2Q 2026 Earnings Call Transcript - August 10th 2026

Hussein Safieddine:
Good afternoon, ladies and gentlemen. Welcome to The Saudi Investment Bank's H1 2026 results call, hosted by Arqaam Capital. I am Hussein Safieddine.
Joining us from The Saudi Investment Bank are Mr. Faisal Al-Omran, Chief Executive Officer; Mr. Ahmed Al-Mohsen, Chief Financial Officer; and Ms. Najla Al-Mutairi, Executive Vice President of Investor Relations.
I will now hand the call over to management. In the meantime, if you have any questions, please submit them through the Q&A box. Following the presentation, we will begin the Q&A session. You may use the raise-hand feature, and we will open your line.
Najla, over to you.

Najla Al Mutairi:
Thank you, Hussein. Good afternoon, everyone. We are pleased to welcome you all to The Saudi Investment Bank's earnings call for H1 2026. My name is Najla Al-Mutairi, Head of Investor Relations. Kindly note that our earnings disclosures are available for download from the Investor Relations section of our website, and this webcast is being recorded. A transcript will be made available on our Investor Relations webpage. If there are any members of the media, please be reminded to share your questions separately with the Corporate Communications team.
We are joined today by Mr. Faisal Al-Omran, our Chief Executive Officer, and Mr. Ahmed Al-Mohsen, our Chief Financial Officer. Moving on to the agenda, our CEO will cover the performance highlights for the period and provide an update on our strategy. Our CFO will then discuss the financial performance and guidance in more detail, after which we will open the floor for questions.
With that, I will hand over to our CEO to begin. Over to you, Faisal.

Faisal Al-Omran:
Assalamu alaikum and good evening, everyone.
I would like to extend a warm welcome to this earnings call. I am very pleased to be speaking with you today and to report that SAIB delivered a good set of results in the first half of 2026, underpinned by healthy balance sheet growth, strong operational efficiency and high asset quality, despite the continued margin pressure we have seen.
Looking at the numbers, we sustained good balance sheet growth momentum and quality. Loans expanded by 5%, driven by growth in corporate banking and, in particular, private banking. Deposits grew by 11%, mainly due to higher time deposits.
We have strong credit quality overall and an encouraging direction in our NPLs. We also maintained a healthy liquidity position and strengthened solid capitalization due to the recent SAR 1.85 billion Additional Tier 1 Sukuk issuance.
Also, profitability and improved efficiency, you have seen net income grew by 3% year-on-year to reach SAR 1.051 billion for the first half of 2026, supported by an okay operating income growth and lower operating expenses. Return on equity came in at 12.2%, our net interest margin have compressed to 2.18%. We maintained a low cost of risk at 22 basis points, we also maintained a good cost discipline that we have initiated last year and has improved our cost income ratio to 39.5%.
I would say overall, balance sheet growth, operating efficiency, resilience and credit quality helped offset some of the margin pressure and supported growth and profitability during for the first half.
If we go to the next slide, I will move quickly on them since I think they have been discussed previously. For any new participants, the slide provides a reminder of our Strategy 2027, including

our vision, mission and strategic goals across the business segments, key enablers and strategy, which include Treasury, Data and AI, Human Resources, Risk, Marketing and Customer Experience.
I will talk mainly on the refreshed agenda centered on two key priorities: improving our funding efficiency and accelerating non-interest income growth, particularly through trade finance and stronger client engagement. Also these priorities I would say they are strongly supported by a customer experience rollout agenda, the rollout of our corporate internet banking platform, which is we are very proud of and inshallah will open it to our clients. Also we have experience and excellent use cases and some of the use of our data and AI. So I think these are inshallah, things that were going to see on the second half of 2026.
If we want to go to slide seven. Same story. The transformation has already delivered a number of important capabilities across both our business segments and the enabling functions in the Bank.
I would say overall focus is now on translating the capabilities we have built into measurable outcomes. Which is basically a better customer experience, stronger revenue generation, improved funding efficiency, better fee penetration, I would say more scalable execution across the Bank. So let’s say that’s in a nutshell where our focus on inshallah the strategy refresh that we have done and we see most of the transformation inshallah have been completed and inshallah, we are excited to see inshallah the results going forward. With that, I will hand it over to Mr. Ahmed, the Bank's CFO, to take us through the financial results.

