



البنك السعودي للاستثمار
The Saudi Investment Bank

Earnings Presentation

FY 2023

14 February 2024

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Growth momentum sustained in FY 2023 demonstrating solid progress

Loans

+17% YoY

SAR 80.8 bn ▲

Deposits

+20% YoY

SAR 83.2 bn ▲

FY 2023 Operating Income

+21% YoY

SAR 3,967 mn ▲

FY 2023 Net Income

+17% YoY

SAR 1,762 mn ▲

Loan growth of 17% YoY driven by corporate segment, while **deposits grew 20% YoY on higher time deposits**

Double digit growth in operating income underpinned by 19% YoY growth in assets, and boosted by a 4 bps expansion in net interest margins

Maintained cost discipline with cost to income ratio declining to 41.8%

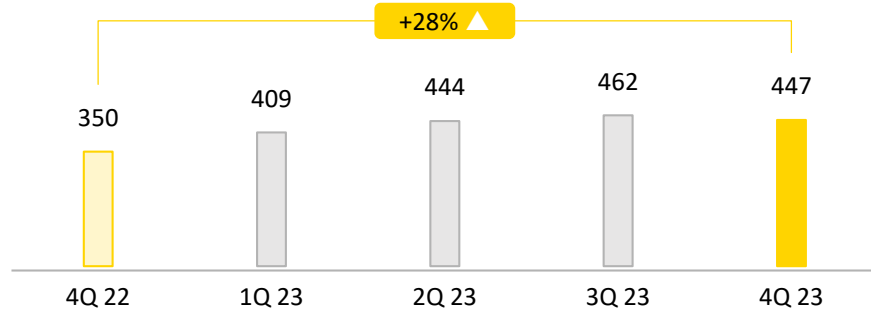
Return on tangible equity at 11.7%, climbing 183 bps from 2022

Asset quality continued to improve with NPL ratio declining by 7bps to 1.50% with NPL coverage ratio at 155%

Strong capital ratios with T1 ratio at 19.4%

Solid liquidity position with LCR of 196% and SAMA LTD at 76.5%

Net Income (SARmn)



FY 2023 RoTE

+183 bps YoY

11.7% ▲

4Q 2023 NPL

-7 bps YoY

1.50% ▼

4Q 2023 T1 Ratio

+1.8 ppt YoY

19.4% ▲

4Q 2023 LCR

-24.0 ppt YoY

195.8% ▼

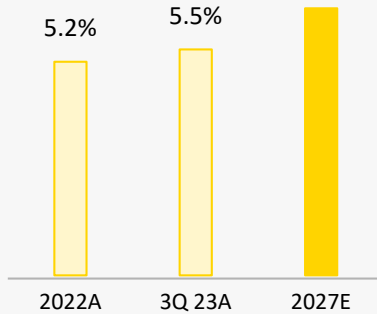
Strategy



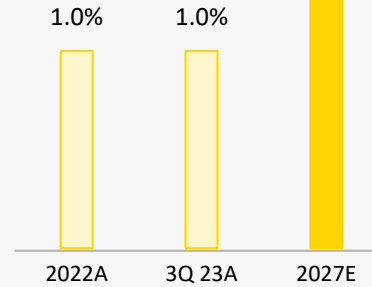


We aim to grow market share, increase fee income and improve efficiency to drive higher ROTE

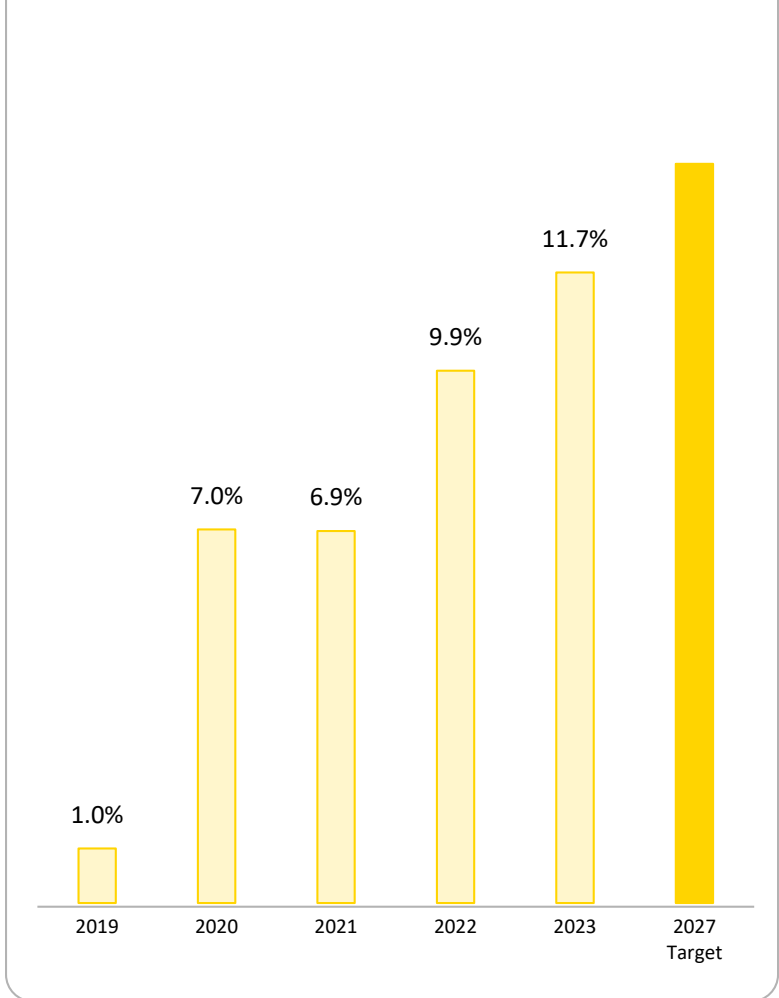
Grow Market Share in Commercial Loans Commercial KSA Market Share



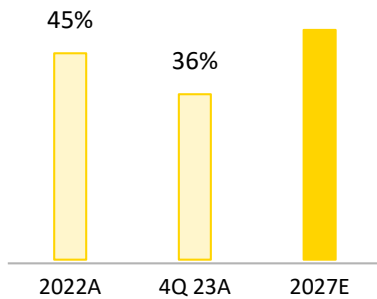
Grow Market Share in Retail Loans Retail KSA Market Share



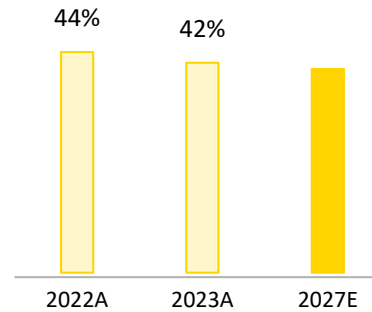
SAIB has already started to close the gap towards KSA peers' return on equity Return on Tangible Equity



