Transcript

SAIB Q2 Earnings Call — Wednesday, August 21, 2024

Operator Hello, everyone, and welcome to the Saudi Investment Bank Second Quarter Earnings Call. My name is Seb, and I'll be the operator for the call today. I will now hand the floor over to Siraj to begin. Please, go ahead when you're ready.

Siraj Zakaria Thank you, Seb. Good evening, everyone. We are pleased to welcome you to The Saudi Investment Bank's earnings call for the first half of 2024. My name is Siraj Zakaria. I'm handling Investor relations, here, at SAIB, and it's my great pleasure to welcome you, all, to the earnings call. Please note that our earnings disclosures are available for download from the IR section of our website. Please, be aware that this webcast will be recorded, and a transcript of this call will be made available on our IR webpage. If there are any members of the media, please be reminded to share your questions separately with SAIB Corporate Communications Team. I'm joined today by Faisal Al-Omran, Chief Executive Officer, Ahmed Almohsen, Chief Financial Officer, and Shankar Chattanathan, advisor to the Chief Financial officer.

Moving on to the agenda for today's call. Our CEO, Faisal Al-Omran, will start with a brief overview and give the performance highlights for the first half of 2024, and will update you on the bank's strategy. Ahmed will then discuss the financial performance in more detail and present our updated guidance for the full year 2024. We will then open the floor to questions. With that, I will hand over to our CEO, Faisal Al-Omran, to begin the presentation. Over to you, Faisal.

Faisal Al-Omran Thank you, Siraj. Salam Alaikum. Good evening, everyone. Thank you for attending our second quarter call. As usual, let's start with the highlights. We have seen a very good growth in our loan portfolio, growing 12% year-to-date, standing at about SAR 91 billion. That growth was driven by our corporate segment. You'll also notice the growth in the deposits, about 15% year-to-date, standing at SAR 95 billion. If you recall, before, we said that the growth in deposits, we believe, is attainable for us, and we will grow based on our balance sheet growth. I think today, the numbers shows that the ability of us growing our balance sheet, and we believe we continue to have that ability, in terms of raising the funding at a relatively advantageous cost of funding.

Also, you will see a growth in our operating income, of about 3% year-on-year, closing at SAR 2 billion. Also, we have made sure that we continue our cost discipline. You will see that our cost-income ratio stands at 42%. We have said before that during the transformation, we believe that this number could tick upward, but we are so far happy with the ability to manage that level, so we continue to implement our strategy while maintaining that cost-income ratio. Also, we were able to have an uptick in our return on equity. We have closed today at 11.9%, higher than our previously reported return on equity, and we believe that number will continue to grow. I believe, before, we have shared in previous calls that we were targeting 12%, and I think now we are hitting that level. But, however, we believe that, there is room to grow our return on equity.

Given, also, the growth in our assets, specifically our loan book, today we stand at an NPL that is declining. It went down by three basis point, so our NPL stands as 1.47%, relatively lower than our peers, and with a coverage ratio of 151%. As we said, we are very rigorous about maintaining our asset quality and our credit criteria and growing our balance sheet. Also, we are happy where we stand today, in terms of our strong capital ratios, it's about 18.2%. We have, also, stressed before that, so far, we believe that our capital adequacy and capital standing today supports the envisaged growth for us as a SAIB. Further, the liquidity ratios also stand at a healthy 175% in our LCR, which also gives us the room to grow our deposits comfortably, in terms of managing our maturity profile.

If we go to the next page, if you allow me that, this slide, which is number five, and the next slide, I will go through them first. This, basically, gives our strategy framework. Our vision is to be the trusted bank for our clients. This is something that we have been thoughtful about, and we try to implement the concept, cascading it everywhere in the group. Why? Because we believe we want to build long-term relationships with our clients. We want to be able to win business and maintain business and relationship because of our quality of service, not to be driven by transaction, meaning by price. This is something we are very rigorous about. Same thing, our mission stands as three pillars. One, we want to maintain long-term relationships. When we start a relationship in corporate or private banking, we are thinking five, seven, ten years ahead. We don't want to be a transactional bank. We want to be a relationship bank.

