3Q 2024 Earnings Call Transcript - November 11th 2024

Shabbir Malik: Good evening, everyone. Hope you're doing well. My name is Shabbir Malik, and on behalf of EFG Hermes, I welcome you to Saudi Investment Bank's Third Quarter Results call. Please note that this call is for analysts and investors only. If you are from the media, I will request you to please disconnect.

I will now pass the call to Najla AlMutairi, Head of Market Intelligence and Investor Relations. Najla, the floor is yours.

Najla AlMutairi: Thank you, Shabbir. Good afternoon, everyone. We're pleased to welcome you all to the Saudi Investment Bank's Earning call for Q3 2024. My name is Najla AlMutairi. I recently joined the bank where I'll be handling the Investor Relations Department moving forward. It's my great pleasure to welcome you to our call today.

Kindly note that the earnings material is live on the IR home page of our website. And also note that this webcast will be recorded, and a transcript of the call will be available on our IR web page. If there are any members of the media, as Mr. Shabbir said, please be reminded to share your questions separately to our corporate communications team.

I'm joined today by Mr. Faisal Al-Omran, our CEO, and Mr. Ahmed Almohsen, our CFO.

Moving on to the agenda for the call, our CEO will cover the performance highlights for the period, and we'll update you on our strategy progress. And then our CFO will discuss the financial performance in more details and present our updated guidance for the full year of 2024. As per usual, we'll open the floor for questions.
With that, I'll hand over to our CEO to begin the presentation. Over to you, Faisal.

Faisal AlOmran: Good afternoon, everyone. Welcome to our third quarter investor presentation. I will go through first the financial highlights. Alhamdulillah we had very solid growth in our loans portfolio. Our year-to-date stood at 18% and our loans stood around SR 95 billion by the close of the quarter. As we said, this is something that we have expected this year, and it actually is higher than our guidance. Alhamdulillah, the fruitful efforts of the strategy that we have done in corporate have been very effective, so that we were able to get the growth that we were hoping.

Same thing for deposits. Our deposit increased by 18% year-to-date today, at the end of the quarter at SR 98 million, and this is also something that we have said before. We don't believe that liquidity for us is an issue when meeting our growth. We think that we can continue to source liquidity to finance our growth and this is also our view going forward.

Also, Alhamdulillah, our operating income stood at around SR 3.1 billion. This is the highest operating income in the bank's history. It's up 4%. We believe that also growth will also continue, inshallah, going into end of this year, and also, inshallah, 2025 given the growth that we are seeing in the market and the corporate portfolio. Alhamdulillah, our liquidity ratio stood solid. The same thing for our capital ratio, and it will, inshallah, still support our growth going forward.

Moving to the next slide, which is the strategy. I think this slide we have spoken to before. Same thing, just to go over it very quickly. Our core segments are four. We have corporate, which is our main driver and asset growth. We also have private banking. It's an asset growth business and, Alhamdulillah, performing very well this year. We also have the public institution, which is more of a fee and liability play for the bank. And consumer banking, which we have elaborated before, saying that this is something we are building for our affluent proposition, and we believe we'll see this, inshallah, within the next 6 to 9 or 12 months.

I will move to the next slide. This is basically a rundown for the initiative themes for each function. I think we have explained that before. I'm happy to take any questions later on if there is any clarification required on that.

If we move to the next slide, this basically highlights the implementation of our strategy. So far, Alhamdulillah, things are moving in the right direction. As we said, our corporate has already been implemented in terms of the segmentation and focusing on the contracting sector with the right processes, and this is what was one of the major drivers for our growth.

Same thing for our travel account. We're very happy with the growth that we are seeing. This is basically an idea that we came up with in the bank that could help us in attracting lower funding to our balance sheet. Numbers are notable from our side, and we think that also will continue and will keep enhancing the product.

Home finance, this is something that we said that we believe that this is the right time now to look at real estate financing, mortgage financing. We are building the system now so that we want to look at it in a smooth, digital manner, rather than just to be manually driven. Inshallah, in the next six months, we'll see some effect in our loan portfolio.

Also, we're very happy to have launched our retail banking as a pilot. Now we are onboarding on our beta testing, inviting clients. We'll be inviting up to 10,000 clients. We have already tested it internally with employees. We have invited 1,000 customers. We're going to add another 5,000 and another 4,000 in the next couple of weeks, and, inshallah, we believe that we'll launch this before the end of the year to the public. So, this is generally the highlights of the strategy for this quarter.