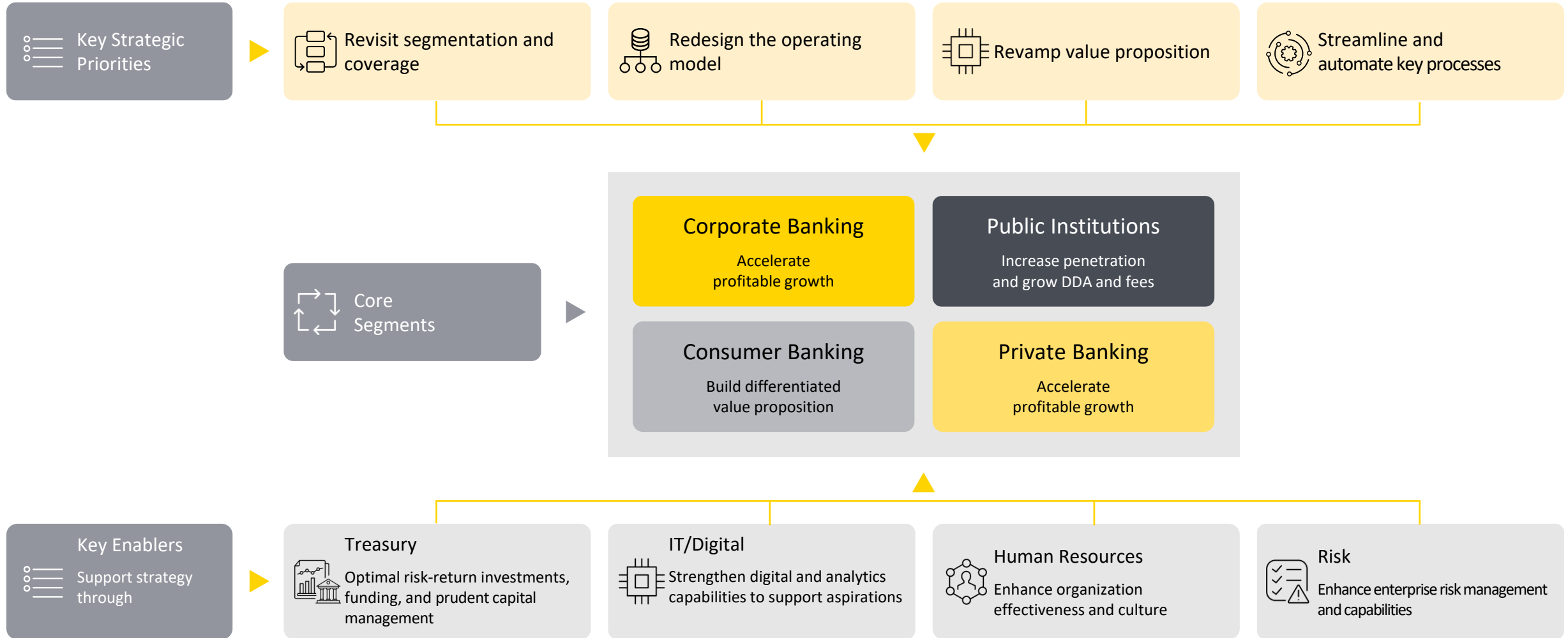
Improve Funding Costs NIBD Share of Deposits



Improve Efficiency Cost / Income Ratio

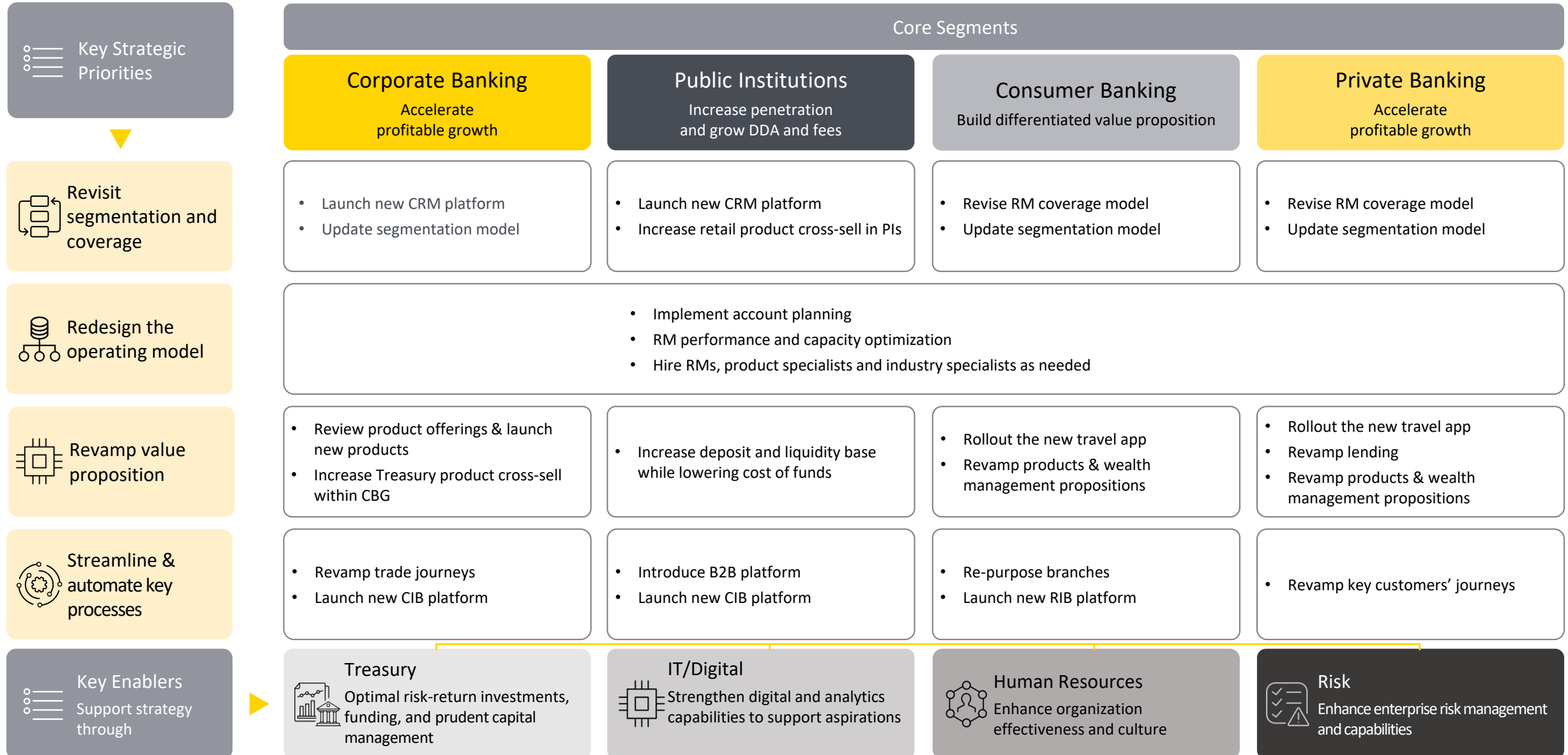


...with a strategy that is focused on growth opportunities in the KSA market





...supported by a comprehensive framework of initiatives across all core segments



Strategy execution across targeted near-term goals showing positive momentum in progress



	Corporate Banking	Public Institutions	Private Banking	Personal Banking – Affluent focus
Strategic Goals	<ul style="list-style-type: none"> Continue accelerated growth 	<ul style="list-style-type: none"> Increase penetration & grow deposits and fees 	<ul style="list-style-type: none"> Accelerate profitable growth 	<ul style="list-style-type: none"> Build differentiated value prop to be the bank of choice for our affluent segment
Current Initiatives	<ul style="list-style-type: none"> Update segmentation & coverage model Revamp value propositions Streamline customer journeys 	<ul style="list-style-type: none"> Re-design the operating model Enhance the value proposition 	<ul style="list-style-type: none"> Update coverage model Introduce new products Streamline key journeys for customer 	<ul style="list-style-type: none"> Update coverage model for affluent and mass-affluent customers Introduce new products and services
Progress update	<ul style="list-style-type: none"> Redesigned the segmentation and coverage model Finalizing the scope of new CIB platform Established account planning tool for RMs to have a targeted focus on key customers 	<ul style="list-style-type: none"> Established account planning tool for RMs to have a targeted focus on key customers Finalized scope of new B2B platform for Public institutions 	<ul style="list-style-type: none"> Kickstarted the private banking strategy implementation Reviewed coverage model analysis for the PB customer base Reviewed product value proposition gaps for PB customers 	<ul style="list-style-type: none"> Kickstarted the affluent strategy implementation Reviewed coverage model analysis for the affluent customer base Reviewed product value proposition gaps for affluent customers
Next steps	<ul style="list-style-type: none"> Launch new coverage model Implementation of CIB platform Institutionalize account planning for all customers Implement CRM tool Review product offerings to identify key gaps for customers 	<ul style="list-style-type: none"> Institutionalize account planning for all customers Revamp operating model to enable targeted focus on key customers Activate cross-sell initiatives 	<ul style="list-style-type: none"> Finalize coverage model for PB customers Implement new segmentation 	<ul style="list-style-type: none"> Finalize coverage model for affluent customers Implement new segmentation Launch new RIB Launch new Travel app



Venture studio is the immediate focus to drive SAIB’s next wave of growth

SAIB Venture Studio “SVS”:

...an in-house studio operating as a start-up or “venture” factory

...to opportunistically leverage the KSA ecosystem without having to rely on it

...aligning with investment appetite (100 Mn – 200 Mn SAR) upfront with higher potential upside gains

Approach to new venture creation:

