

## SAIB reports robust 40% net income growth to SAR 853 million in 1H 2023

2Q 2023 net income increased 38% year-on-year

Key financial metrics for 1H 2023:

<p>Loans +12% YTD <b>SAR 77.3 bn ▲</b></p>	<p>Investments +13% YTD <b>SAR 31.7 bn ▲</b></p>	<p>Deposits +19% YTD <b>SAR 82.7 bn ▲</b></p>
<p>Operating Income +31% YoY <b>SAR 1,949 mn ▲</b></p>	<p>Operating Expenses +21% YoY <b>SAR 827 mn ▲</b></p>	<p>Net Income +40% YoY <b>SAR 853 mn ▲</b></p>
<p>Tier 1 Ratio +1.8 ppts YTD <b>19.4% ▲</b></p>	<p>Liquidity Coverage Ratio -15.2 ppts YTD <b>204.7% ▼</b></p>	<p>Return on Tangible Equity +3.3 ppts YoY <b>11.5% ▲</b></p>

### Key highlights of 1H 2023

- ▷ Total assets at SAR 123.6 bn, up 13% YTD
- ▷ Loans and advances increased 12% YTD
- ▷ Investments (mainly debt securities) up 13% YTD
- ▷ Customer deposits up 19% YTD
- ▷ Net income rose 40% YoY
- ▷ Operating income up 31% YoY
- ▷ Net interest margin at 3.12%, expansion of 40 bps YoY
- ▷ Cost to income ratio improved by 348 bps YoY to 42.4%
- ▷ Healthy credit quality with cost of risk at 0.43% and NPL ratio at 1.43%
- ▷ Return on tangible equity improved 332 bps YoY to 11.5%
- ▷ Tier 1 ratio of 19.4% and capital adequacy ratio of 20.1%
- ▷ Liquidity coverage ratio of 204.7% and net stable funding ratio of 110.8%

# Earnings Release



Riyadh, 9 August 2023 – The Saudi Investment Bank has reported net income of SAR 853 million for the first half of 2023, up 40% year-on-year, underpinned by growth of 31% year-on-year in total operating income. This increase in total operating income was driven by a 35% year-on-year rise in net special commission income, following strong balance sheet growth and margin expansion. Total assets increased 13% year-to-date as a result of 12% growth in loans and advances and an increase of 13% in investments. SAIB's balance sheet expansion was largely funded by customer deposits, which grew 19% year-to-date mainly from higher time deposits.

**Faisal Abdullah Al-Omran, Chief Executive Officer of Saudi Investment Bank, said:**

“SAIB has delivered another set of solid results in the first half of 2023, building on the growth momentum witnessed in 2022. SAIB's net income increased 40% year-on-year in the first half of 2023, after 42% year-on-year growth in 2022, continuing the Bank's growth trajectory. Our excellent results translated into significant improvement in return on tangible equity to 11.5%. SAIB continues to see improvement in its asset quality with low levels of non-performing loans, which are adequately covered by provisions. The Bank has further maintained strong capitalization and liquidity.

The robust financial performance reflects SAIB's focus on accelerating profitable growth and improving its market position through the launch of new products and services, offering a differentiated value proposition and better coverage, leveraging cross-sell opportunities, driving digital innovation and enhancing overall customer experience. We are confident in further solidifying SAIB's position in our strong footholds while improving market share in large and mid-corporate enterprises with the upcoming roll-out of planned new initiatives and ongoing investments in our digital infrastructure as part of our new strategy.

Our strategy is fully aligned with the ambitions of Saudi Arabia's Vision 2030 and the supportive macroeconomic outlook. We are excited to embark on this transformative journey to enhance our competitive position, outpace market growth and deliver superior shareholder returns.”

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## Performance Highlights

### Income Statement

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 (SAR)	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

**Net income** for the first half of 2023 rose 40% year-on-year to SAR 853 million, while net income for the second quarter was up 38% year-on-year. Growth was well supported by an increase seen in net special commission income and fee and other income, partially offset by increase in operating expenses and the provisions for credit losses.