If we move to the next slide, this basically talks about our travel app. We're very excited with this launch, and it keeps getting momentum and it's an excellent tool for us for a cheaper customer acquisition. This gives us a lot of insight on our customer behaviors and understanding affluent, upper-affluent private banking based on spend behaviors, and hopefully that we can have a better customization for the value position and offering. So, we'll keep, inshallah, focusing on this channel as a main customer acquisition for the bank, and also a DDA driver for us, which is CASA, and also fees starting next year, inshallah.

If we move to the next slide, this is basically a highlight, and I will leave it also to our CFO to go into further details, but the highlights is that we are happy that, Alhamdulillah, we are maintaining our market share. We had a good growth from 2022, 2023 also 2024. And given the growth in other banks also happening in the same sector, Alhamdulillah, we are holding our grounds and we are keeping our asset yield at an attractive level. So, this is something that we will keep focusing on.

Growth market and retail, we are maintaining the 1%. I think that will start moving once we finish the home equity and also launch officially our app. Our aim is to have everything digital. We want to do the consumer loan, digital credit card, to push as much digital we can on the home financing, so I think the pickup will happen, inshallah, after the official launch.

We're also keeping our focus on our improved efficiency cost income ratio. It's coming down from 2022, 2023, also 2024. Any pickup there is because of the transformation that we are undergoing. And I think our target is to push that number down, inshallah, after we finish our transformation this year, and most of next year, inshallah, we'll see improvement there.

With that, we'll move to the financial performance sector with our CFO, Mr. Ahmed.

Ahmed AlMohsen: Thank you, Faisal. Good afternoon, everyone. I would also like to welcome all of you joining us today, and I'm pleased to report a strong set of results for the first nine months of 2024.

As we can see, we have seen a solid improvement in most of our core KPIs. On the balance sheet, loans increased 18% year-to-date and reached SR 95 billion, mirroring the 18% growth in deposits, which rose to SR 98 billion.

Our profitability improved as well, with income growth and positive draws [ph 10:02] contributing to a 10% increase in net income and our return on equity registered 12.5%. At the same time, SAIB maintained a healthy assets quality with MBL ratio improving comparing to the beginning of the year, currently at 1.41%, while the cost of risk reduced to 31 basis points. Equally, capitalization and liquidity were strong and remain supportive of future growth.

Now turning to slide 12, please. The balance sheet expanded 16% during the first nine months of the year, driven by 18% loan growth and 25% rise in investments. This balance sheet growth was mostly funded by an 18% expansion in customer deposits and 22% increase in interbank fundings.

We will be looking more closely into each of these trends on the following slides, starting with loan and advances on slide 13. Our loan book has shown a continuous strength. We are proud to report a massive 18% growth year-to-date, which puts our bank the highest amongst Saudi banks in terms of financing growth in the nine months.

Most of this growth came from corporate lending, which grew by 19% during the first 9 months. And here we say SAIB active participation in financing large infrastructure projects in the syndicated loan market continues to support the growth. This was further aided by widespread decreased demand across key economic sectors such as utilities, building and constructions, commerce, manufacturing, along with other sectors. On the retail side, it has witnessed 13% growth, which was driven by a notable 23% increase in our private banking.

Moving to the next slide. On the investments, our investment portfolio increased 25% year-to-date and reached SR 40.3 billion. And here we continue to invest in fixed rate debt securities 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, with an average yield of 5.4. Equality of the investment book remains strong with 56% of securities issued by government and 33% by banks and other financial institutions.

Moving to the next slide on deposits. Customer deposits rose 18% year-to-date and reached SR 98.1 billion. This was driven mainly by 25% growth in interest bearing deposits, while non-interest-bearing deposits increased by 6% year-to-date and increased 10% on a quarterly sequential basis. Most of this growth came from corporate deposits, and to a lesser extent from retail deposits. And here, I would like to highlight the 10% quarter-on-quarter pickup on interest bearing deposits. This resulted from an inflow of demand deposits for the end of September from public institutions and travel accounts, reflecting benefits from our strategic initiatives in these areas. Overall, this resulted in a shift of our funding mix with non-interest-bearing deposits now comprising 32.3% of the total deposits, compared with 30% at the end of the second quarter and 36% at the end of last year.