Ahmed Almohsen:
Thank you, Abu Abdulaziz. Assalamu alaikum and good afternoon, everyone.
I would like to welcome all of you joining us today. SAIB delivered a sound set of results in the first half of 2026, and I will now take you through the key financial developments.
On the balance sheet, loans increased by 5% year to date reaching SAR 117.3 billion, supported primarily by growth in corporate and private banking. Customer deposits grew by 11% year to date to SAR 121.6 billion.
Net interest margin declined by 22 basis points year-on-year and reached 2.18%, reflecting lower asset yields and a shift in the deposit mix which limited the improvement in funding costs. Improving the deposit mix and enhancing funding efficiency remain key priorities for the Bank. The progress made during in the first half was reflected in a stronger CASA ratio. Together with a more stable rate environment and a broader funding base following our Additional Tier 1 issuance, should support resilient NIM performance through the second half of the year.
Operating income increased modestly by 2%, while continued cost discipline resulted in lower operating expenses. Consequently, the cost-to-income ratio improved by 146 basis points year-on-year to 39.5%.
Our profitability continued to improve, driven by income growth and lower operating expenses. This resulted in a 3% increase in net income to SAR 1.05 billion. Our Return on equity remained sound at 12.2%, slightly decreased by 59 basis points from last year on a higher equity base.
SAIB also maintained healthy asset quality, with the NPL ratio improving to 0.91%, while the cost of risk remained low at 22 basis points. This reflects our continued focus on control growth and prudent risk management.
Our capitalization also strengthened, with the Tier 1 ratio reaching 19.7%, supported by profit generation and the Additional Tier 1 Sukuk issuance of SAR 1.85 billion. Liquidity remained healthy and supportive of the Bank's growth plans.
Turning to slide 10 the balance sheet, the balance sheet expanded 6%, driven by 5% higher loans together with higher cash and balances with SAMA and bank placements. The increase in liquidity balances at the end of the period largely reflected tactical and temporary balance sheet management positions.
On the funding side, customer deposits increased by 11% year to date to SAR 121.6 billion and remained the primary source of balance sheet growth. Term funding also increased, while interbank

funding was 9% below the year-end level. In the second quarter of 2026, the Bank's capital position also strengthened during the period, supported by the issuance of our latest Additional Tier 1 Sukuk. Overall, the Bank maintained a healthy liquidity and capital position, with balance sheet growth continuing to be predominantly funded by customer deposits.

Starting with loans and advances on slide 11, our loan book continued to demonstrate solid momentum, recording 5% growth and reaching SAR 117.3 billion in the first half of the year 2026 with a 1% increase during the second quarter. Most of this growth came from corporate lending, which grew by 5% during the year.

The expansion was broad-based across key economic sectors, including building and construction, services, transport and communications, as well as commerce. We continue to manage the portfolio actively, prioritizing lending opportunities that offer attractive risk-adjusted returns while maintaining disciplined underwriting and a clear focus on margins.

On the retail side, the loan portfolio grew by 2%, mainly supported by 3% growth in private banking, which grew by SAR 400 million and reached SAR 16.8 billion. The remaining consumer loan book grew by 2% year to date.

Our guidance remains unchanged for now. With 5% loan growth delivered in the first half, we remain comfortable with full-year growth within the mid- to high-single-digit range.

Moving to the next slide on investment , our investments portfolio remained broadly stable year to date at SAR 47.3 billion, while increasing by approximately SAR 400 million during the second quarter. During the quarter, we continued to add investments selectively. Gross purchases were higher than the reported net increase, as new investments were partially offset by scheduled repayments and maturities.

The portfolio composition evolved modestly during the period. Fixed-rate securities remained the majority of the portfolio at 86%, while the share of floating-rate securities increased to 12%. The portfolio remains high quality, with the majority of investment comprising government and quasi-government securities and exposures to banks and other financial institutions.