**Operating income** for the first half of 2023 increased 31% year-on-year to SAR 1,949 million. Strong top-line growth was primarily driven by an increase of 35% year-on-year in net special commission income, which reached SAR 1,705 million in 1H 2023. Strong growth in net special commission income arose from 40 bps margin expansion to 3.12% and an 18% year-on-year increase in average earnings assets. Fee and other income increased 7% year-on-year to SAR 244 million, supported by growth in foreign exchange and investment-related income but partially offset by decline in fees from other banking services. Operating income

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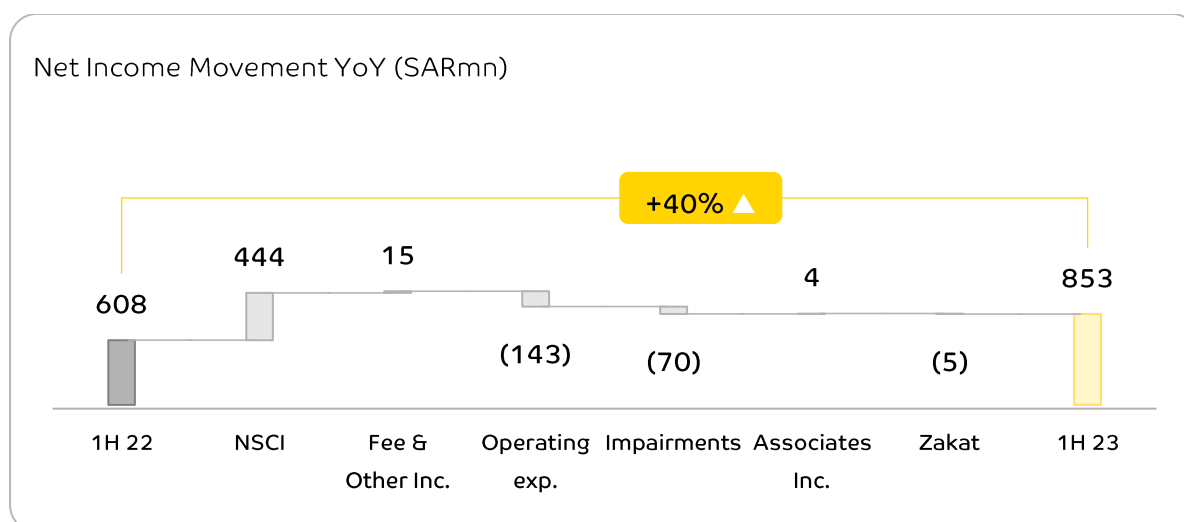


for the second quarter grew 28% year-on-year to reach SAR 989 million, fuelled by both net special commission income (28% year-on-year) as well as fee and other income (25% year-on-year).

**Operating expenses** at SAR 827 million rose 21% year-on-year in 1H 2023 due to an increase in employee costs and other general and administrative expenses as the bank continued to support execution of its digital led growth strategy. The cost to income ratio for 1H 2023 improved by 348 bps year-on-year to 42.4%, demonstrating positive jaws as growth in operating income far outpaced operating expenses growth.

**The provisions for credit and other losses** at SAR 161 million rose by 76% year-on-year, mainly due to a one-off recovery in the same period of last year, efforts to boost coverage levels this year, as well as robust growth in the lending book. Cost of risk at 0.43% during 1H 2023 remained at healthy levels.

**Share in earnings of associates** also increased by 14% year-on-year to SAR 31 million, while provisions for zakat and taxes increased modestly by 4% year-on-year.



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## Balance Sheet

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%
<b>Total assets</b>	<b>123,595</b>	<b>121,901</b>	<b>+1%</b>	<b>109,071</b>	<b>+13%</b>
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%
<b>Total liabilities</b>	<b>106,900</b>	<b>105,118</b>	<b>+2%</b>	<b>92,281</b>	<b>+16%</b>
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%
<b>Total equity</b>	<b>16,695</b>	<b>16,783</b>	<b>-1%</b>	<b>16,790</b>	<b>-1%</b>
NPL Ratio	1.43%	1.50%	-8bps	1.57%	-14bps
NPL Coverage Ratio	169.8%	165.8%	+4.0ppt	163.0%	+6.8ppt
NIBD % of total	40.3%	39.9%	+0.3ppt	44.9%	-4.6ppt
Tier 1 ratio	19.4%	20.0%	-0.6ppt	17.6%	+1.8ppt
Capital adequacy ratio	20.1%	20.7%	-0.6ppt	18.2%	+1.9ppt
Liquidity coverage ratio	204.7%	190.3%	+14.4ppt	219.9%	-15.2ppt
Net stable funding ratio	110.8%	118.0%	-7.1ppt	114.6%	-3.8ppt
Financing to customers' deposit ratio (SAMA)	75.6%	76.4%	-0.7ppt	79.0%	-3.3ppt