Now turning to a summary of our income on slide 16, please. Net income increased 10% year-over-year, driven by 4% growth in operating income, and was further supported by improved cost of risk and stable operating efficiencies. I will be expanding on these components in the following slides, starting with the net special commission income on the NIMs on slide 17.

Net special commission income grew by 1% year-over-year and 4% on a sequential basis and reached SR 2.6 billion as of the end of September. While we have seen an average earning assets growth of 15% year-over-year, the increase was mostly offset by NIM contraction. And as you can see in the waterfall chart on the left of the slide, increased benchmark rates resulted in a higher special commission income from lending and investments, but this was counterbalanced by higher funding costs.

The year-to-date NIM declined by 34 basis point year-over-year and reached 2.74. This was due to a 77 bps rise in cost of funding resulted from increased benchmark rates and shift in deposit mix, and this was largely offset by 45 bps in asset yield expansion. On a quarterly basis, the NIM also declined 32 basis points year-over-year, and reached 2.66 in the third quarter, mainly due to funding cost pressure. We expect NIM to be between 2.7 to 2.75 by the yearend.

Now let's look at the fees and other income in the next slide. Fees and other income increased 29% during the first nine months of 2024. This was mainly driven by our robust growth in investment-related income and fees from banking services.

Investment related income increased largely due to mark-to-market fair value gains, and fee income from banking services rose by 10% on higher fees from brokerage and fund management, as well as higher trade finance income. However, partially offsetting this was a modest 5% decline in FX income.

Moving to the next slide, the operating expenses rose by a modest 4% year-over-year, to around SR 1.3 billion. The increase in opex can be attributed mainly to increasing G&A costs, factoring in the overall inflationary environment, and higher expenses on professional and consultation services, as well as advertisement costs, which we, for the most part, label as support to our strategic growth initiatives. Employee-related costs also increase the cost base, though growth was contained at a modest 3% increase year-over-year.

Premises costs declined, as we have highlighted in our previous calls, due to an area rented facility, which was acquired in Q1 of this year with subsequent charges being depreciated. The cost-to-income ratio remained unchanged year-over-year at the level of 41.9 and we expect to remain below 42 for the rest of the year.

Turning our attention now to credit quality on the next slide, slide 20. The impairment charges decreased by 16% from the previous year to SR 210 million for the first 9 months of the year. The reduced cost risk by 12 bps year-over-year to 31 bps for the 9 months reflecting the benign credit environment and healthy overall asset quality.

NPL formation also remained moderate, and the NPL ratio was further improved to 1.41 as the end of September 2024. Our NPLs are adequately covered with an overall coverage ratio now at around 155 and healthy stage 3 coverage at 57%.

Moving to capital and liquidity on slide 21. SAIB continues to maintain a strong capitalization and liquidity position. The liquidity coverage ratio is CR to 168%, NSFR at 110.5%, and SAMA LDR reached 79.1%. We believe all are extremely comfortable levels, despite some moderation in the last quarter.

Total regulatory capital increased 2% during the first nine months for the year, with the profit generation partially offset by the payment of the second half of 2023 and the first half of 2024 dividends during the year, along with the last phasing out of the IFRS-9 transition arrangements.

Risk weighted assets grew by 13% to SR 2.3 billion on the back of the 16% expansion in the bank total assets. And as a result, our capital adequacy ratio declined to 18% with Tier 1 capital ratio at 17.4% and the CET1 at 15%. This still leaves us in a comfortable position to balance growth expectations with shareholders returns and sufficient regulatory comfort levels.

Now moving on to the outlook and guidance for 2024. Overall, our financial performance for the period was mostly in line with our expectation, and we have made only minor refinement on our full year guidance. First on the loan and advances, we are revising our guidance to above 20% from the previous high-teens levels, considering the impressive 18% growth achieved to date. We do, however, expect Q4 growth to be lower than the Q3 run rate due to higher anticipated repayment and maturities.

In terms of profitability, the year-to-date NIM was 2.74 and we expect it will settle between 2.7 to 2.75 for the full year, and this will be depending mostly on our CASA mix evolving during the last quarter. Our cost-to-income ratio stood at 41.9 in 9 months, and we anticipate maintaining this ratio below 42 for the full year.

For return on equity, we delivered 12.5% in 9 months, and we expect to deliver comfortably above 12% guidance level for the full year.

