

SAIB reports robust 17% net income growth to SAR 1,762 million in FY 2023

FY 2023 operating income increased 21%

Key financial metrics for FY 2023:

<p>Loans +17% YoY SAR 80.8 bn ▲</p>	<p>Investments +15% YoY SAR 32.3 bn ▲</p>	<p>Deposits +20% YoY SAR 83.2 bn ▲</p>
<p>Operating Income +21% YoY SAR 3,967 mn ▲</p>	<p>Operating Expenses +15% YoY SAR 1,657 mn ▲</p>	<p>Net Income +17% YoY SAR 1,762 mn ▲</p>
<p>Tier 1 Ratio +1.8 pts YoY 19.4% ▲</p>	<p>SAMA LTD Ratio -2.5 pts YoY 76.5% ▼</p>	<p>Return on Tangible Equity +1.8 pts YoY 11.7% ▲</p>

Key highlights of FY 2023

- ▷ Total assets at SAR 130.0 bn, up 19% YoY
- ▷ Loans and advances increased 17% YoY
- ▷ Investments (mainly debt securities) up 15% YoY
- ▷ Customer deposits up 20% YoY
- ▷ Net income rose 17% YoY
- ▷ Operating income up 21% YoY
- ▷ Net interest margin at 2.98%, expansion of 4 bps YoY
- ▷ Cost to income ratio improved by 230 bps YoY to 41.8%
- ▷ Healthy credit quality with cost of risk at 0.47%
- ▷ NPL ratio at 1.50%
- ▷ Return on tangible equity improved 180 bps YoY to 11.7%
- ▷ Tier 1 ratio of 19.4%
- ▷ Capital adequacy ratio of 20.1%
- ▷ Liquidity coverage ratio of 195.8%
- ▷ Net stable funding ratio of 113.1%
- ▷ SAMA LTD ratio of 76.5%

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Riyadh, 14 February 2024 – The Saudi Investment Bank has reported net income of SAR 1,762 million for full year 2023, up 17% year-on-year, underpinned by growth of 21% year-on-year in total operating income. This increase in total operating income was driven by a 20% year-on-year rise in net special commission income, following strong balance sheet growth and moderate margin expansion. Total assets increased 19% year-to-date as a result of 17% growth in loans and advances and 15% growth in investments. SAIB's balance sheet expansion was largely funded by customer deposits, which grew 20% 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 for the full year of 2023, building on the growth momentum witnessed in the first nine months of the year. SAIB's net income increased 17% year-on-year in 2023, after 42% year-on-year growth in 2022. Our excellent results translated into significant improvement in return on tangible equity to 11.7%. 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 positions, with ample room to support continued growth in the future.

Our Bank's financial success is attributed to the recently updated strategy that emphasizes our agility, innovation, and dedication to corporate and high-net-worth customer relationships. This strategy aligns with the Kingdom's Vision 2030 and the favourable macroeconomic outlook, enabling us to accelerate profitable growth and strengthen our market position.

Our strategic priorities are as follows:

- Developing a distinct value proposition with improved coverage to enhance customer satisfaction.
- Identifying and capitalizing on cross-selling opportunities to maximize revenue potential.
- Driving digital innovation to streamline processes, improve efficiency, and enhance customer convenience.
- Enhancing the overall customer experience through personalized services and seamless interactions.

We are enthusiastic about this transformative journey, which will bolster our competitive position, surpass market growth, and deliver exceptional returns to our shareholders. Our commitment to innovation, customer-centricity, and operational excellence will guide us as we navigate the evolving financial landscape and seize the opportunities presented by Saudi Arabia's Vision 2030."