Two, is the ability to create an excellent environment for our people. SAIB is known to have a good, healthy environment. We want to keep that, and we want to promote it, because we believe that's one of the biggest factors when attracting talent to the organisation. Three, everything we do has to be consistent with increasing our shareholder value. So, everything we do, we have to measure what is the value creation of that activity, to ensure that it goes to the right direction. We have four core segments, Corporate, Public Institution, Consumer Banking, and Private Banking. These four segments are the ones that we are operating under in the bank. The enablers are at the bottom, and they are self-explanatory.

If you go to the next slide. That gives a breakdown of each segment, and what are we envisioning to do in each of them. I believe we have explained that in previous calls, it's just worth mentioning, to bring it up again. If you allow me, I'll move to the next slide. It’s slide number seven, that gives an overview of the strategy progress. Today, our strategy, Alhamdulillah, is going as we have planned. We are actually progressing faster than expected in some of the areas. Today, we have about more than 40 strategic initiatives.

These initiatives are looked at, at first, a Strategy Execution Committee. That committee is the top management, led by the Chief Executive Officer. There are two committees under them, which is the Strategy Performance Committee, ensuring that KPIs are met. And the other subcommittee is the Strategy Initiative Committee, ensuring that all initiatives are being done in a, I would say, cost-efficient manner, and also, in a value-creation manner. These two committees are under the main committee, and then under them, we have workstreams for each group and segment. This is how we manage the projects in the bank.

So far, I think worth mentioning, during the first half, first, is that we have launched our mortgage centres. As we said before, SAIB was not part of the mortgage market, previously, because we didn't feel that the pricing was advantageous to us. Now we believe we are in a good cycle. We have started our mortgage efforts. And we believe that we have timed the cycle properly, and we want now to look at booking at the longer-duration assets. This is one thing that we have started now.

Two, we have already launched a travel account. We are trying to increase our customer acquisition, and also, increase the usage of our travel/travel card product. So far, we are the first bank to launch a travel account. Other banks have launched travel-related credit card associations. However, we have linked it to the actual current account, which have given us, also, a nice NIB size in the bank, and we believe that also continues to grow.

We have also launched a corporate contracting business. We have created a segment under corporate. We have alluded to that, last call, but I think it's worth mentioning that now it is up and running, we have created a group under our corporate banking that specifically looks at contracting. We believe that move will help us, first, to have better risk management oversight. Two, understand better those businesses so that we can serve them well. Three, we are able to have, I would say, more efficient and productive relationships by consolidating that knowledge all in one team. This is something has been up and running. So far, we are happy with the progress, and we might replicate this to other sectors that we have higher exposure to.

Also, we are looking at our affluent banking. This is a study that has started a few months ago. We believe that SAIB is properly situated to tackle, to, I would say, serve the affluent banking in the market through more of a fine-tuning of products and services, to ensure that there is a proper meeting of their needs, and also, a very smooth customer journey for them. That came, also, with the ability to have a better risk scoring, and this is something that we are working now on, along with other advanced analytics, to ensure that we have a proper, I would say, insight on those activities.

This is on the achievement side. We have, also, worth mentioning, which is number six on the left box, where it says, developing IT strategy and roadmap. We believe SAIB was in a good place, in terms of our technology setup. However, given the ambitious goals that we have for 2027 strategy, we believe that we have to realign, again, our IT setup, to ensure that we continue to have an advantage, compared to our peers. I would say that's, in general, where the strategy stands, and the highlights, so far, for the first half.

If I move to Slide 8, this is just one example, when we launched Travel App. We have shared this before, but now we are sharing, also, some of the numbers. We're happy to report that there is more than 200,000 downloads for the app. The app has been launched recently, but I think given the leading position that SAIB have, SAIB has, in this product category, I think we have seen a lot of migration and a lot of acquisition happening in our Travel App. Also, given our innovative marketing effort that has been done in London, in Paris, and in Dubai, where we promote our products for our Saudi clients, I think that also has been very fruitful for us.