On cost of risk, the benign credit risk experience so far this year had led us to further revise our guidance range downwards by around 5 bps to be in the range of 30 to 35 bps. Finally, our expectation for Tier 1 capital ratio remains unchanged at above 18.75 for the full year.

With that, we'll conclude our management presentation. I'd like also to extend my sincere gratitude for your attention and interest in Saudi Investment Bank, and now we are happy to answer any questions you may have. Thank you.

Shabbir Malik: Thank you, Mr. Ahmed. Thank you, Mr. Faisal, for the presentation. We'll now open the floor for Q&A. If you would like to ask a question, please raise your hand. If you would like to send in a text question, please use the Q&A box. Again, if you would like to ask a question, please raise your hand or send it in the Q&A box.

Our first question is from the line of Vikram. Vikram, your line should be open. Please go ahead. Vikram, just make sure your line is unmuted locally.

Vikram: Are you able to hear me?

Shabbir: Yes, we can now. Please go ahead.

Vikram: So my question is on the interest rate risk gap. So, when you published the accounts in 2023, you had a negative duration gap of about SR 25 billion, which means more liabilities were reprising compared to assets in the period three months following the interest rate hike. So, what is this number as of September 2024? What's the gap between liabilities and assets for the three months following the change in interest rate?

Ahmed: Yes, thank you for the question, Vikram. You are referring to 2022 right?

Vikram: I'm just referring to the special commission rate sensitivity on balance sheet, on the balance item, that gap was SR 25 billion between liabilities and assets in the three-month bucket. So, I'm just asking for an update to this number. What is this number as of September 2024, the gap between liabilities and assets in the three-month duration bucket, only on balance sheet?

Ahmed: Yes, I think we will be in a position to disclose all this by the year end, inshallah, Q4.

Vikram: But at least, can you provide us some direction? Has it increased, decreased? Any direction you can provide?

Ahmed: Generally speaking, it's moving toward a positive direction. So, this is the status as of now, and all the full details will be disclosed by yearend, inshallah.

Vikram: Which means this gap has gotten more negative?

Ahmed: It's getting better.

Vikram: It's getting better. So, more liabilities are reprising than assets, even more than what we had in the beginning of the year?

Faisal: Yes, you're right.

Vikram: Okay, that's awesome. Thank you.

Shabbir: Thank you. There are a few questions in the Q&A box. This one is from Ambrine Jabani. Thank you. "Can you please comment on the recent Ministry of Finance deal with Saudi Bin Laden, and if you have any exposure to the group?"

Ahmed: We've seen it as a positive development for the contracting sector and for the banking in general. SAIB is part of the syndicated loan. However, the bank did not have any significant impact prior to the deal, nor will it have post the deal.

Shabbir: The next question is from Adnan Faruq. "What were the main reasons for the sharp growth in the investment book in the third quarter, and can you please mention the yield on the investment book?"

Ahmed: So the bank has been actively buying fixed rate instruments in the last couple of years to take benefits of the high yields. The investment book was roughly SR 28 billion by the end of '22 and that has increased north of SR 40 billion by Q3 '24.

Investments have largely been in banks and financial institutions. During the quarter, we grew around SR 5.5 billion with an average yield to SR 5.4 billion for the new investments. We believe this will further enhance our yield especially once the rate cuts are effective.

Shabbir: A follow up question from Adnan Faruq of Jadwa. “In the past, management mentioned that every 100 basis points rate cut is expected to positively impact NIMs by 3 to 5 basis points. Does that relationship still hold?”

Ahmed: Yes, it’s still true based on the Q3 balance sheet. It’s still true for every 100 basis rate cut we expect enhancement of our NIM by 3 to 5 points.

Shabbir: Got it. While we wait for more questions to come, maybe one question from my side. If we look at the banking sector in Saudi generally and in Saudi Investment Bank, we've seen an increase in interbank borrowing. I just want to understand, is this mainly local interbank borrowing, or is this also international banks that can potentially lend to Saudi banks?

Ahmed: So I'll be answering on SAIB in particular. This combination of both local and international is driven mainly by the growth of repurchasing agreements with other banks, and this is also following the 25% year-to-date growth in our investment portfolio.