Performance Highlights

Income Statement

SAR Million	4Q 2023	4Q 2022	Δ	FY 2023	FY 2022	Δ
Net special commission income	825	828	-0%	3,417	2,845	+20%
Fee and other income	188	102	+85%	549	433	+27%
Total operating income	1,013	930	+9%	3,967	3,278	+21%
Operating expenses before impairments	(425)	(397)	+7%	(1,657)	(1,445)	+15%
Provisions for credit and other losses	(110)	(249)	-56%	(359)	(192)	+87%
Net Operating Income	478	284	+68%	1,951	1,641	+19%
Share in earnings of associates	22	16	+37%	77	71	+9%
Income before provisions for Zakat	500	300	+67%	2,028	1,712	+18%
Provisions for Zakat	(53)	50	-206%	(267)	(204)	+31%
Net Income attributed to equity holders	447	350	+28%	1,762	1,508	+17%
Earnings per share (SAR)	0.38	0.27	+42%	1.59	1.37	+17%
Net interest margin	2.73%	3.22%	-49bps	2.98%	2.94%	+4bps
Cost to income ratio	41.9%	42.7%	-0.7ppt	41.8%	44.1%	-2.3ppt
Cost of risk	0.54%	1.39%	-86bps	0.47%	0.25%	+21bps
Return on tangible common equity	11.1%	8.3%	+2.9ppt	11.7%	9.9%	+1.8ppt

Net income for 2023 rose 17% year-on-year to SAR 1,762 million. Growth was driven by an increase in net special commission income and fee and other income, partially offset by increases in operating expenses and the provisions for credit losses. Net income for the fourth quarter accelerated by 28% year-on-year on strong fee income growth as well as lower quarterly provisions compared to the prior year.

Operating income for 2023 increased 21% year-on-year to SAR 3,967 million. Strong top-line growth was primarily due to an increase of 20% year-on-year in net special commission income, which reached SAR 3,417 million 2023. This strong growth in net special commission income resulted from a 4 bps expansion in margins to 2.98% amplified further by an 18% year-on-year increase in average earnings assets. Fee and other income increased 27% year-on-

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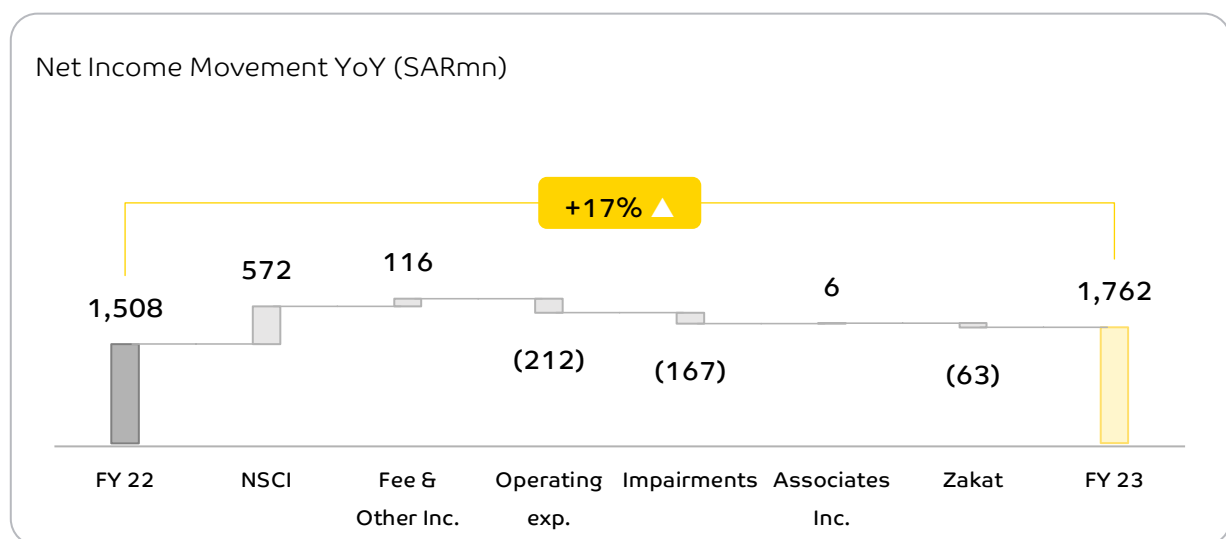


year to SAR 549 million, supported by growth in foreign exchange fees and fees from banking services, as well as investment-related income swinging to profit from earlier losses. Operating income for the fourth quarter grew 9% year-on-year to reach SAR 1,013 million, fuelled by fee and other income rising by 85% year-on-year.

Operating expenses of SAR 1,657 million rose 15% year-on-year in 2023 due to an increase in general and administrative expenses, while employee costs registered 5% expansion as the bank continued to support the execution of its growth strategy. The cost to income ratio for full year 2023 improved by 230 bps year-on-year to 41.8% as growth in operating income outpaced growth in operating expenses.