Moving to next slide, customer deposits rose 11% year to date to SAR 121.6 billion, although balances were 1% lower during the second quarter. Growth was primarily driven by 18% increase in interest-bearing deposits, including higher time and savings balances.

By segment, retail deposits, which include public institutions, increased by 15%, while Treasury and Investments deposits grew by 18%. Corporate deposits declined by 21%, largely reflecting our disciplined approach to deposit pricing rather than a material change in customer relationships.

The deposit mix remained weighted toward interest-bearing balances, with non-interest-bearing deposits accounting for 20.5% of the total. However, CASA ratio improved by 2.7 percentage points during the second quarter to 29.3%. This sequential improvement was supported by strong growth in savings balances and the migration of some public institution balances from non-interest-bearing accounts into call accounts.

Call and savings increased by SAR 4.4 billion during the quarter and by SAR 6.5 billion during the 6 months. More than half of this growth came from the Sharia-compliant, Zakat-exempt savings account product that we launched last year. Our focus remains on growing savings and call-account balances while continuing to manage deposit pricing carefully and improving the overall cost and stability of funding over time.

Turning to a summary of our income statement on slide 14, net income increased by 3% year-on-year and reached SAR 1.05 billion in the first half of 2026. Total operating income grew by 2%, driven by an 11% increase in fee and other income, while net special commission income remained stable. Operating expenses declined by 2%, resulting in positive jaws and a 5% increase in net operating income. Credit costs remained mostly stable. Provisions increased modestly by 2%, while the cost of risk improved to 22 basis points from 24 basis points in the prior-year period.

These positive developments were partially offset by a 24% reduction in the share of earnings from associates, driven by a one-off accounting adjustment in the first quarter and weaker earnings from an associate affected by softer international travel amid regional geopolitical tensions. Return on equity was 12.2%, 56 basis points lower year-on-year.

I will now take you through the main income statement drivers, starting with net special commission income in slide 15.

Net special commission income remained stable year-over-year at SAR 1.804 billion, as average earning-asset growth of 10% was offset by NIM contraction. And that's shown in the waterfall chart at the upper middle section of the slide, higher income from corporate and other loans as well as investments was largely offset by higher funding expenses and lower income from SAMA and interbank placements.

Net interest margin declined by 22 basis points year-on-year to 2.18%. Asset yield decreased by 32 basis points to 5.92%, primarily reflecting the lagged impact of previous rate cuts on the loan portfolio. This was partially offset by a 43-basis-point reduction in the cost of interest-bearing liabilities to 4.79%.

On a sequential basis, NIM declined by 10 basis points to 2.13% in the second quarter. Asset yield decreased by 9 basis points to 5.88%, while the cost of interest-bearing liabilities declined by 6 basis points to 4.76%.

Our focus remains on improving the funding mix, managing funding costs and maintaining disciplined pricing across both lending and investment opportunities. At this stage, we are tracking within our full-year 2026 NIM guidance of 2.10% to 2.25%.

Looking at fee and other income on slide 16, fee and other income for the first half increased by 11% year-over-year, with momentum strengthening significantly during the second quarter. Second-quarter fee and other income reached SAR 207 million, increasing by 26% year-on-year and 37% sequentially.

Growth in the first half was broad-based. Investment-related income increased by 67%, mainly reflecting unrealized gains on FTP and fair value through P&L, while foreign-exchange income grew by 10% and fee income from banking services increased by 3%.

Within banking services, trade finance income showed a strong recovery during the second quarter, increasing to SAR 46.6 million. This reflected stronger activity in April and June. Trade finance remains an important area of focus as we continue to deepen our corporate client relationships.

Trading and fund-management income also performed well, reaching approximately SAR 54 million in the second quarter. The performance was largely driven by asset-management activity and new fund launches.

Overall, the first-half performance demonstrated the benefits of our diversified non-funded income streams. Fee income remains one of the Bank's key areas of focus and an important lever for improving return on equity.

