

## The Saudi Investment Bank (SAIB)

Strong growth in non-funded income offset the decline in net funded income

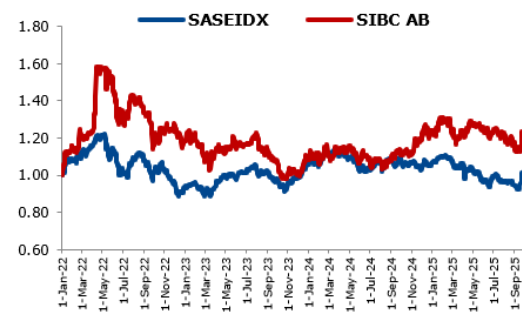
**Current Price**  
SAR 13.82

**Target Price**  
SAR 17.80

**Upside/Downside (%)**  
+29%

**Rating**  
BUY

- Net advances increased 16.5% YOY and 2.0% QOQ to SAR 110.6 Bn, along with 7.2% YOY and 4.9% QOQ growth in customer deposits to AED 105.1 Bn in 3Q25.
- Net advances to deposits ratio stood at 105.2% in 3Q25.
- Cost to income ratio decreased from 41.5% in 3Q24 to 40.2% in 3Q25, indicating enhanced operational efficiency.
- The Bank's subsidiary, Alistithmar Capital, launched a USD 100 Mn fund, S60 Ventures Fund, dedicated to supporting promising fintech startups.
- SAIB distributed an interim dividend of SAR 0.40 per share (equivalent to SAR 499 Mn) for the period of 1H25.



### 3Q25 Net Profit in line with our estimate

Saudi Investment Bank ("SAIB"/ "The Bank") net profit remained stable at SAR 518 Mn in 3Q25, in line with our estimate of SAR 507 Mn. The growth in non-funded income and the share in associates earnings, coupled with a contraction in operating expenses and financing impairment, was offset by a decline in net funded income and an increase in zakat expenses.

### P&L Highlights

SAIB's funded income rose 8.9% YOY to SAR 2,529 Mn in 3Q25, driven by a rise in net advances. Funded expenses grew 18.5% YOY to SAR 1,672 Mn in 3Q25 owing to an increase in customer deposit funds. Thus, net funded income decreased 5.9% YOY to SAR 857 Mn in 3Q25. The Bank's non-funded income grew 13.4% YOY to SAR 189 Mn in 3Q25, primarily driven by an increase in exchange income and fee income from banking services, partially offset by a decline in fair value through statement of income. Thus, total operating income fell 3.0% YOY to SAR 1,046 Mn in 3Q25. Total operating expenses decreased 5.8% YOY to SAR 421 Mn in 3Q25 primarily due to a decrease in general and administrative expenses and rent and premises-related expenses, which was partially offset by an increase in salaries and employee-related expenses, and depreciation and amortization expense. However, the Bank's cost-to-income ratio declined from 41.5% in 3Q24 to 40.2% in 3Q25. Moreover, financing impairment charge improved 7.9% YOY to SAR 61 Mn in 3Q25 mainly due to the improvement in the credit quality of the loans and advances portfolio. In addition, the share in earnings of associates increased 15.0% YOY to SAR 38 Mn in 3Q25. While the Zakat charges increased 4.3% YOY to SAR 84 Mn in 3Q25.

### Stock Information

Market Cap (SAR, mn)	17,225.00
Paid Up Capital (mn)	12,500.00
52 Week High	15.58
52 Week Low	12.96
3M Avg. daily value (SAR)	7,895,742

### 3Q25 Result Review (SAR, Mn)

Total Assets	174,912
Total Equity	16,432
Total Deposits	110,581
Operating Income	1,046
Net Profit	518

### Financial Ratios

Dividend Yield (12m)	5.79
Dividend Pay-out (%)	25.16
Price-Earnings Ratio(x)	9.51
Price-to-Book Ratio (x)	1.08
Book Value (SAR)	12.77
Return-on Equity (%)	11.57

### Stock Performance

5 Days	-1.85%
1 Months	-1.92%
3 Months	-4.97%
6 Months	-8.62%
1 Year	5.03%
Month to Date (MTD%)	-3.37%
Quarter to Date (QTD%)	-3.37%
Year to Date (YTD%)	-4.97%

## Balance Sheet Highlights

SAIB's total assets grew 15.3% YOY and 4.6% QOQ to SAR 174.9 Bn in 3Q25, driven by a healthy growth in the loan portfolio and investments. Net advances grew 16.5% YOY and 2.0% QOQ to SAR 110.6 Bn in 3Q25. Customer deposits increased 7.2% YOY and 4.9% QOQ to SAR 105.2 Bn in 3Q25. Additionally, shareholders equity grew 4.4% YOY and 3.1% QOQ to SAR 16.4 Bn in 3Q25.