The provisions for credit and other losses amounted to SAR 359 million during the full year 2023 compared with provision costs of SAR 192 million in 2022 which benefited from one-off recoveries in 3Q. The cost of risk remained modest at 0.47% for the full year 2023.

Share in earnings of associates also increased by 9% year-on-year to SAR 77 million, while provisions for zakat and taxes increased by 31% year-on-year.



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Balance Sheet

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 and 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 and 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%
NPL Ratio	1.50%	1.48%	+2bps	1.57%	-7bps
NPL Coverage Ratio	155.2%	169.1%	-13.9ppt	163.0%	-7.8ppt
NIBD % of total	36.0%	36.7%	-0.7ppt	44.9%	-8.9ppt
Tier 1 ratio	19.4%	18.6%	+0.8ppt	17.6%	+1.8ppt
Capital adequacy ratio	20.1%	19.3%	+0.8ppt	18.2%	+1.8ppt
Liquidity coverage ratio	195.8%	201.6%	-5.7ppt	219.9%	-24.0ppt
Net stable funding ratio	113.1%	111.1%	+2.0ppt	114.6%	-1.6ppt
Financing to customers' deposit ratio (SAMA)	76.5%	74.4%	+2.1ppt	79.0%	-2.5ppt

Total assets amounted to SAR 130.0 billion as of 31 December 2023, an increase of 19% year-on-year. **Loans and advances** continued to gain momentum, increasing by 17% year-on-year to SAR 80.8 billion. Loan growth was mainly driven by a 23% increase in corporate lending, as well as retail lending growth of 7%. The Bank continued to benefit from increased participation in the syndicated loan market for large infrastructure projects, while exposure to other key sectors such as commerce, manufacturing, building & construction and services also contributed to healthy growth. The **investment portfolio** increased to SAR 32.3 billion, up 15% year-on-year as new investments were made to benefit from higher interest rates.

Customer deposits rose 20% year-on-year to reach SAR 83.2 billion, mainly reflecting 39% increase in interest bearing deposits, largely from public institutions, which was partially offset by a decline in corporate deposits of 22%.

The non-performing loans ratio stood at 1.50% as of 31 December 2023, as non-performing loans remained at moderate levels compared to growth in gross lending. Non-performing loan coverage stood at a healthy 155.2% as of year-end 2023.

The Bank remains **well capitalized** with the total capital adequacy ratio of 20.1% and Tier 1 ratio of 19.4% as of 31 December 2023, compared to 18.2% and 17.6% respectively as at 31 December 2022. Risk weighted assets saw a decline of 8% year-to-date on an 11% drop in credit risk weighted assets, due largely to an amendment to regulatory capital requirements allowing for the inclusion of collateral.

SAIB's **liquidity position** remained robust with the liquidity coverage ratio of 195.8%, a net stable funding ratio of 113.1%, a SAMA loan to deposit ratio of 76.5%, as well as a headline loan to deposit ratio of 97.0% as of 31 December 2023.

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Segmental Performance

Corporate

Corporate net income before zakat was flat year-on-year at SAR 899 million in FY 2023. Corporate operating income grew strongly by 15% year-on-year on margin expansion and growth in loans. This was partially offset by an increase of 7% year-on-year in operating expenses and a substantial increase in credit impairments due to elevated recoveries received in the prior period. Total corporate assets increased by 23% year-to-date to SAR 58.0 billion as at 4Q 2023, driven by similar levels of loan growth. Corporate liabilities decreased by 22% year-to-date to SAR 8.0 billion, largely reflecting a decline in deposits.

Income Statement (SAR Million)	4Q 2023	4Q 2022	Δ	FY 2023	FY 2022	Δ
Net Special Commission Income	326	352	-7%	1,265	1,084	+17%
Fee & other income	49	46	+7%	198	189	+5%
Total operating income	375	398	-6%	1,463	1,273	+15%
Expenses	67	79	-15%	287	267	+7%
Impairments	128	240	-47%	277	108	+156%
Other income (expenses)	0	0		0	0	
Net income before zakat	181	79	+128%	899	897	+0%

Balance Sheet (SAR Million)	4Q 2023	3Q 2023	Δ	4Q 2022	Δ
Total assets	58,045	58,302	-0%	47,289	+23%
Total liabilities	7,953	8,238	-3%	10,183	-22%

Retail

Retail net income before zakat declined by 29% year-on-year to SAR 322 million in FY 2023. Retail operating income declined by a moderate 2% year-on-year, accompanied by an increase of 20% year-on-year in operating expenses, while impairment charges were 22% lower. Total retail assets increased slightly by 6% year-on-year to SAR 22.7 billion as at 4Q 2023, while retail liabilities were higher by 1% year-on-year to SAR 24.9 billion, reflecting a 1% year-on-year growth in deposits.

