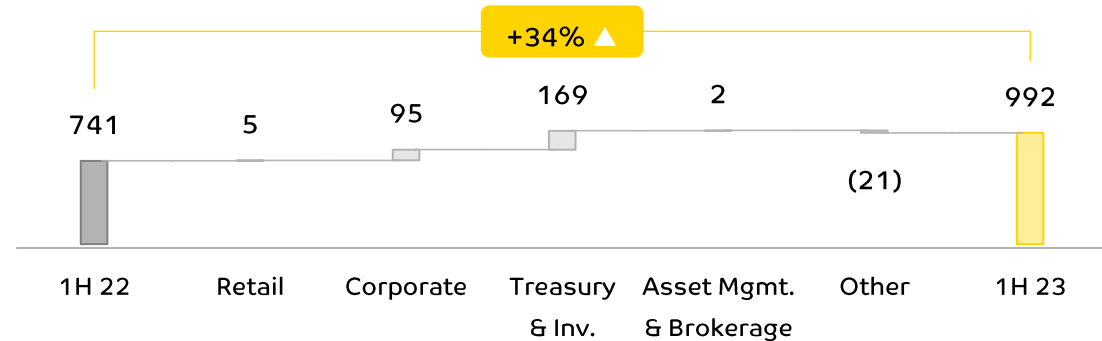
Strong operating performance across segments



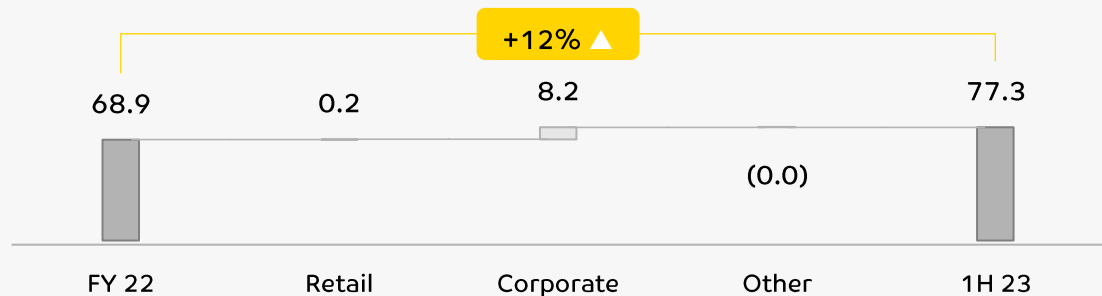
Total Operating Income Movement YoY (SARmn)



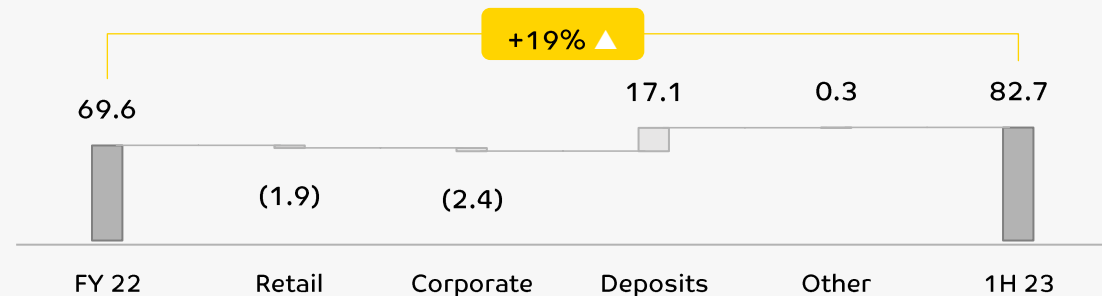
Net Income Before Zakat Movement YoY (SARmn)



