3Q 2025 Earnings Call Transcript - October 30th 2025

Muhammad Faisal Potrik:
Hello. Good afternoon and good morning, ladies and gentlemen. It's my pleasure to welcome you all to Saudi Investment Bank's 3Q 2025 earnings call. At this point, I would like to hand over the call to **Ms. Najla Al Mutairi**, the Head of Investor Relations at Saudi Investment Bank. Please go ahead, **Najla**.

Najla Al Mutairi:
Thank you, **Muhammad.** Good afternoon, everyone. We're pleased to welcome you all to Saudi Investment Bank's earnings call for Q3 2025. My name is Najla Al Mutairi, Head of Investor Relations. Kindly known that our earnings disclosures are available on our website. And also be aware that the call will be recorded and a transcript will also be made available on our web page. If there are any members of the media, please be reminded to share your questions separately with the corporate communications team. I am joined today by Mr. Faisal Al Omran, Chief Executive Officer, and Ahmed Al Mohsen, our Chief Financial Officer. Moving on to the agenda, Faisal, our CEO, will cover the performance highlights for the period and will give an update on our strategy. And Mr. Ahmad will then discuss the financial performance and guidance in more details. We will then open the floor for questions. With that, I will now hand over to our CEO to begin the presentation. Over to you, Faisal.

Faisal Al Omran:
Thank you, **Najla.** Good afternoon, everyone. You are welcome. On our side, we are very pleased to be speaking to you today. We delivered a good performance during the first nine months of 2025, demonstrating a solid progress and robust year-over-year growth across our key performance metrics. Sustained strong balance sheet momentum and quality that has been shown in the 11% loan expansion, driven by the growth in corporate and private banking segments. We also witnessed a 12% growth in deposits, mainly from time deposits. We had strong also credit quality overall, and we have maintained solid characterization and equity [inaudible 00:02:20] positions in the first nine months.
We also have profitability and income growth of 6% year-on-year, reaching 1.534 million. ROE stood at 12.7%. Also, the increase came in spite of NIM contraction, which we will go into more details shortly. But we also have maintained a low cost of risk at 23 basis points. We have maintained a cost discipline with cost-income ratio up to 40.8. This strong performance has helped mitigate the effects of NIM contraction and maintain the overall profitability. Moving to the next slide. So briefly, we'll share some of our key highlights and accomplishments for the period. On the debt capital market front, we have successfully launched a one billion CD program, of which we have issued $650 million.
Also, in September '25, we closed our 750 Asian syndicated loan. We're very proud of the result, a major step in our diversifying our funding base. The deal was actually upsized from $500 million to $750 million, following the strong demand, and have actually attracted 36 investors from across China, Hong Kong, Taiwan, Singapore, and Japan. The transaction was actually more than two times subscribed on the $500 million. Thus, we have actually increased the size. [inaudible 00:04:18]. We have also, during the year, introduced a Sharia-compliant, Zakat-exempt saving account, offering an excellent profit rate and a fully digital-comporting experience through our mobile app.
We believe that's a great initiative that we have accomplished and we will see the effect during the coming period. On the digital front, we have also launched S60 Accelerator, one of the S60 Ventures initiatives, in collaboration with Fintech Saudi during the May 2020 event. The Accelerator aims to support Fintech startups and contributes to shaping the future of the financial services, both locally

and internationally, but the focus is on locally on this Accelerator. Also, on the innovation front, we have remained a carrier of strength for us.

As part of our vision, we've made significant progress in enhancing our digital capabilities and launching innovative products, which strengthen the customer operating and market position. And that also has shown in our newly launched app, where the rating of the app has been the highest among Saudi banks, and we believe we will continue to keep that edge going forward. We go to the next slide. This is our five-year strategy. I mean, as always, our vision is to be the trusted bank of our clients. Our mission is to build long-term relationships with them, provide an exceptional work environment for our people, and deliver sustainable value for our shareholders.

These are the pillars that we will always stick by and evaluate any strategy initiatives that we do. Our strategic objectives for the business segment, for corporate and private banking, is to accelerate profitable growth. For the public institution, we are looking to increase penetration and growth in the current accounts and also fees. In our consumer banking, which basically tackles the aggregate, we are looking also to have a differentiated value proposition to be able to capture the viability, and so the initiatives are receiving an account, and also to be able to build quality assets that are not price-sensitive compared to the mass segment. There are also critical enablers for our strategy, treasury, IT, human resources, risk management, marketing, and we are so far happy with the accomplished strategy. And I think it shows in the next slide, where we have accomplished 42 out of the 43 initiatives.