Shabbir: Got it. Given that this is, in terms of the funding of the book, a larger portion is coming from wholesale funding, do you think this source of funding is sensitive to sentiment towards Saudi macro? Or do you think this kind of liquidity is sticky? And even if there is, let's say, a more challenging economic landscape like lower oil prices, you can still access funding from the interbank market?

Ahmed: Any interbank funding rates first is stable in terms of split of our index rate, and generally they are expected to get lower with the anticipated interest rate cuts, and it's been always available. We don’t anticipate any change in the mechanism of the interbank operations.

Shabbir: Thank you. I'll move to the next question. This is a follow up from Adnan Faruq of Jadwa. “Do demand deposits of the bank include any call deposits? If yes, what would be the portion of demand call deposits as a percentage of total deposits?”

Ahmed: No, demand deposits are all free sparing deposits. There's no call deposits within the demand deposits.

Faisal: In fact, if you look at our financial statements, we have total savings deposits, which is about SR 3.1 billion, and that includes the savings as well as the call deposits. Demand deposits are fully non-interest-bearing deposits.

Shabbir: Got it. As a reminder to the audience, if you would like to ask a question, please raise your hand or type your question in the Q&A box. Aditya, your line should be open. Please introduce yourself and your company name.

Aditya: Good evening. Can you hear me?

Shabbir: Yes, we can. Please go ahead.

Aditya: Yes, great. Thanks for this call, gentlemen. My question is regarding our NII and the impact from fair value. So, as we are gaining on our fair value gains on our investments, I just want to know how should I be able to model this for, say, every 100 bps of cut, how much should we be able to see it enhance our NII? Can you give us any light on that? That would be great for me.

Ahmed: So the question on the NIM of the investments?

Aditya: No, I'm sorry if you didn't understand me. What I meant was for fair value gains that we see in our income statement, for every 100 bps of cuts in rates, how much can we see these gains go up by? Because I believe these fair value gains from our investments are expected to drive our revenues. So, can you just quantify how much we can expect from this?

Ahmed: Sure. First of all, if you see our investments, the majority of our investment, 96% of our investments are either OCI or amortized cost, so there will be no impact on the P&L. If you are referring to the mark-to-market income which has been booked so far, this is pertaining to two items. First, the evaluation of our associate basically. Second is the evaluation of the derivatives, which is not on the investment income. To answer your question, we will see the impact of the increased fair value on the reserve on the equity or on the other comprehensive income.

Aditya: Thank you so much. But can you still quantify that so that we can have a broader idea of how much SAIB gains from falling rates?

Ahmed: If you see that during the Q3 only, the negative balance on the balance sheet has improved by SR 300 million. I believe it was around SR 900 million negative by June and it has increased during the 3months to SR 600 million, which means positive SR 300 million. So, comparing to our investment portfolio, that can give you a hint of the sensitivity to the market prices.

Aditya: I'm sorry to be persistent, so that value, the reversal, is based on 75 bps of cuts? No, it should be 50 bps of cuts?

Faisal: I think it's difficult to quantify that as of now, because some of the changes in market value either could be attributed to liquidity purposes, maybe some bonds have improved. Some of them could have credit enhancements. Their rating changes, regardless of the interest rate. Three is also the interest rate, so I think there are many variables. I don't think you will be able to see it as a pure model there.

Aditya: All right. Thank you, gentlemen. Thank you so much.

Shabbir: Thank you. We will now move to the next question. Waruna, your line should be open. Please introduce yourself and ask your question.

Waruna: Hello. Am I audible?

Shabbir: Yes, you can go ahead, please.

Waruna: Yes, I have a question regarding loan growth. Following up on this year's strong loan growth, can we expect a similar momentum to continue into next year? I'm just trying to get the initial feel of how things are looking for next year based on your pipeline.

Ahmed: Generally speaking, yes, we do expect the momentum to continue. The growth in corporates will continue, and the retail we anticipate with the expected interest rate reduced, we will see pick up in the growth of the retail loans. What we have seen in the market, at least this year for all banks, the retail sector in general has been not so high growth. Up to September, the increase in consumer portfolio for the whole market was around 6% to 7%. I believe we will see higher numbers in retail next year, and for the corporate, we expect the momentum will continue.

Waruna: All right. Thank you. With regards to funding, following up on Shabbir's question, going forward, do you expect the impact of interbank borrowing to fade away? Do you expect more funding to come from customer deposits rather than interbank funding? I'm talking about in terms of the entire sector, because we've seen some of these large banks having a very sizable portion of funding coming in from interbank borrowing. So, the system as a whole, going into 2025, how is this funding situation, especially with the interest rates coming down?