- decision-making process is in alignment with successful delivery
- “Merciless” prioritization and filtering of unicorn prospective concepts
- Cross-functional collaboration enhances speed & fit with consumer & market needs
- Enhanced rapid decision-making on scaling and branching to tap into new value pools

First product of the factory is 1 step away

The future of Travel Cards

Easy Loads

Track your Travel Spending

The 100 Currency Card

Financial Performance

FY 2023



SAIB is focused on delivering strong results across key performance indicators



		FY 2023	DRIVERS
Balance Sheet	LOANS & ADVANCES	SAR 80.8bn +17% YoY	Strong growth in Corporate (+23%) and Private Banking (+11%) loans
	DEPOSITS	SAR 83.2bn +20% YoY	Strong growth in IBDs (+39%) mainly from public institutions, while NIBDs declined (-4%) YoY; CASA ratio moderated -8.9ppts to 36.0%
Profitability	NET INTEREST MARGIN	2.98% +4bps YoY	NIM expansion YoY from higher benchmark rates, but 25bps contraction QoQ because of shifts in the deposit mix
	COST TO INCOME RATIO	41.8% -2.3ppt YoY	Operating expenses rose 15% from spend on strategic initiatives, but positive jaws improved cost to income ratio
	RETURN ON TANGIBLE EQUITY	11.7% +1.8ppt YoY	ROTE improvement as net income growth YoY of 17% to SAR 1,762mn exceeds growth in tangible common equity (+7% YoY)
Asset Quality	COST OF RISK	0.47% +21bps YoY	Cost of risk remains low at 47bps, but rose YoY due to elevated recoveries in the prior year
	NPL RATIO	1.50% -7bps YoY	NPL ratio continues an improving trend from benign credit environment
	NPL COVERAGE RATIO	155.2% -7.8ppt YoY	Improved stage 3 ECL coverage, while overall ECL coverage declined along with the NPL coverage ratio
Capital & Liquidity	TIER 1 RATIO	19.4% +1.8ppt YoY	Capitalization improvement mainly driven by RWA decline following new SAMA regulations which allow share collaterals as RWA reductions
	SAMA LTD RATIO	76.5% -2.5ppt YoY	Improvement driven by strong deposit growth YTD.



Growth across assets, funded largely by increase in deposits

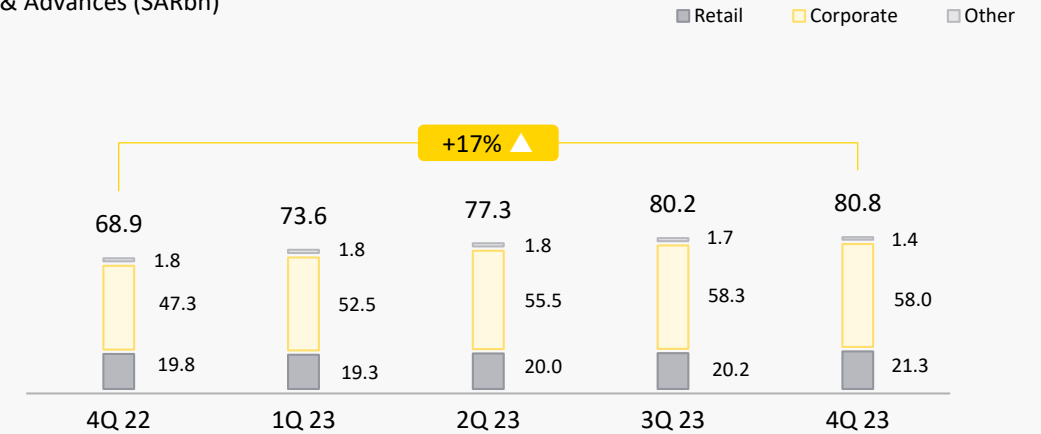
Total assets increased by 19% YoY as loans grew 17% and investments rose 15%, further supported by sizeable increases in SAMA and bank placements

Total liabilities increased 22% YoY, mainly driven by growth in deposits of 20% YoY

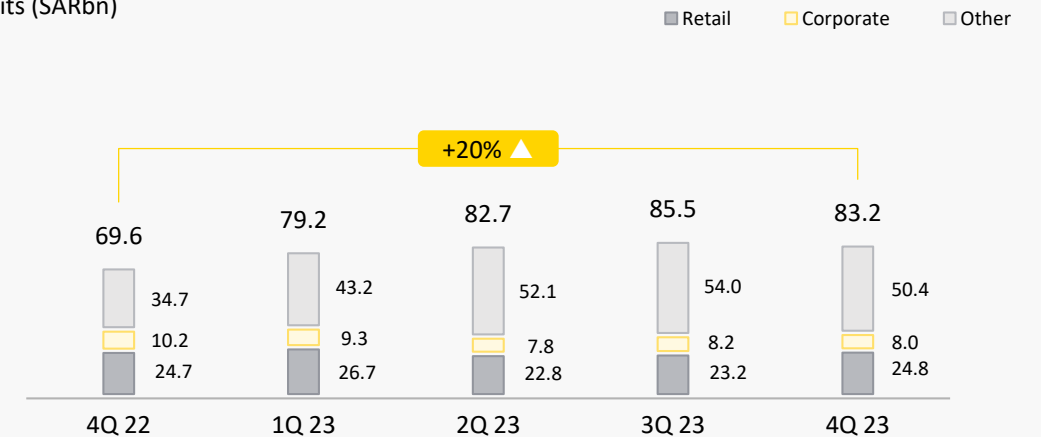
Total equity grew 3% YoY as solid retained earnings generation was offset by reduction (net of repayment and issuance) in Tier 1 sukuk and payment of 2022 final and 2023 interim dividends

SAR Million	4Q 2023	3Q 2023	Δ	4Q 2022	Δ
Cash and balances with SAMA	11,018	9,739	+13%	6,401	+72%
Due from banks & financial Institutions, net	1,473	2,486	-41%	1,305	+13%
Investments, net	32,301	32,754	-1%	28,180	+15%
Loans and advances, net	80,751	80,201	+1%	68,883	+17%
Other assets, net	4,441	4,645	-4%	4,301	+3%
Total assets	129,984	129,826	+0%	109,071	+19%
Due to banks & other financial institutions, net	27,289	25,885	+5%	20,892	+31%
Customers' deposits	83,233	85,455	-3%	69,579	+20%
Other liabilities	2,227	1,948	+14%	1,810	+23%
Total liabilities	112,749	113,288	-0%	92,281	+22%
Share capital	10,000	10,000	+0%	10,000	+0%
Retained earnings	1,711	1,771	-3%	957	+79%
Other reserves	2,809	2,053	+37%	2,618	+7%
Shareholders' equity	14,520	13,824	+5%	13,575	+7%
Tier 1 sukuk	2,715	2,715	+0%	3,215	-16%
Total equity	17,235	16,539	+4%	16,790	+3%

Loans & Advances (SARbn)



Deposits (SARbn)





Loan growth continues to gain momentum driven by corporate lending

17% YTD growth in loans driven by 23% increase in corporate lending

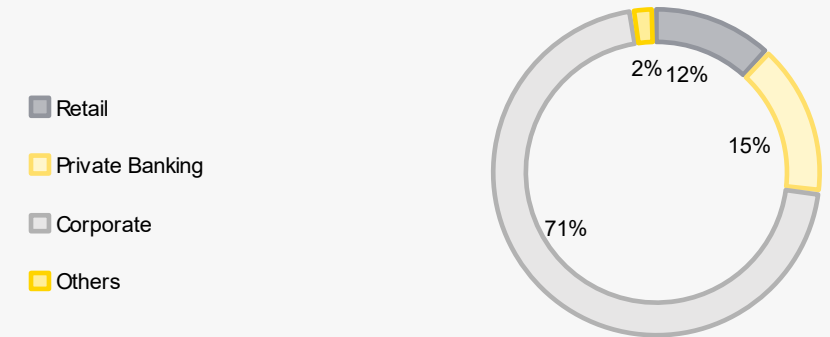
Active participation in syndicated loan market for infrastructure projects, well supported by demand from other key sectors such as commerce, manufacturing, building & construction and services

Retail lending grew 7% YoY as a decline in consumer loans of 3% YoY was offset by an increase of 16% in private banking lending