The delivery has been excellent, the execution has been on the timelines [inaudible 00:07:31], and we believe also that these projects that have been delivered will start also giving us the value expected, inshallah, in the near future. I think we have mentioned before the details, and also actually this slide, where we talk about our corporate internet banking that we are looking forward to launching, also the production of the new analytics-powered CRM system. Also putting in products that are built on data science-driven initiatives. So I think this is something that we have already spoken about before. So I'll make it short and leave the next section to our CFO to give more time with the explanation and also to give more time for questions. So, with that, to you, Ahmed.

Ahmed Al Mohsen:

Thank you, **Faisal.** Salaam alaikum to everyone. I would also like to extend my welcome to all of you joining us today and pleased to share that SAIB delivered another strong performance for the nine months of the year 2025. The balance sheet, loans increased 11% year-to-date, for 16% year-over-year, reaching $110.6 billion. This was supported by healthy deposit growth, 25% year-to-date and 7% growth year-over-year, taking total deposits to $105.2 billion. Even with the NIM contracting 45 pieces year over-year, where it reached 2.31%, our profitability continued to improve, driven by income growth, positive jaws and development benefits, resulting in a 6% increase in net income. Our return on equity reached 12.7%, up 10 basis points from last year. SAIB maintained a healthy assets quality, with NPL ratio improving to 94 basis points, while the cost of risk reduced to 23 basis points. Equally, capitalization and equity were strong and remain supportive future. Turning to slide 11, please. The balance sheet expanded 11%, driven mainly by higher loans, which has increased 11%, investments, which rose by 14%. Balance sheet growth was primarily funded by 12% expansion in customer deposits, and 6% growth in total bank. In addition, SAIB successfully finalized a new $715 million loan in September 2025, further supporting funding diversification.

You will now look more closely at each of these trends in the following slides. Our loan book continued to demonstrate a solid momentum, earning 11% growth in the nine months. Most of this growth came from corporate lending, which grew by 14% during the time of the current year. Here we continue to focus our lending on priority sectors that align with our strategic focus. Active participation in financing large infrastructure projects continued to support growth. This was further aided by widespread demand across key economic sectors, such as building and construction, utility services, manufacturing, etc.

This disciplined approach to ensure we balance growth with prudent risk management. On the retail side, the loan portfolio grew by 4%, mainly supported by 12% growth in private banking, which grew by $1.7 billion and averaged $16 billion. The remaining consumer loan book decreased 7% year-to-date, as repayments exceeded what was originated. We expect this segment to gradually stabilize with opportunities for improvement as our initiative in that particular segment, especially in housing gain traction. On a quarterly basis, loan growth slowed to 2% in a sequential basis, with 9% growth during the first half of the year. This is as a result of our focus more on profitable growth amid tight liquidity conditions and funding cost pressures.

We will continue to take a more subjective approach to lending in the fourth quarter, but we are still comfortable that we will reach our guidance range of 15% growth. If we go on to the next slide, our investment portfolio grew 14% year-to-date, supported by favorable markets and opportunities. During the 3rd quarter, we added $2.9 billion in new investments, resulting in a 7% increase in the portfolio, which has reached $46.4 billion by the end of the period. These new investments were privately placed with banks and other financial institutions, where we were able to capture attractive fixed-rate splits that contributed meaningfully to our met association functioning. We remain focused on high-grade fixed rate debt securities, fully aligned with our investment strategy. This consistent approach ensures we enhance yields without taking undue risk, while also supporting the bank overall net interest margin. And as always, we are highly data-driven in deploying capital, investing only where the return profile is accurate to our area. The quality of the investment book remains strong, with around half of the securities issued by government, 39% by banks and other financial institutions, as illustrated in the chart. Moving to the next slide on deposits. Our customer deposits rose 12% year-to-date, and have reached $105.2 billion. Market liquidity remains tight, with intense competition on deposit prices. In this context, growth was mainly driven by a 25% increase in interest-bearing deposits, daily incorporated while non-interest-bearing deposits declined 14% year-to-date.

This shift reflects a broader market-wide trend that many governments and public sector organizations have been moving balances from current account to full account. As a result, our funding mix has adjusted, with non-interest-bearing deposits now representing 26.1% of total deposits, down from 33.7% at the end of last year. Toward the end of the quarter, we also introduced our new Sharia-compliant, Zakat-exempt Saving Account, which offers attractive profit rates and a fully digital experience. While it was launched only at the end of September, we are already seeing encouraging inflows, and we expected to gradually improve our funding mix and support funding costs in the coming quarter. In addition, with the recent term loan issuance, we further diversified our funding and improved our maturity profile.