If we go to Slide 9, and this is the last slide from my side, commercial loan. If you see, we are maintaining our position in first quarter, although we have seen, I would say, a notable growth in our corporate. But it's important for two things. One, we are very aware of our market share, and we want to protect it. Number two, any business we want to do should be very profitable. We don't want to compromise our profitability for market share. We believe that, so far, we can align our efforts of protecting and increasing our market share, while not compromising on our pricing of our assets. This is, I would say, on the commercial loans.

Retail, so far, it is same market share. We believe that number will start to see growth, starting 2025, after we have reached, I would say, meaningful achievement in some of the tracks in our retail banking strategic transformation. We have an improved efficiency cost in our cost-income ratio, where we see our ratio, before, standing at 44%. Today, it’s at 42%. 2022 was 44%. 42% for 23. We have said that we believe that number would start ticking up, maybe to 43%, but I think the controls that have been put in our cost expenditure, so far, has been very efficient. We keep implementing the strategy, and we are trying to keep that number within the same range.

Lastly is the return on equity. If you see, we continue to tick up, 2023 was 11.7%. First half, 11.9%. And we believe there is still room to grow, insha'Allah, in this number, as we continue implementing our strategy. With that, I think I will turn it over to my colleague Mr Ahmed, our CFO, to go over the financial performance.

Ahmed Almohsen Thank you, Faisal. Good afternoon, everyone. I would like, also, to extend my warm welcome to all of you joining us today, and I'm very pleased to report a strong set of results for the first six months of 2024. We have seen a solid improvement in most of our core KPIs. If we start from the balance sheet, from the top, our total assets have increased by SAR 13.3 billion during the first six months, which represents an increase of 10%. The increase was mainly seen in loans and advances, and then, the loans and investments, where we saw growth, 12.5 billion, in those two items.

Our loans have shown an increase of 12% year-to-date and stood at 90.6 billion. On the liability side, we have seen a 15% growth in deposits, where it reached 95.4 billion. Our profitability improved, as well, despite the NIM contraction, by 56 bps, net income increased by 9%. And positive growth contributing to improvement in cost to income ratio, to reach 42.1%, and our return on equity registered 11.9%. At the same time, SAIB maintained a healthy assets quality, with NPL ratios improving, comparing to the beginning of the year. We also saw the reduction in cost of risk, to reach around 33 bps. Equally, capitalisation and liquidity were strong and remain supportive of future growth.

If we turn to the next slide, please. The balance sheet expanded 10%, as I mentioned, during the first six months, driven by 12% growth in loan and advances, and 8% rise in investment. This was further supported by 6% increase in balances with SAMA, which was partially offset by a reduction in bank placements. This balance sheet growth was mostly funded by 15% expansion in customer deposits. We will be looking, now, more closely on each of these items in the balance sheet.

If we move to Slide 13, please. And starting from financing and loans. Our loan book has shown a continued strength, with 12% growth for the first half of the year, and 7% during the last three months. Most of this growth came from corporate lending, which also grew by 13% during the first six months. What we've seen is active participation in financing large infrastructure projects, and the syndicated loans continue to support the growth. As we can see in the waterfall charts, we witnessed widespread credit demand across key economic sectors. We've seen it in utilities, building and construction, commerce, manufacturing, as well as other services. On the retail side, a growth of 9% was achieved, driven by a solid 21% growth in private banking. We expect strategic initiatives in the mass retail segment to further aid and enhance retail growth over the next three to four quarters.

Moving to Slide 14. On the investment side, our investment portfolio increased by 8% year-to-date, and reach around 35 billion. Here, we continue to invest in fixed-rate debt security, to manage our interest rate risk and lock it in higher rates. New investments were mainly in high-quality instruments, either sovereign or international financial institutions. The quality of our investment book remains strong, with 58% of securities being issued by government and 30% by banks and other financial institutions.