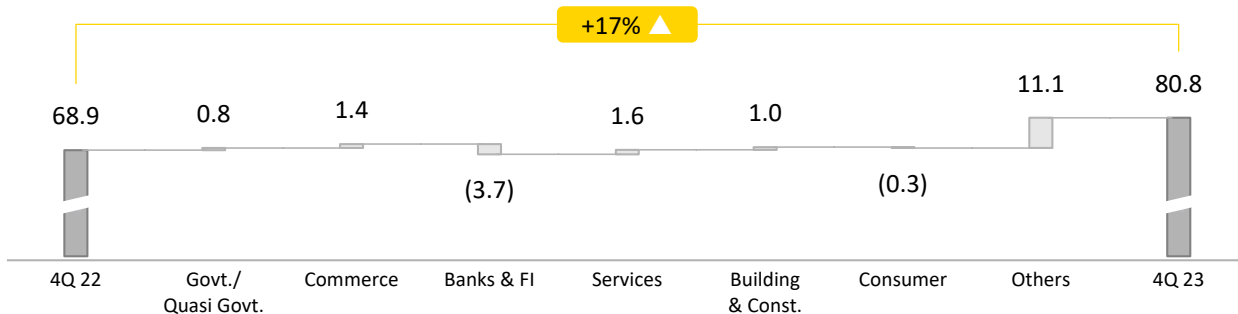
+1% Loans QoQ ▲

+17% Loans YoY ▲

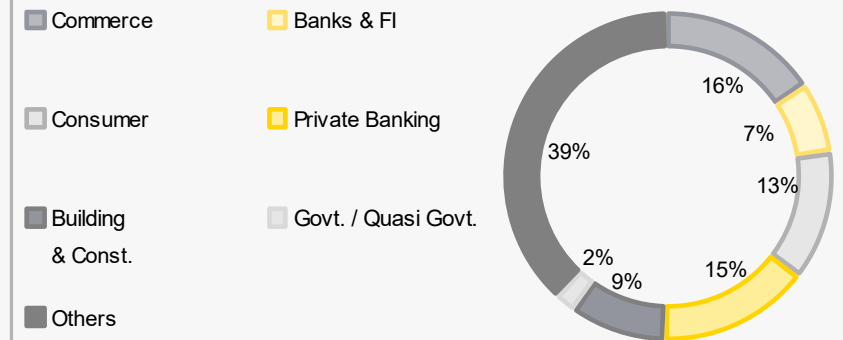
Loans & Advances by segment (%)



Loans & Advances, Net Movement YoY (SARbn)



Loans & Advances by economic activity (%)





Investments grew 15% YoY driven by debt securities

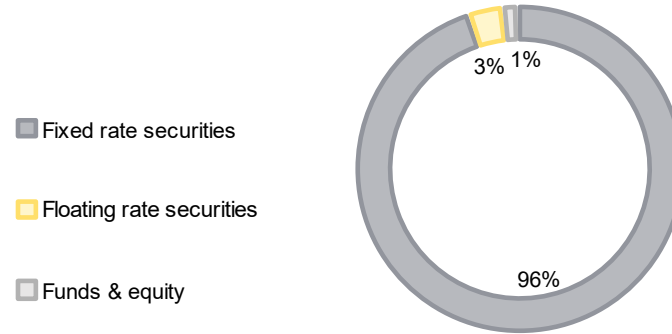
96% of investments were fixed rate debt securities as of FY 2023

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

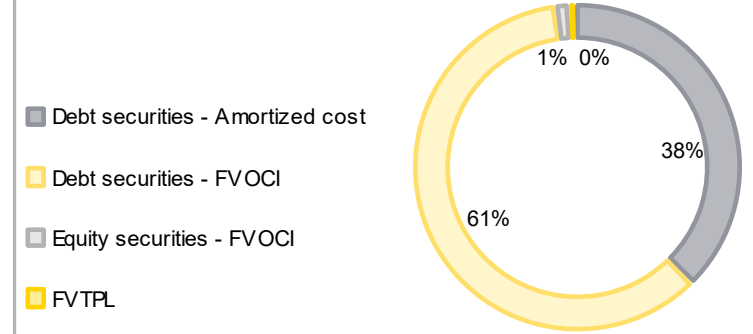
High-grade investment portfolio with 58% of investment securities issued by government, and 27% by banks and other financial institutions

Increase in investments during FY 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)

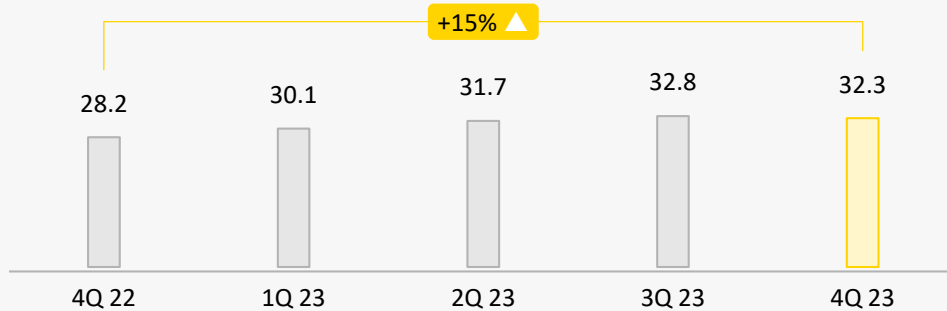
Investments, Gross by type (%)



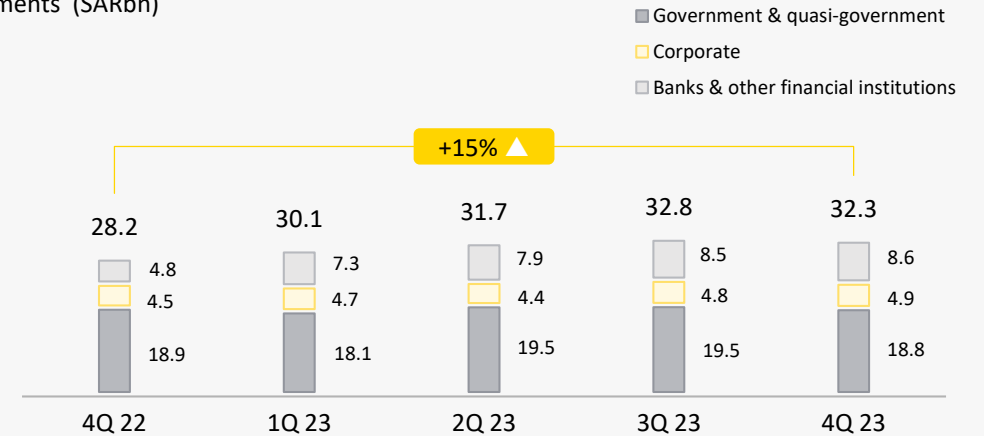
Investments by accounting classifier(%)



Investments (SARbn)



Investments (SARbn)





Customer deposits increased 20% driven by IBDs

Deposits grew 20% YoY during FY 2023, mainly driven by increases in interest-bearing deposits

IBDs rose 39% YoY from large inflows to time deposits amid higher interest rate environment

NIBDs declined by 4% YoY

Corporate deposits declined by 22%, while Retail deposits were up 1% YoY; Treasury and Investment deposits grew 48% due to inflows from public institutions

+20% Deposits YoY ▲

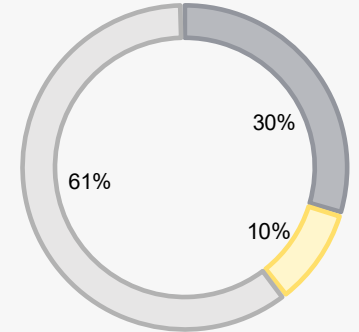
-3% Deposits QoQ ▼

Deposits by segment (%)