Now, turning to a summary of our income statements on slide 17. Net income increased 6% year-over year, driven by 2% growth in operating income, further supported by improved cost-of-risk and operating efficiency. On a sequential basis, net income was broadly stable. In the third quarter, we recalculated return on equity following the restatement between investment and other reserves on the balance sheet, which resulted in the ratio appearing slightly lower than previously reported. In nine months, ROE stood at 12.7%, and we maintained our full-year guidance unchanged to more than 13.25%. Here we have seen good growth during the quarter in terms of investment-related income as well as other income. We expect this to continue next quarter, which should help us achieve the guided ROE. I will expand on all net income components in the following slides. Firstly, let's look at the net special commission income on the NIMS on slide 18, please. Net special commission income was broadly stable year-over-year, amounting to 2.6 billion as average earning assets growth 20% by NIMS impact. As you can see in the waterfall chart in the upper middle section, special commission income from renting increased, primarily driven by higher volumes, while income from investment benefited from higher interest rate in newly purchased instruments during the period. However, these positive effects were partially offset by higher funding costs, leading to a shift in our deposit mix and [inaudible 00:17:03] intensive pricing competition. Year-over-year NIMS declined by 45 basis points that have reached 2.31 in the nine months of the current year. It was due to 57 basis points decreased in assets yield, while the cost of interest bearing liability, excluding the demand deposits decreased by 48 basis points year-over-year and reached 5.29%. The improvement in the funding cost was consistent by the shift in the deposit mix mentioned earlier, as well as increased competitive pricing pressure during the period. On a quarterly basis, the NIMS declined by 23 basis points mainly due to cost of fund pressure while the asset yield increased marginally by 3 basis points. Looking ahead, we expect the NIMS to stabilize within a range of 2.25 to 2.30 for the full year, which is a slight downward revision from the previous slide.

Now let's look at the fee and the total income on the next slide, slide 17. Fee and total income for the nine months increased 13% year-over-year. This was partially driven by obvious growth in foreign exchange income, reflective of customer growth, and activity and we expect to maintain a positive momentum during the last quarter of the year. Overall growth was also supported by an increase in fee income from banking services from consistent expansion in trade finance and accelerated growth in fund management-related income during the quarter. Partially offsetting these were the modest decline in investment gains. Moving to the next slide, operating expenses. During the nine months, we delivered a consistent improvement with both the cost-to-income ratio and absolute operating expenses declining, later down 1% year-over-year and landed at 1.29 billion. This was mainly driven by lower general administrative expenses as well as reduced rent and premises-related expenses, while employee-related cost and depreciation and privatization expenses increased slightly. The decline in operating expenses reflects two key factors. First, most of our strategy-related investments have already been completed and second, the bank has initiated a cost optimization program that benefits of this have started to materialize and are expected to continue in the coming quarter.

The cost-to-income ratio will drop to 40.8% down from 41.5% in the full year of 2024 and 41.9% a year ago. For the full year of 2025, we maintain our guidance of keeping the cost-to-income ratio below 41, supported by strong performance achieved during the nine-months of the current year. Turning our attention to credit quality on slide 19, impairment charge decreased by 11% from the previous year to $186 million. This reduced our cost-to-risk by eight basis points year-over-year and 23 basis points for the nine-month 2025, reflecting a benign credit environment and healthy overall assets quality. NBL formation also remained moderate and the NBL ratio was further improved to 94 basis points as of the end of September. Our NBLs remain adequately covered with an overall coverage ratio now at 168.9%.

Stage three ECL coverage decreased modestly to 45.8, while stage two ECL coverage slightly decreased to 12.5 compared to the level that we have seen last year. For the remainder of the year, we don't expect a significant rise in cost-to-risk or a deterioration in credit quality. That being said, potential macroeconomic shifts could affect ECL models, so we are maintaining our guidance at 30 to 35 basis points as a conservative step. Moving to capital and liquidity, SAIB continues to maintain a strong capitalization and liquidity position. The liquidity coverage ratio LCR increased to 209.4%, NSFR at 111.9%, both at a comfortable level.