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Income Statement (SAR Million)	4Q 2023	4Q 2022	Δ	FY 2023	FY 2022	Δ
Net Special Commission Income	274	386	-29%	1,120	1,126	-1%
Fee & other income	21	26	-19%	109	123	-11%
Total operating income	295	412	-28%	1,229	1,249	-2%
Expenses	229	190	+21%	825	690	+20%
Impairments	(16)	31	-153%	82	106	-22%
Other income (expenses)	0	0		0	0	
Net income before zakat	82	191	-57%	322	453	-29%

Balance Sheet (SAR Million)	4Q 2023	3Q 2023	Δ	4Q 2022	Δ
Total assets	22,664	21,596	+5%	21,294	+6%
Total liabilities	24,877	23,227	+7%	24,715	+1%

Treasury and Investments

Treasury and Investments saw net income before zakat rise by 89% year-on-year to SAR 941 million in FY 2023. Treasury and Investments operating income grew 65% year-on-year on higher yields and growth in the investment portfolio. Treasury and Investments operating expenses rose 14% year-on-year. The segment's total assets increased 24% year-on-year on higher investment securities and interbank placements. Liabilities saw an increase of 42% year-on-year mainly on higher deposits, which increased by 48% year-on-year mostly from public institutions.

Income Statement (SAR Million)	4Q 2023	4Q 2022	Δ	FY 2023	FY 2022	Δ
Net Special Commission Income	216	97	+124%	1,018	624	+63%
Fee & other income	125	50	+148%	280	165	+70%
Total operating income	341	147	+132%	1,299	789	+65%
Expenses	98	102	-3%	436	384	+14%
Impairments	(1)	(21)	-95%	(1)	(23)	-98%
Associates	22	16	+37%	77	71	+9%
Net income before zakat	265	82	+222%	941	499	+89%

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Balance Sheet (SAR Million)	4Q 2023	3Q 2023	Δ	4Q 2022	Δ
Total assets	45,774	46,210	-1%	36,791	+24%
Total liabilities	77,693	78,871	-1%	54,795	+42%

Asset Management and Brokerage

Asset Management and Brokerage net income before zakat increased by 15% year-on-year to SAR 94 million in FY 2023. Net special commission income grew 18% year-on-year from higher income on margin accounts while fee and other growth was more muted, reflecting stock market trading volumes and capital markets activity. Asset Management and Brokerage total assets expanded by 12% year-on-year while liabilities declined by 17%.

Income Statement (SAR Million)	4Q 2023	4Q 2022	Δ	FY 2023	FY 2022	Δ
Net Special Commission Income	15	14	+6%	57	48	+18%
Fee & other income	29	24	+22%	146	138	+6%
Total operating income	44	38	+16%	203	187	+9%
Expenses	30	27	+15%	108	105	+4%
Impairments	(0)	(0)	-66%	0	(0)	-778%
Net income before zakat	13	11	+19%	94	82	+15%

Balance Sheet (SAR Million)	4Q 2023	3Q 2023	Δ	4Q 2022	Δ
Total assets	798	715	+12%	715	+12%
Total liabilities	62	64	-3%	75	-17%

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Outlook

The economic outlook for the Kingdom of Saudi Arabia remains positive. According to the International Monetary Fund (IMF), real GDP growth is projected to reach 4.0% in 2024. This is attributed to the continued robust non-oil GDP growth, which is expected to offset the impact of lower oil production during the year.

The Kingdom's focus on giga projects and other large infrastructure projects bodes well for overall credit demand. SAIB is well-positioned to capitalize on this demand through its significant exposure to the corporate sector and active participation in the syndicated loans market for large project financing. This strategic positioning is expected to support growth in earnings in 2024.

With a positive economic outlook and a well-defined strategy, SAIB is poised for continued growth and success in the years to come. The bank's commitment to delivering superior financial services to its customers and contributing to the economic development of Saudi Arabia remains unwavering.

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Additional Information

SAIB's FY 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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