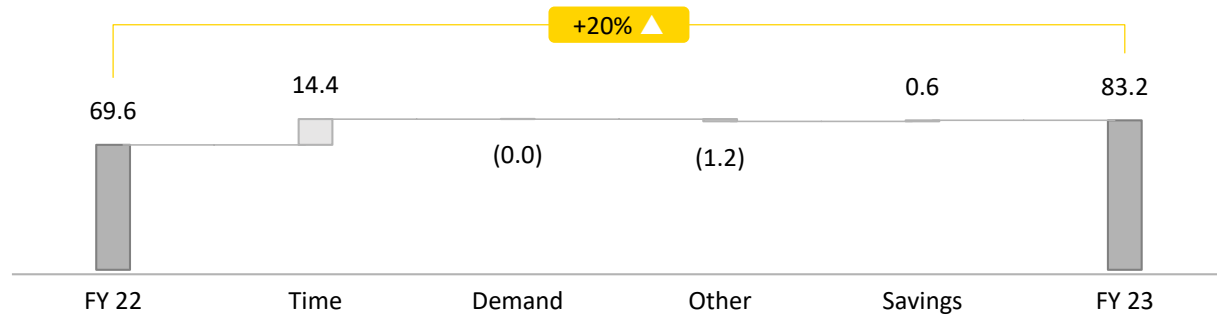
■ Retail

■ Corporate

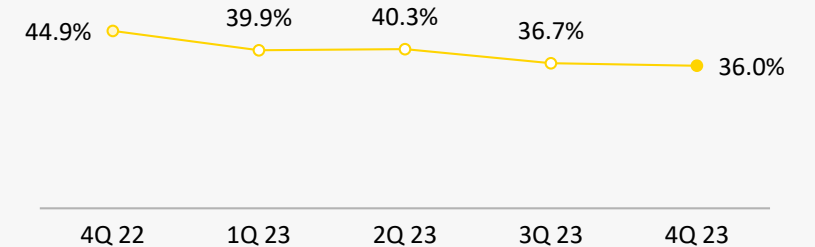
■ Others



Deposits Movement YoY (SAR bn)



NIBD % of total





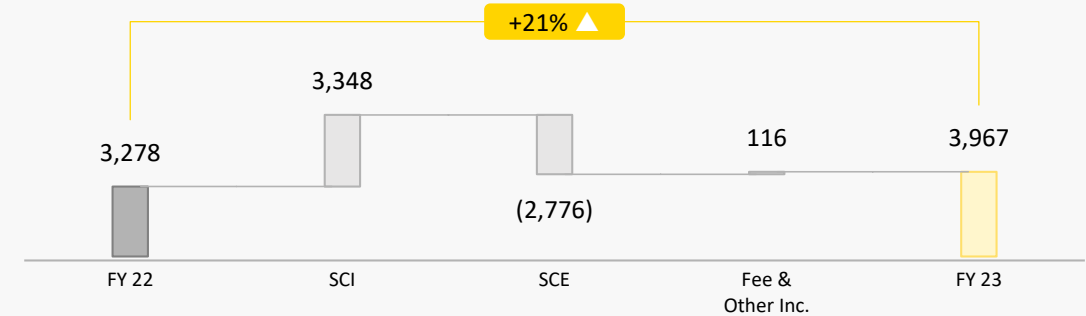
17% growth in FY 2023 earnings propelled by NSCI and Fee growth, despite lower recoveries

Net income increased 17% YoY in FY 2023 driven by strong growth of 21% in operating income, partially offset by an increase of 15% in operating expenses and a rise in impairment charges as prior year elevated recoveries normalize

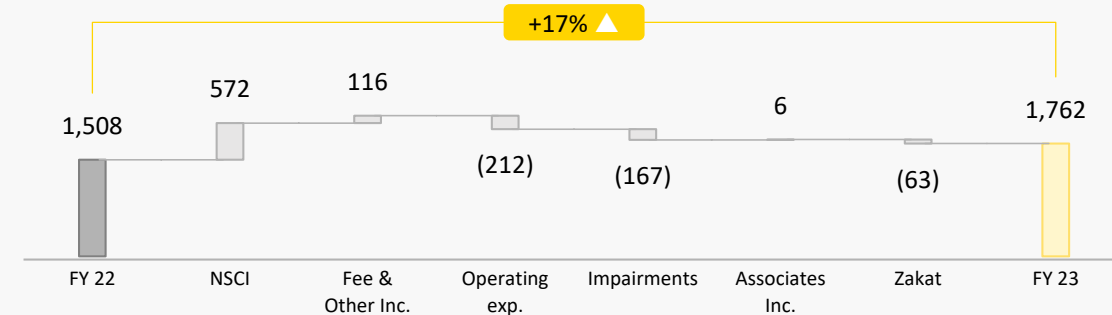
Net income during 4Q 2023 declined 3% QoQ as 1% growth in operating income was offset by higher provisions and operating expenses in 4Q

SAR Million	4Q 2023	3Q 2023	Δ	FY 2023	FY 2022	Δ
Net special commission income	825	887	-7%	3,417	2,845	+20%
Fee and other income	188	118	+59%	549	433	+27%
Total operating income	1,013	1,005	+1%	3,967	3,278	+21%
Operating expenses	(425)	(405)	+5%	(1,657)	(1,445)	+15%
Provisions for credit and other losses	(110)	(87)	+26%	(359)	(192)	+87%
Net Operating Income	478	512	-7%	1,951	1,641	+19%
Share in earnings of associates	22	24	-9%	77	71	+9%
Income before provisions for Zakat	500	537	-7%	2,028	1,712	+18%
Provisions for Zakat	(53)	(75)	-30%	(267)	(204)	+31%
Net Income attributed to equity holders	447	462	-3%	1,762	1,508	+17%
Earnings per share	0.38	0.45	-15%	1.59	1.37	+17%
Net interest margin	2.73%	2.98%	-25bps	2.98%	2.94%	+4bps
Cost to income ratio	41.9%	40.3%	+1.6ppt	41.8%	44.1%	-2.3ppt
Cost of risk	0.54%	0.43%	+10bps	0.47%	0.25%	+21bps
Return on tangible common equity	11.1%	13.3%	-2.2ppt	11.7%	9.9%	+1.8ppt

Total Operating Income Movement YoY (SARmn)



Net Income Movement YoY (SARmn)