**Total assets** amounted to SAR 123.6 billion as of 30 June 2023, an increase of 13% year-to-date. **Loans and advances** continued to gain momentum, increasing by 12% year-to-date to SAR 77.3 billion. Loan growth was mainly driven by 17% increase in corporate lending, while retail lending remained broadly stable. The Bank saw a strong uptick on account of participation in the syndicated loan market for large infrastructure projects, while exposure to other key sectors such as commerce, building & construction, manufacturing and services also contributed to healthy growth. The **investment portfolio** increased to SAR 31.7 billion, up 13% year-to-date as new investments were made to benefit from higher interest rates. The investment portfolio mainly comprised of fixed rate debt securities.

**Customer deposits** rose 19% year-to-date to reach SAR 82.7 billion, mainly reflecting 29% increase in interest bearing deposits largely from public institutions, partially offset by a decline in retail and corporate deposits.

**The non-performing loans ratio** stood at 1.43% as of 30 June 2023, its lowest level in the last five years, as non-performing loans remained at moderate levels compared to growth in gross lending. Non-performing loans coverage at 169.8% as of 30 June 2023 improved further by 684 bps compared to 31 December 2022.

The Bank remains **well capitalized** with the total capital adequacy ratio of 20.1% and Tier 1 ratio of 19.4% as of 30 June 2023, compared to 18.2% and 17.6% respectively as at 31 December 2022. Risk weighted assets saw a decline of 11% year-to-date on lower credit and operational risk weighted assets, partially offset by increased market risk weighted assets.

SAIB's **liquidity position** remained robust with the liquidity coverage ratio of 204.7%, the net stable funding ratio of 110.8%, the SAMA loans to deposits ratio of 75.6% and the headline loans to deposits ratio of 93.5% as of 30 June 2023.

## Segmental Performance

### Retail

Retail net income before zakat increased moderately by 3% year-on-year to SAR 158 million in 1H 2023. Retail operating income reported a strong growth of 15% year-on-year, though it was offset by an increase of 22% year-on-year in operating expenses. Total retail assets increased marginally by 2% year-to-date to SAR 21.8 billion as at 1H 2023, as management made a conscious decision not to chase volume mortgage business in a rising interest rate environment. Retail liabilities decreased by 7% year-to-date to SAR 22.9 billion, reflecting an 8% year-to-date decline in deposits.

Income Statement (SAR Million)	2Q 2023	2Q 2022	Δ	1H 2023	1H 2022	Δ
Net Special Commission Income	<b>283</b>	261	+8%	<b>552</b>	462	+20%
Fee & other income	<b>35</b>	34	+3%	<b>58</b>	67	-14%
<b>Total operating income</b>	<b>318</b>	296	+8%	<b>611</b>	529	+15%
Expenses	<b>201</b>	166	+21%	<b>398</b>	327	+22%
Impairments	<b>20</b>	11	+89%	<b>54</b>	49	+10%
Other income (expenses)	<b>0</b>	0	NA	<b>0</b>	0	NA
<b>Net income before zakat</b>	<b>97</b>	119	-18%	<b>158</b>	154	+3%

Balance Sheet (SAR Million)	2Q 2023	1Q 2023	Δ	4Q 2022	Δ
<b>Total assets</b>	<b>21,821</b>	20,827	+5%	21,294	+2%
<b>Total liabilities</b>	<b>22,895</b>	26,773	-14%	24,715	-7%

### Corporate

Corporate net income before zakat increased by 27% year-on-year to SAR 451 million in 1H 2023. Corporate operating income grew at a higher rate of 36% year-on-year on margin expansion and growth in loans. This was partially offset by an increase of 22% year-on-year in operating expenses. Total corporate assets increased by 17% year-to-date to SAR 55.5 billion as at 1H 2023, driven by similar level of loan growth. Corporate liabilities decreased by 23% year-to-date to SAR 7.8 billion, reflecting a decline in deposits.