Faisal: I think from our side, what we said before still holds. We believe that for us liquidity will be available. If we need it, we believe that we have good pockets of liquidity to attract.

As far as what pools are available, I think that's too early to talk about 2025. From our side, I don't see the mix changing drastically. So as a proportion, it will be the same. Whether some portion goes up or down will act altruistic, whether which bucket to choose. But I think on what should matter, in terms of how it affects is whether the initiatives that we do for attracting cheaper deposits, if that works, then you will see us naturally substituting some of the pools that we have either on the timed deposits or the interbank. And if we also increase the non-interest paying deposits that we have, these are the ones that will have an effect on our results.

Waruna: All right, okay. Thank you very much.

Shabbir: Thank you. I'll move to the Q&A box. We have a follow-up question from Anand Faruq. “Can you comment on the overall competitive environment for both the retail as well as the corporate segment?”

Ahmed: The corporate side we believe holds a strong competitive advantage. Our ability, as we said, to be dynamic and our ability to act first gives us the ability to win deals and win them, not because of price. And if we see our asset yield in general, it's one of the highest in the market. So, we were able to get the business without comprising on the price. So, I think for corporate, we have a good competitive advantage.

As for private banking, we believe that we have two good strong competitive advantages. SAIB has had a larger private banking portfolio compared to the total balance sheet size compared to our relative competitors. So, I think also for private banking, we have a good competitive advantage.

As for the retail, which I think, I'm going to talk about the affluent and mass, mass is not a place where SAIB will work and be strong. We will try to approach that segment through some targeted products like the travel app and travel card to get some of the acquisition and get some of the cheaper deposits, but our focus will be the affluent. The affluent we are building now we expect it to start being notable for us 6 to 9 or to 12 months from now.

Shabbir: Thank you. This is a question from Fawad Khan from, I believe, Alema Capital. “Is the build-up in demand deposits temporary?”

Ahmed: I think we are trying to attract sticky demand deposits, but the nature of demand deposits that's coming from PI will be susceptible to change. So, the way that we want to mitigate that is to increase our client base in that segment, so that the overall average is higher. Today, our sticky is about SR 27 billion, SR 28 billion. That number could shoot up maybe to SR 30 billion, SR 31 billion. It could come down again based on withdrawals. But I think as we start building a bigger customer base, that SR 28 billion we are aiming to push it to SR 30 billion, SR 32 billion, and so forth. But the assumption is, yes, it is susceptible to change.

As for the deposits coming from corporate, also the same story holds. It will be susceptible to change. I don't think corporate is a natural client to put lots of demand deposits. Our private banking, I think it's more getting the deposit through innovative, cheaper way of holding the deposit from their side.

On mass, we're not a strong player there, but some of the products that we are doing hopefully can give us more stable DDAs, but I don't think it will amount to a very notable number for SAIB.

Shabbir: Thank you. This is a follow up question from Vikram of NBK. "Can you give us some direction on cost of risk for 2025?"

Shankar: Basically, the cost of risk for the first 9 months annualized was about 31 basis points. The guidance for the full year is 30 to 35 basis points in terms of cost of risk. We've had a good year so far, and we expect that to continue for the rest of the year, as well as going into 2025.

Shabbir: Thank you. A follow up question from Adnan Faruq. "Would it be fair to say that asset years have peaked and should trend lower going forward? Moreover, has the bank witnessed any change in the corporate loan mix between large corporate project finance and mid corporate?

Ahmed: I think the assumption will be right if the rate cuts continue. I think it will be driven by the rate environment. If rates continue to go down, definitely the asset yield will start creeping down. But I think the right way to look at it is on a relative basis. Basically, how SAIB's asset yield compared to its competitor, rather than just looking at it as an absolute amount, so I think that's the right way to look at it.

As for the growth that we have seen, corporate project financial syndication has grown notably in SAIB and we expect also to grow more in that area, given the project and realization of most of the Vision 2030 projects. As for the large corporate, yes, we have also seen notable growth there. Given the setup that we have done for contracting companies, we have an edge there in SAIB. So, the mix would mostly be large corporate and project finance. I don't think mid corporate has grown. They grow, but I don't think they move the needle for SAIB.