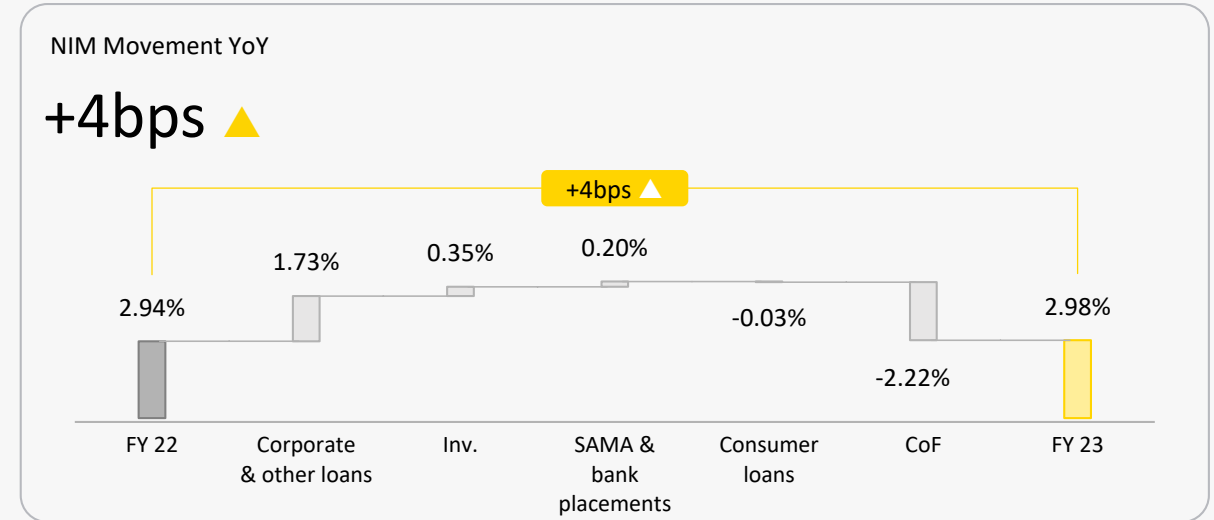
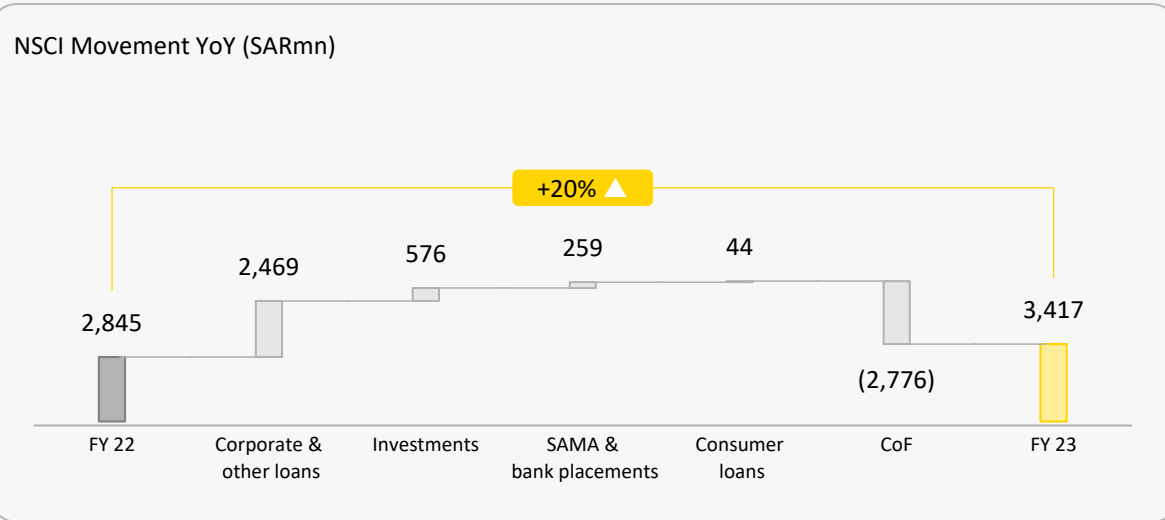
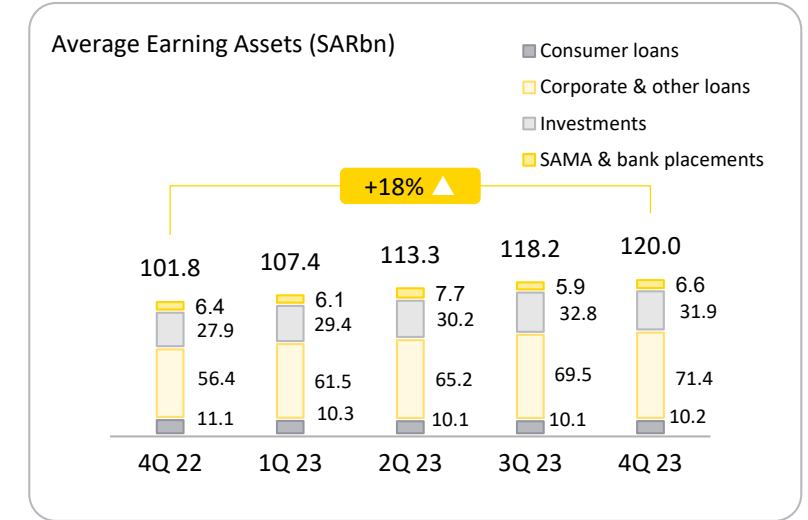
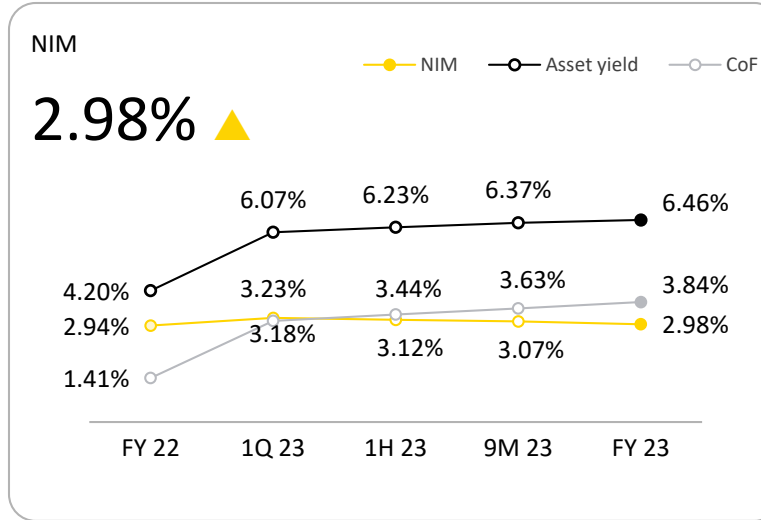
NSCI growth of 20% YoY on 18% growth in earning assets and 4bps expansion in NIM

NSCI growth of 20% YoY was underpinned by 18% growth in average earnings assets, boosted further by a **NIM expansion of 4 bps** despite higher cost of funds from increased benchmark rates

Asset yield increased by 2.26 ppts YoY to 6.46% in FY 2023 while the **cost of funding increased by 2.43 ppts YoY** to 3.84%

NIM expanded by 4bps YoY in to 2.98% in FY 2023, easing by 9bps from the 9M NIM due to the shift in the deposit mix

The 4Q NIM of 2.73% was 25bps below the 3Q level of 2.98%



Growth in fee and other income of 27% driven by foreign exchange and investment income



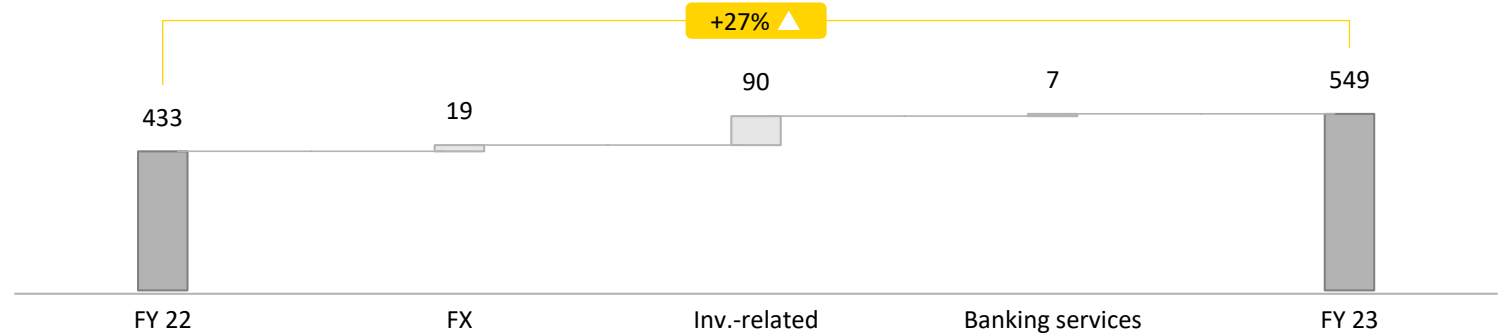
Fee & other income increased 85% YoY in Q4 2023, mainly driven by investment-related income reversing the previous year's losses

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

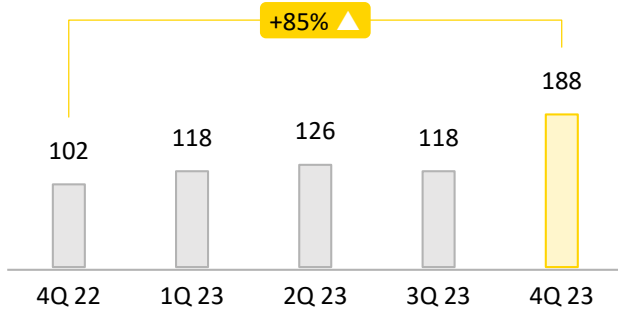
Investment related income increased largely due to mark to market fair value gains

Fee from banking services rose on higher fees from other banking services

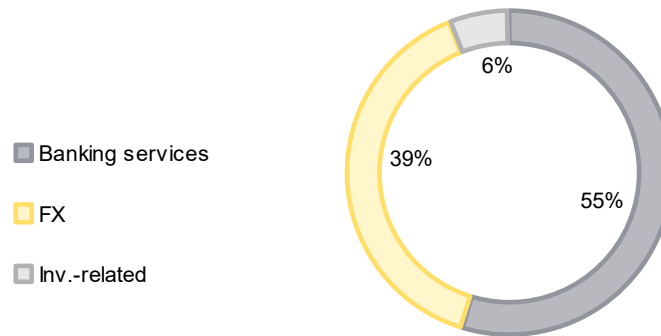
Fee & Other Income Movement YoY (SARmn)