Moving to the next slide. On the deposit side, as I mentioned, customer deposits rose 15% during the first six months and reached 95.4 billion. This was driven mainly by 25% growth in interest-bearing deposits, which is reflective of the current rate environment, while we saw non-interest-bearing deposit declining by 4%. Most of this growth came from corporate deposits, which has increased by over 31%, and probably, to a lesser extent, from retail deposits, where we saw around 20% increase. Treasury deposits, however, declined by 13%. And here, as a side note, I should mention that our public institution business, previously managed under treasury, has now moved under retail segment. We believe this would reflect better strategic alignment.

Overall, this resulted in a further shift in our funding mix, with NIBDs now comprising 30.2 of the total deposits, compared with 36 at the end of last year. We anticipate this trend to start stabilising, moving forward, once we gain further traction in our strategic initiatives, which are principally aimed at addressing this.

Moving to Slide 16. On the income statement. As I mentioned, we saw an increase of 9% year-over-year in the net income, driven by 3% growth in operating income, and was further supported by improved operating efficiency and cost of risk. I will be expanding on the P&L items, on the following slides. Starting from net special commission income, our NSCI remains stable at 1.7 billion. Despite the fact that we have seen an increase in average earning assets growth of 13%, the increase in assets was offset by 36 bps NIM contraction. And as you can see in the waterfall chart, in the left of the slide, increased benchmark rates resulted in higher special commission income from lending and investment, but this was counterbalanced by a higher funding cost. And on the other waterfall chart, on the right side, we can see the year-to-date NIM declined by 36 bps to 2.77. This was due to a 90 bps rise in cost of funds, as well as shift in deposit mix. Yes, this was partially offset by 55 bps as its yield expansion.

In the quarterly comparison, the NIM also declined 30 bps, compared with the same quarter of last year. But more importantly, we remain stable throughout the current year, as we continue to mitigate funding cost pressure, with improved assets yield on our new lending and investments. Our expectation for the NIM to be around 2.75 by the year end.

Now, moving to the fees and other income, Slide 18. Fees and other income increase 22% during the first half of 2024. This was mainly driven by robust growth in investment-related income and fees from banking services. The investment-related income, shown here, partly was largely due to mark-to-market fair-value gains. And banking services, fees increase was seen in capital market activities. We've seen it in brokerage and assets management fees and was also supported by higher trade finance income. These increases were partially offset by a modest decline in the FX income.

Moving to the next slide, where we'll be going over the operating expenses. Overall, operating expenses were quite stable, with 2% increase year-over-year and reached 850 million. This increase was mainly due to increase in G&A costs, forecasting the overall inflationary environment. We've seen higher expenses in professional services, as well as advertising, which was aimed to support our strategic growth initiatives. Our employee-related cost increased by around 8 million. However, the growth was contained at a modest 2% increase.

On the rent, we saw a reduction of 10 million. This was mainly due to the previously leased facility, which was acquired during the first quarter of this year, and the subsequent charge being under the depreciation. The cost-to-income ratio improved, as well, 42% now, booking 42.1%, compared with 42.7%, as of June last year, and we expect to remain between 41.5% and 42.5% during the year.

Turning our attention to the credit quality. Next slide. Slide 20. Impairment charges decreased to 144 million, a reduction of 10% for the same period of last year. This reduced our cost of risk by a further 10 bps, to reach 33 bps, for the first half of the year, reflecting a better credit environment and healthy overall assets quality. Our NPL remain stable during the current year, at 1.47%. Our NPLs are adequately covered with an overall coverage ratio of 151%, while stage-three coverage, as we can see in the chart on the right corner, has shown an improving trend and reached 57.3%.

Moving to capital and liquidity. Slide 21. Here, we say SAIB continues to maintain a strong capitalisation and liquidity positions. Liquidity coverage ratio stood at 174.6%, and the NSFR at 112.8%. Some LDR reached 77%, all at extremely comfortable levels, despite some moderation in the last quarter. Our regulatory capital was broadly flat at 18 billion, during the first half of the year, with the profit generation being offset by dividends payment and last phasing out of IFRS 9 transition arrangements.