Moving to opex in slide 17, in the first half we delivered continued cost discipline, with both absolute operating expenses and the cost-to-income ratio improving year-on-year. Operating expenses declined by 2% to SAR 0.9 billion.

The improvement in operating expenses was driven mainly by lower general and administrative expenses and lower depreciation and amortization. This was partially offset by a normal increase in employee-related costs and a modest rise in premises-related expenses.

Second-quarter operating expenses were SAR 442 million, mostly in line with the Bank's normal quarterly run rate. The increase compared with the first quarter mainly reflected the unusually low expense base in Q1, when certain costs had not been incurred, rather than a change in the underlying cost trend.

Combined with 2% growth in operating income, the reduction in expenses delivered positive operating leverage. As a result, the cost-to-income ratio improved by 1.5 percentage points year-on-year to 39.5%.

We continue to focus on productivity and cost optimization, particularly across general and administrative expenses, while absorbing normal inflationary increases in employee-related costs.

The benefits of the cost initiatives implemented last year remain visible in our year-on-year performance. At this stage, the cost-to-income ratio remains comfortably within our full-year guidance of below 40.5%.

Turning our attention to credit quality in slide 18, credit quality remained resilient throughout the first half, with asset-quality indicators continuing to improve. The impairment charge rose modestly by 2% year-on-year to SAR 128 million in the first half against loan growth of 5%.

This translated into a 2-basis-point improvement in the cost of risk to 0.22%. Non-performing loan formation remained moderate, and the NPL ratio improved to 0.91% at the end of the second quarter. NPL balances remained almost stable, while continued growth in the performing loan portfolio supported the improvement in the ratio. Notably, there were no significant recoveries or write-offs during the second quarter.

Our NPL coverage ratio strengthened to an extremely comfortable level of 201.8%. This mainly reflected additional provisioning associated with growth in performing portfolio in Stage 1, together with higher provisioning on selected Stage 3 exposures. Stage 3 ECL coverage increased to 53.6%, while Stage 2 ECL coverage remained solid at 14.1%.

We have not observed any material impact from regional geopolitical volatility on asset quality or the cost of risk, and we do not currently expect a notable deterioration over the remainder of the year. At 22 basis points, year-to-date cost of risk remains below our current full-year guidance range of 25 to 35 basis points, and we continue to expect credit costs to remain well controlled.

Moving on capital and liquidity, Saudi Investment Bank continues to maintain strong capitalization and liquidity. The liquidity coverage ratio LCR increased to 196.5%, NSFR at 111.5%, both at comfortable levels. The SAMA LDR reached 76.6%.

Total regulatory capital increased by 11% during the first half due to the Additional Tier 1 Sukuk issuance and net income, partially offset by dividend payments.

In April, we successfully raised SAR 1.85 billion through a Saudi-riyal-denominated Additional Tier 1 Sukuk issuance with a return of 6.5%. This further strengthened our capital base and provides additional flexibility to support future growth.

Risk-weighted assets grew by 6% year to date to SAR 126.1 billion during the period, mainly reflecting balance sheet expansion. As a result, by the end of the first half, our CAR reached 20.2%, with the Tier 1 ratio at 19.7% and CET1 stable at 14.0%.

Moving on the outlook and guidance for the full year, overall we delivered a balanced set of results in the first half, combining healthy balance sheet growth, higher fee income, strong asset quality and improved operating efficiency. Despite continued pressure on margins, financial results were generally in line with expectations.

Based on our performance to date, the current business pipeline and our latest outlook, we are maintaining our full-year guidance across all metrics at this stage.

While the regional situation remains fluid, we have not seen a material impact on customer behavior, loan demand, asset quality or deposit trends so far. We continue monitoring developments closely, particularly in relation to loan growth, cost of risk, NIM and fee income.

For financing, loans increased by 5% year to date, and we remain on track to deliver full-year growth within the mid- to high-single-digit range. Our focus remains on corporate and private banking, supported by disciplined underwriting and a clear emphasis on attractive risk-adjusted returns. The underlying origination pipeline and our overall lending appetite remain unchanged.