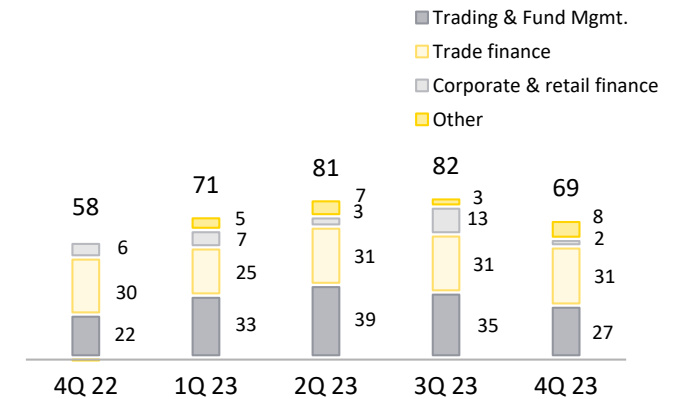
Fee And Other Income (SARmn)



Fee & Other Income by segment (%) - FY 23



Fee Income From Banking Services (SARmn)





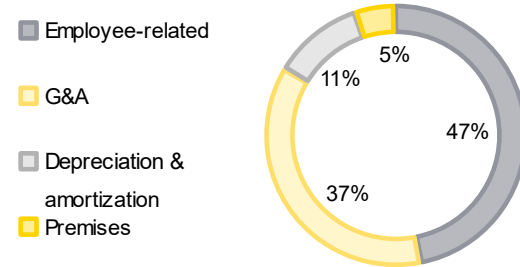
15% increase in operating expenses continues to reflect implementation of strategic initiatives

Operating expenses increased 15% YoY in FY 2023, mainly due to increases in general & administration expenses and employee related costs as the bank continued to execute on its digital transformation and strategic growth initiatives

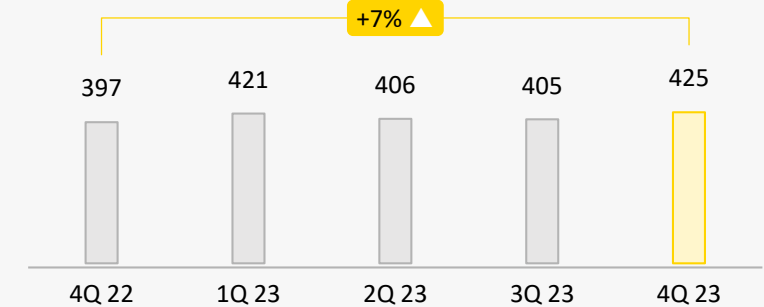
Cost to income ratio continued to improve, reaching 41.8% in FY 2023, for a decline of 2.3ppts YoY

Operating expenses rose 5% QoQ in 4Q 2023 on depreciation and other general and administrative expenses, resulting in cost to income ratio for the quarter reaching 41.9%

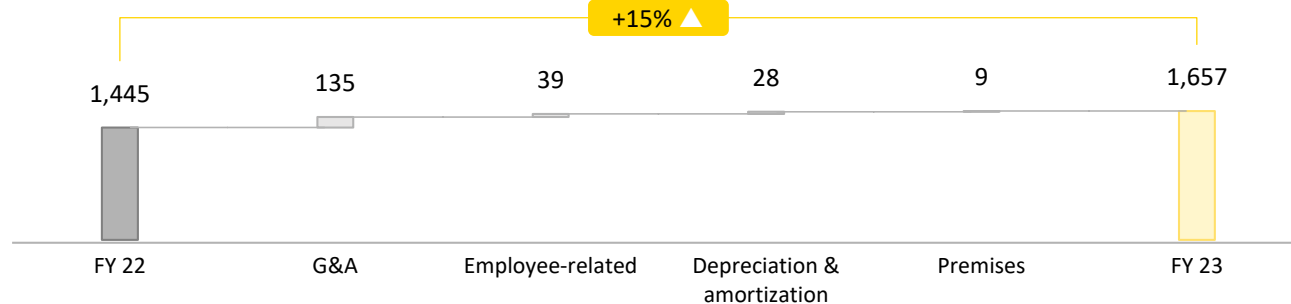
Operating Expenses Composition (%) - FY 23



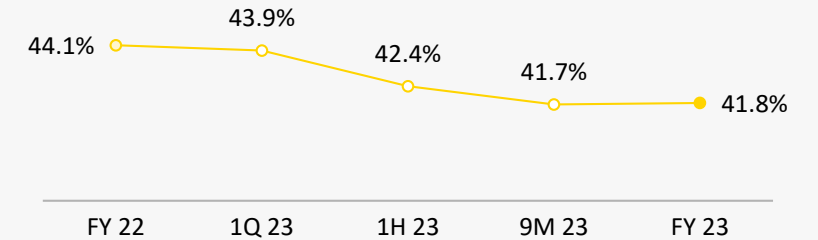
Operating Expenses (SARmn)



Operating Expenses Movement YoY (SARmn)



Cost to income ratio



Credit quality remained stable with NPL ratio at low levels



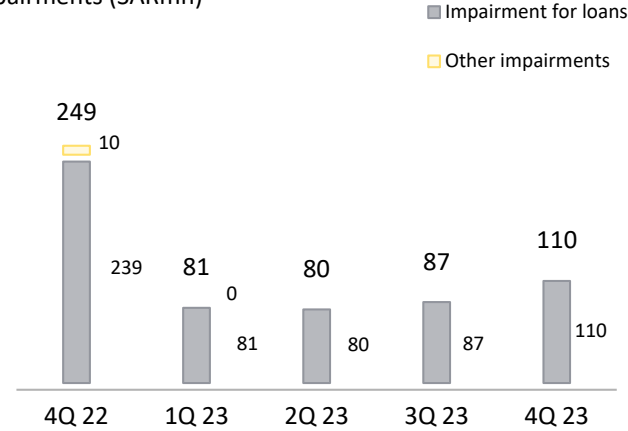
Total impairments of SAR 359mn for FY 2023, rising 87% YoY mainly due to one-off recoveries in 2022

Cost of risk at 0.47% in FY 2023 remained low

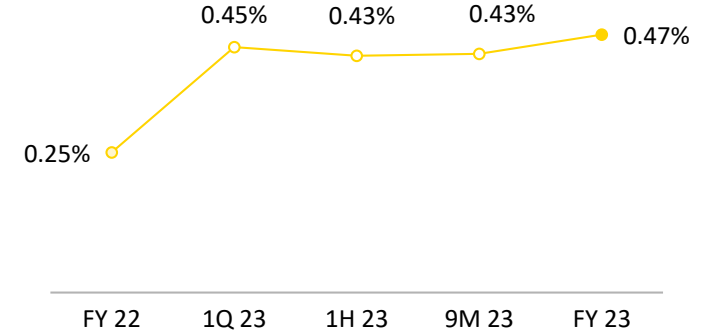
Non-performing loans ratio decreased by 7bps YoY to reach 1.50%

NPL coverage ratio at 155.2% as of FY 2023 declined by 7.8 ppts YoY, while stage 3 expected credit loss coverage rose to 55.2% on a 38% decline QoQ in Stage 3 loans

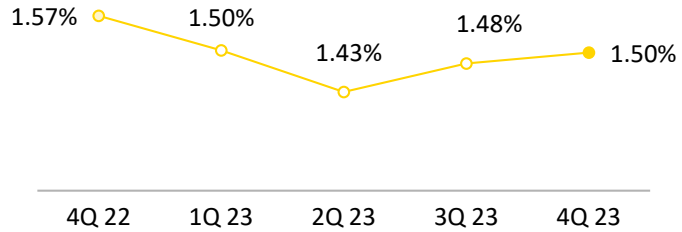
Impairments (SARmn)