Our risk weighted assets grow by 6% to around 96 billion during this period, driven mainly by the growth in lending, as well as investment. And as a result, our capital adequacy ratio declined slightly to 18.8%, with Tier 1 capital ratio at 18.2%, and the CET1 at 15.6%. We believe this leaves us in a comfortable position to balance the growth expectation with the shareholders' returns, along with sufficient regulatory comfort levels.

Now I'll be moving to the outlook and guidance for 2024. Generally, we expect the economic outlook for the Kingdom to remain positive and supportive to the to the banking sector. Project spending on Giga-Projects, and other large infrastructure projects, bodes well for the overall credit demand, and we are well-positioned to capitalise on this demand, through our large exposure to corporate sector, and active participation in the large projects financing and syndicated loans market.

Now, in terms of our 2024 guidance, on the balance sheet. Since we have already achieved massive 12% year-to-date loan growth, this has prompted us to revise our full-year guidance. What we initially projected was 15% growth, but in light of the double-digit growth during the first six months of the year, now we are anticipating growth in the high teens range.

In terms of profitability. The NIM was at 2.77%. As I mentioned, we expected to be at 2.75% during the year, until the year-end. Our cost-to-income ratio improved to 42.1%, and we expect it to improve further during the second half, to reach between 41.5% and 42.5%. For our return on equity, we reported 11.9% during the first six months, and we expect to deliver above the 12% level for the full year. On our cost of risk, the positive credit experience seen in the first half has led us to revise our guidance range downwards, by around 10 bps, to range from 35 to 40 bps bps, from, initially, 45 to 50 bps.

And the capital, finally, our expectation for the Tier 1 capital remains unchanged and above 18.75% for the full year. With that, concludes management's presentation, and we are now happy to answer any questions you may have. I will now hand it over to Seb and Hussein from Arqaam Capital. Over to you, Seb.

Operator Thank you. If you'd like to ask a question over the phone, please press star-one on your telephone keypad now or press star-two to withdraw your question. If you're logged into the web portal, you can submit a written question, using the chat box at the top right-hand corner of the screen. Currently, no telephone questions. I will just hand over to Hussein for any written questions.

Hussein We have a question about the effect of 25 bps rate cut on Saudi Investment Bank NIMs.

Faisal Al Omran Can you, please, repeat the question?

Hussein Yes. We have a question about the effect, sensitivity level, NIM sensitivity, for 25 bps rate cut.

Ahmed Almohsen Based on our projections, approximately 1% cut will translate to 3 to 5 bps improvement in our NIM.

Hussein We have another question regarding the news about KFH investment in Saudi Investment Bank. Do you want any further comment on this? You already, I think, announced on Tadawul, if you just want to, yes, that was the question.

Faisal Al-Omran I think the announcement was clear that the bank has announced about that rumour. No, further comments.

Hussein Please, as a reminder, if you have any questions, please do it in the chat box. I think we've answered. There's another question about the NIM sensitivity to rate cuts. I think that you answered this. Okay, we have this question, can you, please, discuss competition in the different segments you operate in? And also, could you, please, comment on the liquidity situation in the system?

Faisal Al-Omran Okay, maybe I will answer the first part of the question, in light of our core segments. We have four segments. One that pertains to corporate, one pertains to public institutions, and the others to individuals. In terms of individuals, we see competition very strong on the mass, and maybe, upper mass. We believe that a market, that size today, is not targeting as a core segment. We are tapping that through our travel card and travel product offerings. And from there, we are able to, I would say, attract and acquire the customers that would fit SAIB profile.

In terms of that segment, if we go higher to the affluent, we don't believe it's served well in the market, in general. We believe they are painted with the same brush as either upper mass or private banking, and I don't think that gives them justice. We believe that's a segment that we can enter as SAIB. As for the private banking, we believe SAIB has a good standing here. We are able to understand client needs. We are able to move quicker than our competition, and we are able to have, I would say, more customised relationship with our customers, given that that service model enables those kind of offering to the private banking. So that's, I would say, where do we sit on the individual segment.