The SMA and LDR reached 81.5%, the quarter-over-quarter improvement arising from the term loan issuance at the end of the quarter. Total regulatory capital increased 3% during the nine-month from profit generation and the favorable OCI movement from investment revaluation, which were partially offset by dividend payments. RWA grew by 14% year-to-date to $124.3 billion during the period, mainly reflecting a growth in lending and balance sheet expansion. Sequential RWA growth went up by 7%, primarily driven by higher investments, loans and interbank basements, as well as a off balance sheet commitments. The bank is currently undertaking a capital optimization exercise and expects to partly offset this RWA growth in the coming quarter.

Our CAR is 18.1, with Tier 1 at 17.5% and CET1 at 13.2%. Looking to year-end, we expect capital ratio to improve on net-to-profit generation, further OCI gains and RWA optimization. We therefore

remain comfortable with our tier 1 ratio guidance above 18%. Now moving to the outlook and guidance for the year. Overall, we delivered a solid performance over the first nine months of the year. Financial results were broadly in line with expectations. Looking ahead, as mentioned earlier, we have revised our full year guidance for NIM. However, our guidance for loan growth, cost-to-income ratio, ROE, cost of risk, and tier one ratio remains unchanged. We remain focused on disciplined balance sheet growth, maintaining a strong assets quality, and improving efficiency to support sustainable profitability.
With continued progress under Strategy 2027, SAIB is well-positioned to achieve its strategic and financial objectives, and we continue to see no change to our full year guidance. This concludes the management presentation. As we wrap up, I want to extend my sincere gratitude for all of you and for continuing attention and interest in the Saudi Investment Bank. Now we are happy to answer any questions you may have.

Muhammad Faisal Potrik:
Thank you for the presentation, gentlemen. We'll open the floor for questions and answers now. As a reminder, if you have a question, please use the raise hand button on your screen. We'll pause for a moment and then we'll start taking questions. Our first question comes from **Reem Al-Khlaifi.** Reem, please go ahead.

Reem Al-Khlaifi:
Can you hear me?

Muhammad Faisal Potrik:
Yes, we can hear you.

Reem Al-Khlaifi:
Yes. Good evening. This is Reem Al-Khlaifi from Riyadh Capital. I have two questions from my side. The first one on the capital, we see your CAR ratio declining and also CET. My question, what CET level are you comfortable maintaining over the medium term given the upcoming regulatory requirement? Should we expect capital strength to take priority over loan growth in 2026? Or do you believe you have sufficient headroom to support both? Also, given the tighter capital environment, do you anticipate any adjustment to the payout ratio similar to what we have seen from some peers recently? The next question on the liquidity, we continue to see strong competition for deposit and funding costs remain elevated even though cyber is lower year-on-year and the spread versus software has widened. How do you assess the current liquidity environment? Do you see expect this pressure to ease next year also with the counter cyclical buffer increasing? Could liquidity conditions limit loan growth in 2026?

Ahmed Al Mohsen:
Thank you, Reem. The first question on capital and dividends payout. We actively monitor our CET1 ratio as part of our capital planning framework. CET1 started at 13.2 compared to 14.1 in the second quarter. During the second quarter, maybe you noticed we implemented a risk-weighted asset optimization measure that helped stabilize the capital ratio, and we are preparing for another phase. This includes evaluating, for example, unutilized limits, shifting 12 collateralized lending, which would be within our normal business activity. This should further support the CET1.
I think also importantly, we remain well above the [inaudible 00:27:40] requirements, even factoring the additional counter cyclical buffer. On the dividends, as usual, we evaluate payout decisions on a semiannual basis and we consider three key factors. Our growth projections, our capital requirements, and the overall operating environment. I don't see any change to this approach. We will continue applying this disciplined approach.

Faisal Al Omran:
The second question is about the liquidity. Yes, we have seen competition on liquidity. Given also the growth that we have seen in the banking sector, it's normal to see that competition on liquidity happening. But science has always been that we grow within our means. If we have profitable growth, we say that we can source liquidity for our product. We just need to properly book the right business and the right yield. I think from that, specifically for [inaudible 00:28:50], we see the competition. But I think if we decide to grow more in the areas that we are focusing, I think that growth will materialize. As for the countercyclical, I think it will have a different dimension because it's more capital rather than the liquidity front.
Definitely, with such active growth of the banking sector, it's normal to have these measures to be put in place to ensure the adequacy and soundness of the Saudi banking sector. The higher power definitely affects the banks' ability to have more capacity in loans. But I think there are also other measures that can help bubble up the capital, whether it be the expected detailed earnings that are built up for tier one issuance or [inaudible 00:30:00].

Muhammad Faisal Potrik:
Thank you, gentlemen. As a reminder, if you have a question, please use the raise hand button on your screen. We'll pause for a minute for any questions. We have a question from Murad. Please go ahead, Murad.