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Income Statement (SAR Million)	2Q 2023	2Q 2022	Δ	1H 2023	1H 2022	Δ
NSCI	325	229	+42%	612	430	+42%
Fee & other income	43	44	-2%	94	89	+6%
<b>Total operating income</b>	<b>368</b>	273	+35%	<b>706</b>	520	+36%
Expenses	74	57	+29%	148	122	+22%
Impairments	59	51	+16%	107	43	+151%
Other income (expenses)	0	0	NA	0	0	NA
<b>Net income before zakat</b>	<b>235</b>	165	+43%	<b>451</b>	355	+27%

Balance Sheet (SAR Million)	2Q 2023	1Q 2023	Δ	4Q 2022	Δ
<b>Total assets</b>	<b>55,495</b>	52,468	+6%	47,289	+17%
<b>Total liabilities</b>	<b>7,818</b>	9,283	-16%	10,183	-23%

## Treasury and Investments

Treasury and Investments saw a jump in net income before zakat by 61% year-on-year to SAR 448 million in 1H 2023. Treasury and Investments operating income rose 49% year-on-year on higher yields and growth in the investment portfolio. Treasury and Investments operating expenses rose 26% year-on-year. The segment's total assets increased 16% year-to-date on higher investment securities and interbank placements. Liabilities saw an increase of 34% year-to-date mainly on higher deposits, which increased by 50% year-to-date mostly from public institutions.

Income Statement (SAR Million)	2Q 2023	2Q 2022	Δ	1H 2023	1H 2022	Δ
NSCI	251	184	+36%	541	364	+49%
Fee & other income	50	31	+64%	106	70	+50%
<b>Total operating income</b>	<b>301</b>	215	+40%	<b>647</b>	434	+49%
Expenses	108	85	+27%	229	183	+26%
Impairments	0	(8)	NA	0	(0)	NA
Other income (expenses)	13	12	+8%	31	27	+14%
<b>Net income before zakat</b>	<b>205</b>	150	+37%	<b>448</b>	279	+61%



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Balance Sheet (SAR Million)	2Q 2023	1Q 2023	Δ	4Q 2022	Δ
Total assets	<b>42,692</b>	45,100	-5%	36,791	+16%
Total liabilities	<b>73,277</b>	66,364	+10%	54,795	+34%

## Asset Management and Brokerage

Asset Management and Brokerage net income before zakat increased modestly by 5% year-on-year to SAR 56 million in 1H 2023. Asset Management and Brokerage operating income was flat year-on-year due to lower fee income, reflecting lower stock market trading volumes, although a decline in operating expenses by 4% year-on-year supported the bottom-line. Asset Management and Brokerage total assets inched up by 3% year-to-date while its liabilities decreased by 25%.

Income Statement (SAR Million)	2Q 2023	2Q 2022	Δ	1H 2023	1H 2022	Δ
NSCI	<b>14</b>	12	+20%	<b>27</b>	21	+30%
Fee & other income	<b>43</b>	33	+30%	<b>80</b>	86	-7%
<b>Total operating income</b>	<b>56</b>	44	+28%	<b>107</b>	107	+0%
Expenses	<b>24</b>	27	-12%	<b>51</b>	53	-4%
Impairments	<b>0</b>	0	+68%	<b>0</b>	0	+68%
Other income (expenses)	<b>0</b>	0	NA	<b>0</b>	0	NA
<b>Net income before zakat</b>	<b>33</b>	17	+90%	<b>56</b>	53	+5%

SAR Million	2Q 2023	1Q 2023	Δ	4Q 2022	Δ
Total assets	<b>733</b>	663	+11%	715	+3%
Total liabilities	<b>56</b>	49	+14%	75	-25%

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## Outlook

The economic outlook for the Kingdom of Saudi Arabia remains positive, with an expected real GDP growth rate of 1.9% for 2023. Project spending on giga projects and other large infrastructure projects bodes well for the overall credit demand. SAIB is well positioned to capitalize on this demand through its large exposure to the corporate sector and active participation in large project financing syndicated loans market. This, in conjunction with a modest rise in interest rates in the third quarter, is expected to support growth in earnings in the second half of 2023.

# Earnings Release



## Additional Information

SAIB's 1H 2023 financial statements, earnings release, earnings presentation and financial data supplement are available on the SAIB Investor Relations website at:

<https://www.saib.com.sa/en/investor-relations>

For further information, visit: <https://www.saib.com.sa/en>

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