As for public institution, we believe that competition is very high, there, between banks, and mostly it's liability driven, and a bit, also, fees driven. However, we are trying to differentiate ourselves. We believe the cake, the market is very big, there is room, but we believe where we are positioning ourself, we think competition is low. We haven't seen strong movers there. SAIB have been able to offer some solutions that are, I would say, exclusive and very niche, as compared to the offering in the market. SAIB was able to do the petty cash card, which is, basically, used by, most of the public institution use it today, and they bank with us, so this is something that we believe can attract, DDAs, NIBs to the bank, and also generate fees. Also, we have extended that as a corporate card, so in a sense a pre-paid, there's multicurrency. We believe, the public institution sector, this is how we want to approach it.

As for the corporate, as we said, we believe corporate will grow, and we are seeing the growth now. Corporate is a large segment, so SAIB is, I would say, on the mid to large corporate segments of the whole market. We're talking about customers that would value relationship, that would value, speed, that needs, I would say more customised solution, would need a relationship-driven bank, rather than a transaction. We believe SAIB is well situated there. If you see the growth that we have in corporate, we were able to grow bigger, but we have to make sure that any growth has to be looked at first by the credit quality, two, by the pricing. It has to be a value creation, rather than just chasing market value. I'd say these are the three segments where we operate today.

As for the second, for the liquidity, I think liquidity, in general, in the system, it's clear, we don't have to go to details there, but maybe, I will answer it under SAIB’s umbrella. We believe that liquidity for SAIB is available. If we were to grow, we believe we can source the needed liquidity. We have been saying this, before, for the last years, and we continue to say it, so far. And we said, because we had some questions before about ability to grow our deposits, I think today it shows that we are able to grow our deposits when we see a profitable growth in the balance sheet, we can source the funding. We believe that continues to be the case.

Hussein Thank you. We have another question about how much does project finance represent from the total loan book?

Ahmed Almohsen I believe it's around the question about the projects from the total financing. I think it's around 18%. Correct me, Shankar?

Shankar Chattanathan Yes, it's around 18%.

Hussein Thank you, again. We have another question about, are you planning to issue debt soon, to fund growth further?

Faisal Al-Omran I think that discussion is ongoing, always. It's happening every day at Treasury. It's happening every month in our ALCO, so I think that keeps to be assessed on a weekly basis. SAIB previously have issued Tier 2, and have issued, it was one of the first bank, I think was the second bank to issue Tier 1. We had term loan financing before, which has matured, and we haven’t renewed it. We don't see the need for it at that time. I think these venues are always available for foresight. Today, also, we have, I would say, appetite for our, if it's a bilateral loan, or if it’s a syndicated loan, or if it's a debt market issuance, I believe they're all available. But that's left depending on the need, our liquidity. It's not only liquidity, it, also, could be capital driven. We have, also, to evaluate the growth that is happening and where do we stand in our capital adequacy, because we want to maintain a very healthy cushion there. If we believe growth continues, maybe we go to the Tier 1, rather than just going to term loan or senior unsecured.

Hussein Thank you. Another question is, what is the bank's outlook on the mortgage industry?

Faisal Al-Omran I think SAIB continues to be very selective. We have not been part of the growth in mortgages before, and I think for foresight, we have made the right call. Now, we believe the rate environment is favourable. We believe, now, the maturity is higher, and the mortgages add, also, real estate developers. We believe now we have a better customer base, so that we have more understanding of. I think for us, mortgages, now, is an interesting market. In the context of SAIB, we believe there is enough market for us to go and win that segment. But whether it's enough to satisfy all banks. Maybe it's not enough. However, given that SAIB always acts as a niche actor, the selective base, we always have our own approach. I believe we will source the right asset, I would say, mix for mortgages, so we see.

Rates are favourable today than three years ago. We believe the developers are more advanced today and more mature than three, four years ago. We believe the environment, regulatory environment, legal environment, also have matured, and we believe our understanding, also, is better now, for that segment. I think we can approach it better than we would have, maybe, three or four years ago.