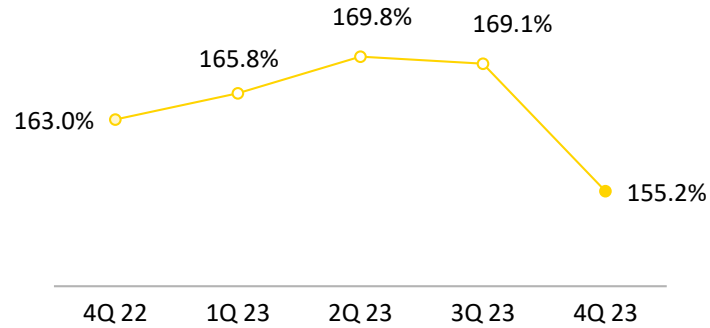
Cost of risk



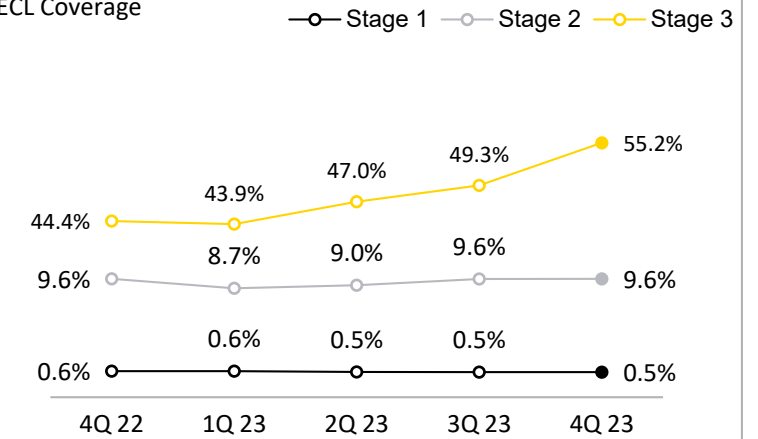
NPL Ratio



NPL Coverage Ratio



ECL Coverage



Solid liquidity, funding and capital position with adequate buffers



LCR declined by 24.0ppts during FY 2023 to 195.8%, while **NSFR eased 1.6ppts** to 113.1%

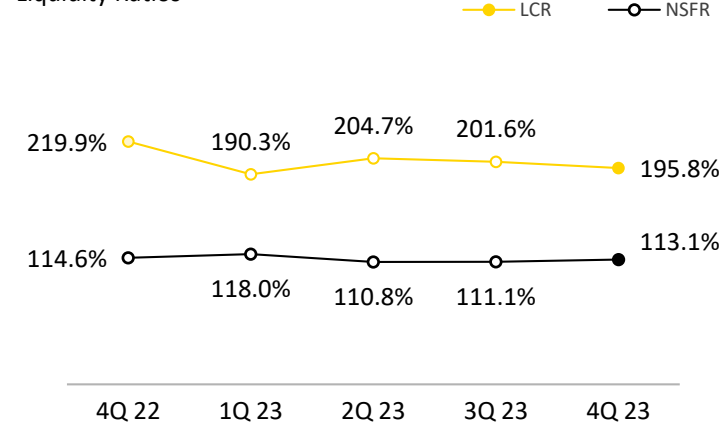
As of FY 2023, the **SAMA regulatory LTD ratio** was within required levels at 76.5%

Total capital (Tier 1 + Tier 2 regulatory capital) grew modestly by 1% during FY 2023 as net income generation more than offset the dividend payments and reduction in Tier 1 sukuk

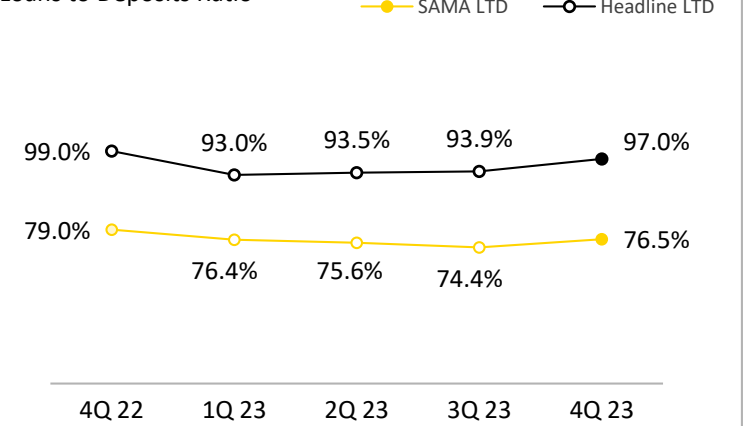
RWAs declined 8% YTD during FY 2023

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

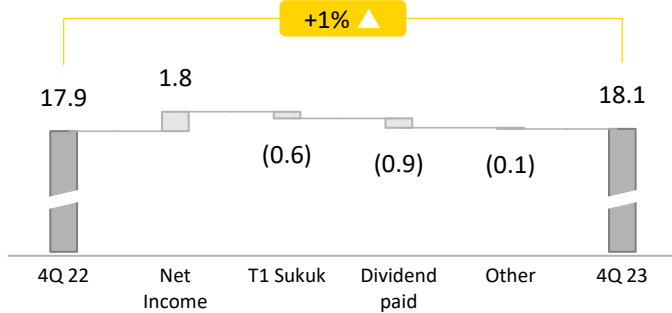
Liquidity Ratios



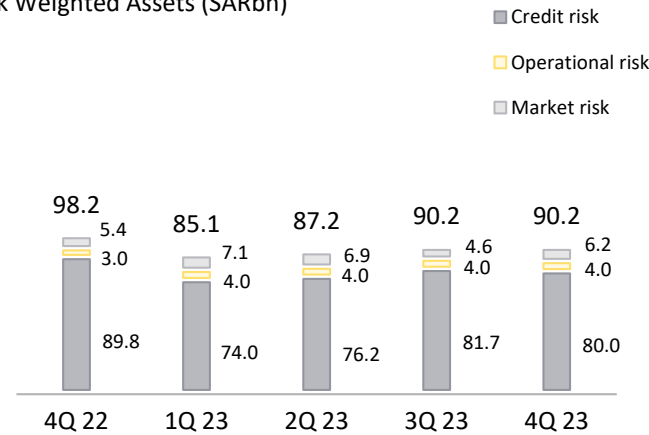
Loans to Deposits Ratio



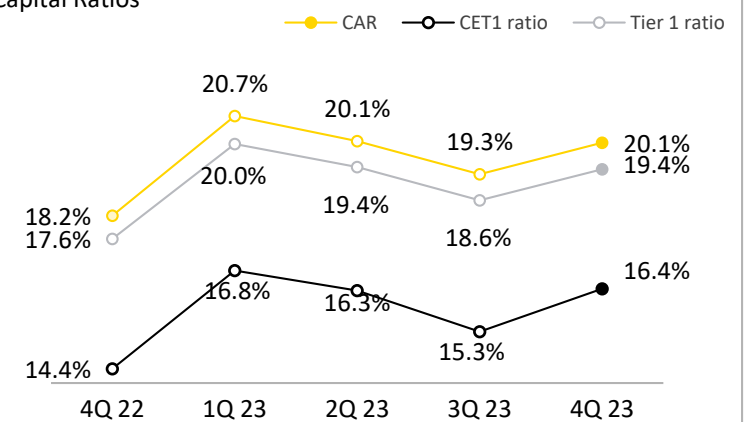
Total Regulatory Capital Movement (SARbn)



Risk Weighted Assets (SARbn)



Capital Ratios



2023 Results and 2024 Guidance





2023 Results against Guidance, and 2024 Outlook

		2023 GUIDANCE	2023 Actual	2024 GUIDANCE	2024 DRIVERS
Balance Sheet	LOANS & ADVANCES	Mid to high teens	+17% YoY	> 15.0%	Strong growth in Corporate and Private Banking loans
Profitability	NET INTEREST MARGIN	3.00% – 3.05%	2.98% +4bps YoY	Approx. 2.75%	Continuing shift in deposit mix as well as increased funding costs
	COST TO INCOME RATIO	41% - 42%	41.8% -2.3ppt YoY	41.5% - 42.5%	Cost controls moderating general & administrative and employee-related expenses
	RETURN ON TANGIBLE EQUITY	> 12.0%	11.7% +1.8ppt YoY	> 12.0%	Guidance unchanged
Asset Quality	COST OF RISK	0.45% - 0.50%	0.47% +21bps YoY	0.45% - 0.50%	Guidance unchanged
Capital	TIER 1 RATIO	> 18.75%	19.4% +1.8ppt YoY	> 18.75%	Guidance unchanged

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
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