For NIM, we maintain our full-year guidance range of 2.10% to 2.25%. First-half NIM was 2.18%, within this range. Our focus remains on strengthening the CASA mix, optimizing the overall funding profile and improving funding efficiency to support margins.

We expect the cost-to-income ratio to remain below 40.5%. At 39.5% for the first half, we are currently tracking comfortably within this guidance, supported by continued cost discipline and operating income growth.

For return on equity, we continue to target at least 12.75% for the full year. First-half return on equity was 12.2%. Our focus in the second half will be on improving fee and other income, maintaining cost discipline, and protecting margins and asset quality.
For cost of risk, we maintain our guidance range of 25 to 35 basis points. At 22 basis points in the first half, credit costs remain well controlled, with no material impact from the regional environment observed to date. While the current trend is favorable, we will continue to maintain a prudent approach to provisioning.
Finally, our Tier 1 capital-ratio guidance remains above 18%. The ratio stood at 19.7% at the end of June, supported by retained earnings and the SAR 1.85 billion Additional Tier 1 Sukuk issuance, providing a solid capital base for future growth.
Overall, we remain focused on delivering disciplined balance sheet growth, strengthening funding efficiency, broadening fee-based income and maintaining prudent risk management.
That concludes the management presentation. As we wrap up, I want to extend my sincere gratitude for your continued attention and interest in The Saudi Investment Bank. We are now happy to answer any questions you may have.

Hussein Safieddine:
Thank you very much for the presentation. We will now begin the Q&A session. Just a reminder: if you would like to ask a question, please use the raise-hand feature, and we will open your line.
Our first question comes from Murad Ansari. Please feel free to unmute your line and ask your question.

Murad Ansari:
Assalamu alaikum. Congratulations on a good set of results. I have a few questions, starting with NIM. We saw some pickup in funding costs during the quarter, and I wanted to get a sense of how you see that evolving during the second half. Was there anything in particular during the second half that drove the increase?
There was a change in the deposit mix, and you discussed some growth in call and savings accounts. Was that the only factor driving the funding cost, or are broader funding-cost pressures persisting? What is your outlook for the second half?
Secondly, on loan growth, we previously discussed that the appetite is there but your willingness to grow is driven by pricing discipline. How are you seeing the lending-pricing environment now? Is there any loan repricing expected during the second half that could help margins?
Finally, the presentation referred to an accounting adjustment involving an associate and a decline in income from another associate. Could you explain what happened during the first quarter on the associate side? Thank you.

Ahmed Almohsen:
Thank you, Murad. On the first question regarding NIM, as we have stated before, we are not very sensitive to changes in benchmark rates. What we try to do during each period is ensure that, if there is a reduction in asset yields, we see a further reduction on the liability side, and vice versa.
During the first quarter, we managed to improve NIM from the Q4 exit NIM of 2.13% to 2.23%.
During the second quarter, however, two factors affected NIM.
First, the repricing of assets occurred after the repricing of liabilities, and most of the impact was reflected during the second quarter. This is why the 9-basis-point reduction in asset yield during the second quarter was greater than the 6-basis-point reduction in the cost of interest-bearing liabilities.
Second, and more importantly, the reduction in our demand deposit balances also placed pressure on NIM.

Looking ahead, if we continue to grow savings and CASA balances, replace higher-cost deposits, and further redeploy excess liquidity, this should improve NIM, which is what we are targeting. On the other hand, any further reduction in demand deposit balances could continue to put pressure on NIM.
At this stage, we are maintaining our NIM guidance of 2.10% to 2.25%, but we will most likely be toward the lower end of the range.

Murad Ansari:
Just to confirm, you expect NIM to be closer to 2.10% than 2.25%?

Ahmed Almohsen:
Yes, toward the lower end.

Murad Ansari:
Understood, thank you.

Ahmed Almohsen:
Your third question concerned the associates. We have three associates: AMEX, YANAL Finance and Amlak. One of the associates had a one-off accounting adjustment, which affected its profit during the first quarter.