Hussein Thank you. Seb, I think we have a call on audio.

Operator Yes. We have an audio question from Mohammad Arsalan Siddiqui at NCB Capital. Please go ahead, your line is now open.

Mohammad Arsalan Siddiqui Yes. Hi. Thank you for the presentation. I need to understand, your guidance for NIMs hasn't changed in the second Q, that is around 2.75%. Whereas, if I see your CASA ratio in last two quarters has been sharply dropped. And your second Q NIMs is close to your guidance, so do you see in the second half some pressure coming in from cost of funds, which could eventually translate into a reduction in NIMs?

That's my first question. And the second is related to the net fee income. If we see in the last five quarters, the net fee income has been very stable, which is against the industry trend, and the reason which I can see is the expenses related to the banking services. What these expenses are related to, they have been higher in recent quarters, and how the bank targets to increase the net free income, going forward?

Ahmed Almohsen NIM-wise, our expectations are still the same. I think from the beginning, since, I think, Q4 last year, we anticipated 2.75% for this year. This has continued, and we don't see any change on it. If you want to add…?

Shankar Chattanathan I want to just add to what Ahmed has said. Yes, the deposit ratio has sort of gone down, in terms of non-interest-bearing deposits being about 30%. That's obviously increased the cost of funds for us from about 4.3% to 4.34%, but having said that, the asset yield has also improved. It was 6.72% end of last year, and that's grown to about 6.82%. We continue to focus in all the loan yields, as well as booking new investments and better deals. That gives us the cushion to bear any additional cost of funds that we may have, and that's the reason we have been able to maintain this 2.75%. I think our outlook on that guidance for the rest of the year continues to be at 2.75%.

As far as fee income is concerned, I think we have not grown significantly. But having said that, we have seen some improvements, in terms of trade finance related fees. Brokerage tends to be seasonal, in terms if the market goes up, then our brokerage fee income tends to be higher. But having said that, I think, overall, we expect an increase of about 15% for the full year, in terms of fee income, compared to end of last year.

Mohammad Arsalan Siddiqui Just for the clarity, is it the 15% growth in the overall non-funded income, or you're targeting this in the net fee income growth?

Shankar Chattanathan The target, we are talking about the net fee income growth.

Mohammad Arsalan Siddiqui Regarding the expenses related to the banking services, that has been quite higher in the last few quarters, or some quarters, in fact, what is this related to? Why do they do that? Because it's what you can see if you're having a growth in the growth level, but because of the high expenses, that's not actually translating into your net fee income, so can you just please comment on this side?

Shankar Chattanathan We will not have the specific details of increase in fee expense at this point in time. But having said that, if you look at overall net fee income, we did, I think, about 80 million last year. We are at about 83 million. Sorry, that's for the three months. For the six-month period, we have grown from about 151 million to 169 million, and so that's a decent growth for the first six months. And I think the second half of the year, we'll see a similar increase, or a slightly higher increase.

Ahmed Almohsen And for the operating part, and I think, as mentioned by the CEO, and during the presentation, which we focus on, is to reduce the cost to income. This is something we have seen during the last quarter, and we intend to reduce it further.

Mohammad Arsalan Siddiqui Okay, one more question, regarding your investment books, can you please share the average duration of your fixed investment securities, please?

Shankar Chattanathan I think it's about four, four-and-a-half years.

Mohammad Arsalan Siddiqui All right. Thank you.

Hussein We have one question in the chat box. How much is Islamic loans percentage of your loan book?

Shankar Chattanathan It's roughly about 55% of the total loan book.

Hussein Okay. Thank you. It seems that we don't have any further questions. Yes, it seems that we don't have any further questions.

Siraj Zakaria Once again, thank you very much. I would like to extend my sincere gratitude to all of you for your continued attention and interest in the Saudi Investment Bank's earnings call. And with that, we will conclude the earnings call. Thank you very much for your attendance.