Murad:
Just wanted to get a sense of how you're looking to manage the pressures on NIM. Obviously, you've delivered very strong growth consistently over the last three quarters, but it's coming to a certain extent at the cost of margins. You've revised your NIM guidance now for the second time in the year. This one is a relatively smaller cut in guidance. But where do you think you can... What areas do you think... Is it more funding cost management or asset yield improvement that can help you navigate these margin pressures better in the fourth quarter and into next year? And also, I mean, typically we tend to see a lot more pressure on funding costs towards the end of the year on the deposit side as well. I mean, although it's temporary, lasts for maybe a week here and there towards the end of the year, but that also is a phenomenon that comes through every year. So, how do you expect to navigate through these challenges to manage your margins? Thank you.

Ahmed Al Mohsen:
So talking about the reduction on the non-interest bearing deposits and the effect on the NIMS, that's obviously has put some pressure on our NIMS. I would say it was the reason of the declining in our NIM. What we are trying to do is we have to have a target funding mix to maintain some non-interest bearing deposits and ensure that interest bearing deposits are structured in the most cost-efficient way to minimize a costing fund. We started heavily leveraging wholesale funding sources to optimize the overall mix.

So, it was, we started leveraging the wholesale funding sources to optimize the overall mix. As we mentioned just before the quarter end, we secured the 750 million term loan at rates lower than the prevailing local market rates. In addition, we have implemented a CD program designed to further enhance and reduce our cost of funding. All of these measures were implemented at the end of last quarter, so maybe the effect was not... the impact of this initiative will become more visible in the coming quarters. And accordingly, we put our guidance toward a range of 2025 to 2030, and we think this is achievable.

Muhammad Faisal Potrik:

All right. Thank you, gentlemen. Murad, do you have a follow-up question? You raised your hand again.

Murad:
Thank you. Thank you, Faisal. Yes, I just wanted to also ask about, you know, the loan growth outlook as well. So this year has been, as we've highlighted, it's been a good year in terms of growth. But obviously, there are challenges on the liquidity side, which are persisting. And there is obviously a capital demand because of increasing regulatory ratios that's coming through. The counter-cyclical buffer, I think on the interest rate on banking book, you're fairly comfortably positioned. But, given these two challenges, the capital and liquidity, do you think there is now some movement towards more disciplined pricing? Because one of the factors that's impacting margins is also the competition on the pricing side as well, and particularly in corporate. So, I just wanted to get a sense that, you know, do you see early signs on pricing discipline in the market? Or do you expect this competition to remain tough over the next six to 12 months?

Faisal Al Omran:
Yes, I think that the short answer... Can you hear me?

Murad: Yes.

Faisal Al Omran:
Yes, I think the short answer is that we believe that we have enough capital inside to realize the growth as a capacity. However, as we said before, I think we're going to tend to be more selective into where we deploy our capital and liquidity. SAIB has been very disciplined in maintaining high asset yield. So, you'll always see our pricing is one of the highest in the banking sector. We want to make sure that this continues. We will not subsidize growth by getting cheaper or non-profitable loans or loans that can affect our return equity. So, we will make sure that we always are in places that have a meaningful pricing and asset yield compared to our cost of funding. So, that discipline will always be there inside.

Murad:
Great. Thank you. If I may just put in a last final question. Any opportunities that you see on the noninterest income side, which you can realize on the fee income side, where you see there are opportunities for you to grow and expand that base?

Faisal Al Omran:
The answer is yes. And we are looking to increase our share in trade finance. I think that's an area where SAIB can do, I would say, better compared to the competition. So, in that area, we're not looking just to be within the average. We want to be above average, and I think this is an area that we are working on to achieve that.

Murad:
All right. Thank you so much.

Faisal Al Omran:
Thank you.

Muhammad Faisal Potrik:

Thanks, gentlemen. As a reminder, again, if you have a question, please use the raise hand button on your screen. We'll just pause for a moment. All right. It seems we don't have any further questions. So, with that, I'll hand over the mic to Najla again. Najla, for any closing remarks from your side?

Najla Al Mutairi:
Thank you, **Mohammad,** and thank you, everyone, for joining our earnings call. Again, a reminder, all our material are uploaded on our website. If you have any questions, please reach out to our investor relations group email. With that, have a great evening, and we'll speak soon. Thank you.

Muhammad Faisal Potrik:
Thank you. Thank you, everyone, for joining. You can disconnect now.