Murad Ansari:
And this accounting adjustment was a one-off?

Ahmed Almohsen:
Yes.

Murad Ansari:
On loan growth, you have delivered approximately 5% year-to-date expansion in the book. While this is within the guidance, you appear well positioned to deliver the guidance range. I wanted to check your appetite. At the start of the year, you indicated that the appetite was there but that growth would be driven by pricing discipline.
How do you see the pricing environment now? Is there still pressure on lending rates and continued competition? Has your appetite changed as conditions have evolved, or is high-single-digit growth effectively the maximum you expect this year? A couple of other mid-sized banks performed relatively well on growth during the second quarter, so I wanted to understand how you view your growth appetite.

Ahmed Almohsen:
We are pleased with the 5% growth delivered so far. I believe this is above the average growth across the banking sector, and we are well on track to deliver within our guidance.
In terms of risk appetite, there has been no change. We remain cautious regarding industries that might be affected by current developments, but we continue to see a very positive pipeline for the second half and expect growth to continue at broadly the same momentum.

Murad Ansari:
Are you still seeing pricing competition on the lending side, or has that slowed?

Ahmed Almohsen:

Pricing competition has always been present. We have not seen any change during this quarter.

Murad Ansari:
Thank you very much.

Hussein Safieddine:
Thank you, Murad. We have several questions in the Q&A box. Our next questions come from Shahrokh Nawaz.
First, does management expect NIM contraction during the second half, and how many rate cuts do you expect by the end of 2026?
Second, does the Bank see any challenges in corporate lending during the remainder of 2026, considering the recent geopolitical environment?
Finally, does management expect another sharp increase in unrealized gains during the second half of 2026?

Ahmed Almohsen:
Regarding NIM, the answer is the same as the one provided to Murad. There is nothing further to add. At this stage, we still believe that we can achieve a result within the guided range.
The most critical factor for us would be any further reduction in demand deposits. However, we are performing well in terms of the CASA ratio. If the momentum seen during the first half continues into the second half, as we expect, this should support NIM.

Hussein Safieddine:
The second question was whether the Bank sees any challenges in corporate lending during the remainder of 2026, considering the recent geopolitical environment.

Ahmed Almohsen:
The short answer is no. We continue to see a very healthy pipeline. Based on our interactions with clients, they are conducting business as usual. As highlighted earlier, the pipeline remains very healthy, and at this stage we do not see challenges arising from the geopolitical environment.

Hussein Safieddine:
Thank you. Our next question comes from Ambareen Jiwani. What is driving the Bank's healthy cost of risk given the geopolitical environment? Were there any recoveries?

Ahmed Almohsen:
We saw a significant increase in recoveries during the first half compared with the same period last year, although there were no material recoveries during the second quarter. This helped the cost of risk.
Given the geopolitical environment, as we stated during our first-quarter call, we conducted stress tests across our existing portfolios using a number of scenarios. We also repeated this analysis during the second quarter. Based on the results, the provisioning required under the worst-case scenario remains manageable.
Our NPL coverage ratio is among the highest, if not the highest, across the banking sector, at more than 200%.

Hussein Safieddine:
Thank you. Our next question comes from Yasser Al-Qahtani. Most banks have been prudent in provisioning this quarter. The consensus appears to be that the government is reallocating capital

expenditure on giga-projects and that some contracts are being closed. Receivables could therefore become an issue for contractors. Given the Bank's significant corporate exposure, how exposed is SAIB to these sectors?

Ahmed Almohsen:
If you are referring to projects that have been scaled down or delayed, our exposure is very limited, at less than 1%. We have not observed any abnormal cash-flow activity among our clients or any deterioration.

Hussein Safieddine:
Thank you. We will wait briefly to see whether there are any further questions from participants. It appears that we do not have any further questions. I would like to hand the call back to management for any final comments or remarks.

Najla Al-Mutairi:
Thank you, everyone, for joining our earnings call. If you have any further questions, please do not hesitate to contact us by email. Thank you very much.