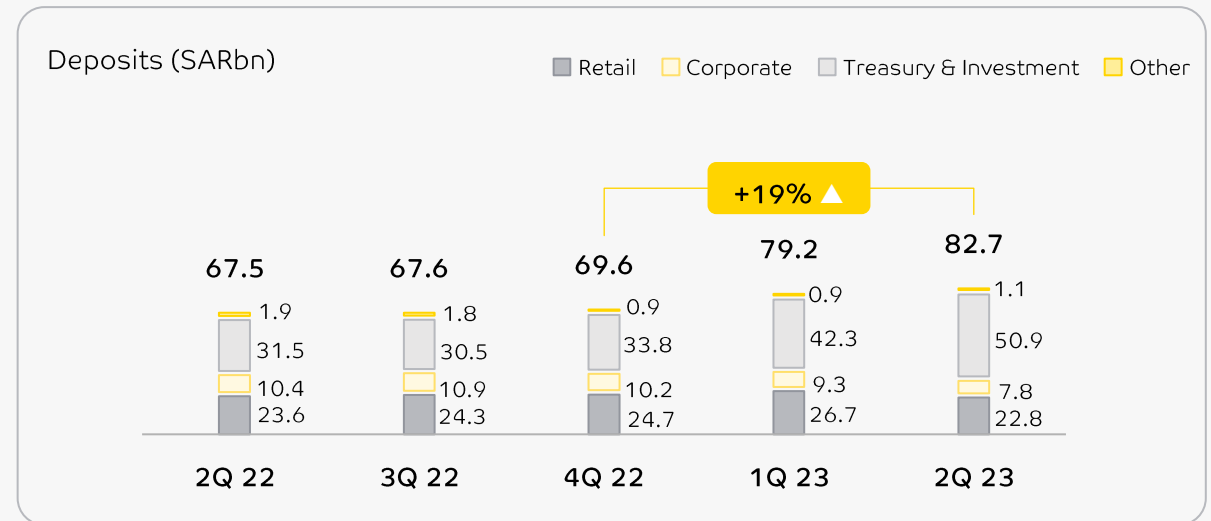
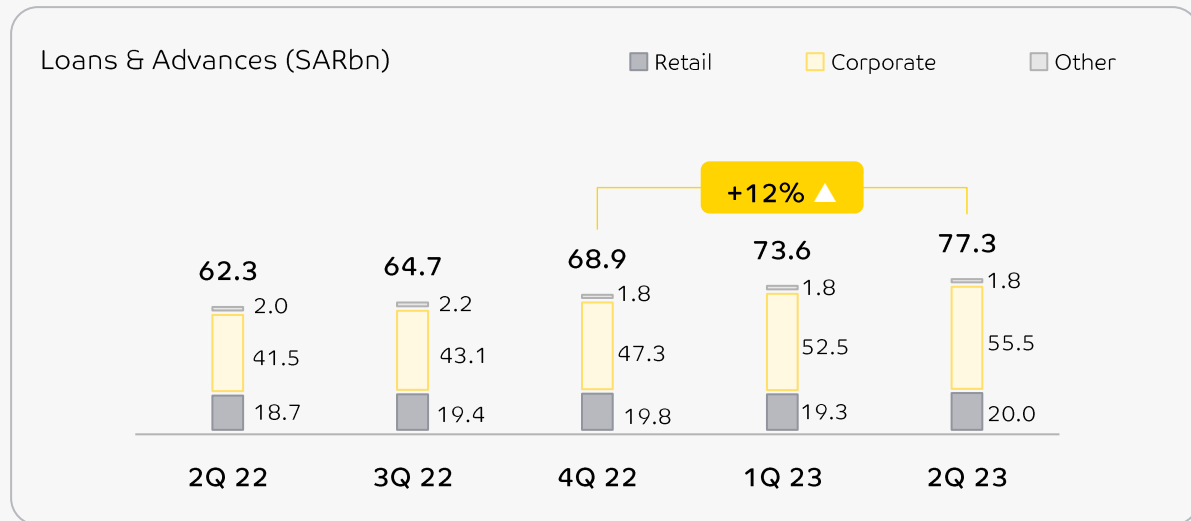
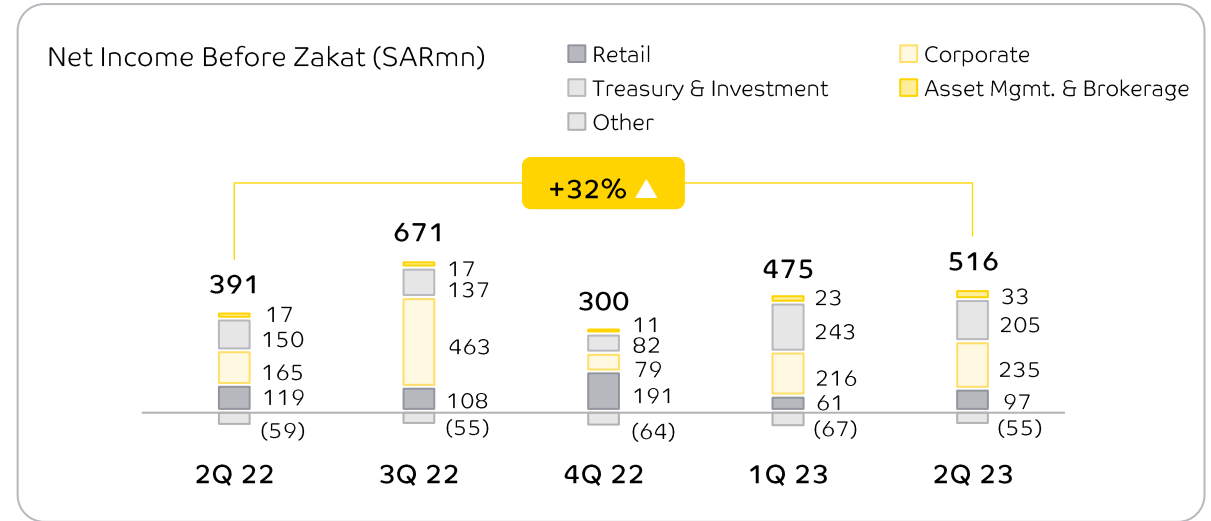
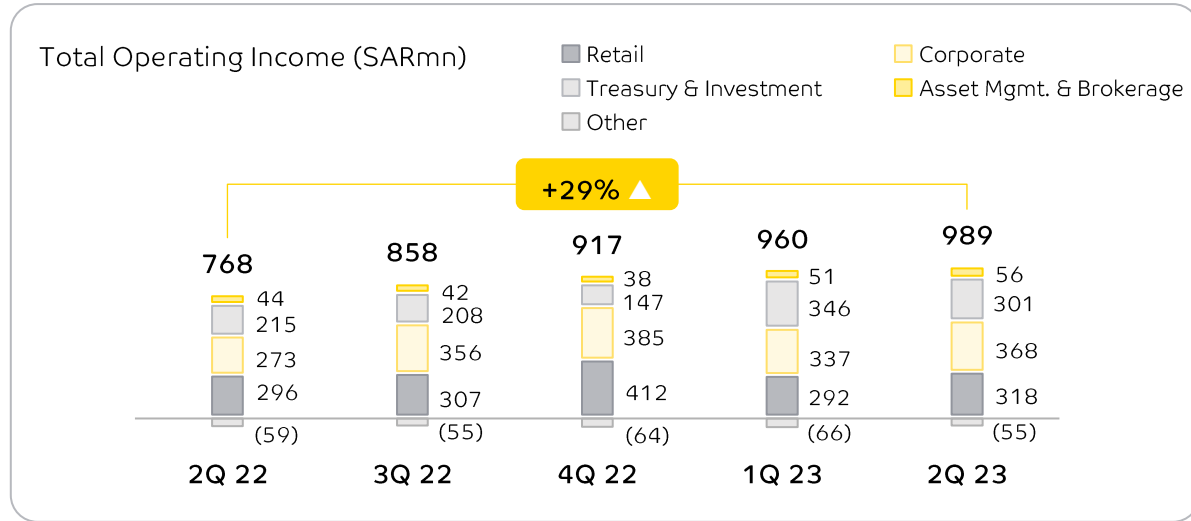
Loans & Advances Movement YTD (SARbn)



Deposits Movement YTD (SARbn)



Segmental breakdown





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