Shabbir: Thank you. "What is the outlook for fee income? Do you expect similar growth trends in 2025 as in 2024?" This is a follow up from Adnan.

Faisal: Yes, we expect fee income next quarter to continue to be good as well. We have done well on the trade finance-related income as well as brokerage and structure solutions fees, and we expect this to continue in the fourth quarter as well. Also, in the investment-related income, we've seen improved mark-to-market gains, and we expect this to continue in Q4 as well.

Shabbir: Thank you. A question from Vikram. "Can you please confirm if savings accounts include call deposits?"

Shankar: Savings account includes call deposits, yes.

Shabbir: Would you be able to quantify how much of those are call?

Shankar: Roughly 60% is savings, and 40% is call.

Shabbir: Thank you. Another question from Aditya. "What is the reason for the drop in gross yields Q-on-Q? I can see a two basis point Q-on-Q reduction in 3Q 2024."

Ahmad: So asset shields have decreased Q-on-Q for two main reasons, one being that the bank has increased investment portfolio in Q3 by more than SR 5 billion, and yields and bonds are lower than the loans, and this has dragged down the overall yield. And while this has impacted us negatively in this quarter, it should help us in 2025 and beyond once the rate cuts are effective.

The second reason is also that some of the loans that have been already repriced in late September while the impact of the rates cut were yet to be fixed on the deposits. Now, with the loans being repriced and further rates cut expected this quarter, we expect the yield to go down, but this will be offset by lower cost of funding.

Shabbir: A question related to this is, "What is the timing of your pricing of liabilities versus loans?" So for some of the banks, they've noted that they could see faster repricing of deposits versus loans. Is that the case for you as well?

Ahmad: Generally speaking, it is the case. I think across all banks, deposits get repriced faster than assets. In this particular incident where I was referring to, this was just applicable. I think it would be applicable only this quarter as a major loan has been repriced faster.

Shabbir: Got it. A question from Jagdiswar. "Should we expect NIMs to be better next year versus this year?"

Ahmed: This is building mostly on our CASA mix, but we are aiming to improve NIMS. It depends also on how fast the interest cuts will be happening. With the initiatives of the banks that we are working on to increase the cash and the current account mix of the total deposits, it should translate positively to our NIMs.

Shabbir: Thank you. This is a question from Mohamed Arsalan "When can we expect the issuance of Tier 1 capital under the $1.5 billion program?"

Ahmed: I think that that depends on market pricing, and whether we see the levels of interest are favorable for SAIB or not. As we've seen today on the capital ratios that we have, we are in a good place. So if we think that pricing is favorable, we will just go ahead and hit the market.

We're very flexible. We have lots of tools at our disposal. So, on Tier 1 for the capital side, SAIB have closed before some issuances on a private placement basis. So I think it depends on the market, but we are actively always looking at the market conditions, so this is something that is under our radar.

Shabbir: One question. If I compare you to some of the other banks, it seems like you don't have any subordinated debt on your balance sheet. Is that a deliberate strategy, or is that a market that you've not tapped yet?

Ahmed: No. I think SAIB was one of the first banks to do the subordinated Tier 2 debt. It was 2015 or 2014. I think it's us and another bank that did the first one. So I think it depends on opportunity. Sometimes you see the spreads between Tier 2 and Tier 1. The advantage is for you to go to Tier 2 because maybe the [indiscernible 51:33] is better. It could be also the other way around. Tier 1 could be just a few basis higher or something [indiscernible 51:43] Tier 1 better, so I think it depends. We don't have a restriction on Tier 2. Our preference is always on pricing.

Shabbir: Got it. We don't have any further questions. If I can now hand it back to you, Mr. Faisal, for any concluding remarks.

Faisal: Yes, I think Waruna has a question.

Waruna: I'm so sorry. I had my hand raised from the previous question. Thanks.

Faisal: Thank you. Good to hear your voice again.

Shabbir: Thank you, Waruna. As a reminder, if you would like to ask a question, you can raise your hand or type it in the Q&A box.

Najla: I think if there's no more questions, we'd be happy to receive any other questions on our investor relations group email. That wraps up our earnings call today. Thank you so much for joining our call, and we look forward to hosting you in our future earnings call. Thank you so much. Thank you, Shabbir.

Shabbir: Thank you, Najla.