## Target Price and Rating

We maintain our BUY rating on SAIB with a target price of SAR 17.80. The Bank reported healthy growth in total assets, which grew 15.3% YOY and 4.6% QOQ to SAR 174.9 Bn in 3Q25 supported by expansion in net advances and investments. Investments increased 14.0% YOY to SAR 46.4 Bn in 3Q25. Net advances also increased 16.5% YOY and 2.0% QOQ to SAR 110.6 Bn, along with 7.2% YOY and 4.9% QOQ growth in customer deposits. As a result, net advances to deposits ratio stood at 105.2% in 3Q25. The Bank is undertaking multiple initiatives to strengthen its operations, with the 2027 strategy centred on 40+ programs across nine business lines and functions, focusing on digital transformation, cross-sell, advanced analytics, and the reinforcement of corporate, public, and consumer banking segments. Additionally, to strengthen its operations, the Bank's subsidiary, Alistithmar Capital, launched a USD 100 Mn fund, S60 Ventures Fund, dedicated to supporting promising fintech startups. Furthermore, to enhance its ROE, the Bank aims to strengthen its ROE by expanding market share, boosting fee income, and improving operational efficiency. SAIB also reported strong loan growth during 1H25, 9% YTD growth in loans, driven by an increase in corporate lending, due to widespread growth across sectors and further expansion of private banking lending. Active participation in the syndicated loan market for infrastructure projects, further supported by demand from other key sectors such as utilities, services, building & construction, commerce, manufacturing, etc. Additionally, in 1H25, SAIB's investment portfolio remained predominantly high quality, with 96% comprising fixed-rate debt securities, which is expected to gain value in the declining interest rate environment. Of the total portfolio, 60% was classified at amortized cost and 39% at fair value through other comprehensive income (FVOCI), reflecting a conservative and stable investment mix. SAIB reported average earning assets of SAR 151.0 Bn in 1H25, along with average bearing liabilities of SAR 96 Bn. Non-interest-bearing deposits declined 7% YOY on 1H25, reducing their share to 29.4% of total deposits. Credit quality remained robust, with NPLs continuing to improve to 0.96% and coverage increasing to 165.7% in 2Q25, underscoring strong risk management. Capitalization remained strong during 2Q25, with Tier 1 and CAR at 18.5% and 19.1%, respectively, despite a 6% YOY rise in RWAs driven by lending growth. Liquidity ratios remained healthy, with LCR at 212% and NSFR at 110% in 2Q25. SAIB distributed an interim dividend of SAR 0.40 per share (equivalent to SAR 499 Mn) for the period of 1H25. Thus, based on the above analysis, we maintain our BUY rating on the stock.

### SAIB Bank - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E	10.99	18.09	12.60	10.79	9.60	10.32
P/B	0.71	1.16	1.27	1.18	1.11	1.07
BVPS	19.362	11.841	10.860	11.616	12.361	12.894
EPS	1.252	0.761	1.092	1.275	1.433	1.333
DPS	NA	0.420	0.600	0.680	0.761	0.779
Dividend Yield	NA	3.0%	4.3%	4.9%	5.5%	5.6%

FABS Estimates & Co Data

**SAIB Bank – P&L**

SAR Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	2,323	2,394	2,529	2,458	2.9%	8.9%	5.6%	8,864	9,779	10.3%
Funded expense	-1,411	-1,489	-1,672	-1,497	11.7%	18.5%	12.3%	-5,327	-6,203	16.4%
<b>Net funded income</b>	<b>912</b>	<b>905</b>	<b>857</b>	<b>961</b>	<b>-10.8%</b>	<b>-5.9%</b>	<b>-5.3%</b>	<b>3,537</b>	<b>3,577</b>	<b>1.1%</b>
<b>Non-funded income</b>	<b>166</b>	<b>164</b>	<b>189</b>	<b>156</b>	<b>20.9%</b>	<b>13.4%</b>	<b>14.8%</b>	<b>641</b>	<b>681</b>	<b>6.1%</b>
<b>Operating income</b>	<b>1,078</b>	<b>1,070</b>	<b>1,046</b>	<b>1,117</b>	<b>-6.3%</b>	<b>-3.0%</b>	<b>-2.2%</b>	<b>4,178</b>	<b>4,258</b>	<b>1.9%</b>
Total operating exp.	-447	-437	-421	-462	-8.9%	-5.8%	-3.6%	-1,735	-1,737	0.1%
<b>Pre-provision profit</b>	<b>631</b>	<b>633</b>	<b>625</b>	<b>655</b>	<b>-4.6%</b>	<b>-1.0%</b>	<b>-1.3%</b>	<b>2,444</b>	<b>2,521</b>	<b>3.2%</b>
Impairments	-66	-64	-61	-98	-38.2%	-7.9%	-5.8%	-290	-328	13.0%
<b>Net operating income</b>	<b>565</b>	<b>569</b>	<b>565</b>	<b>557</b>	<b>1.3%</b>	<b>-0.2%</b>	<b>-0.8%</b>	<b>2,154</b>	<b>2,193</b>	<b>1.8%</b>
Share in ear. of associate	33	27	38	33	17.8%	15.0%	41.3%	116	128	10.5%
<b>Income before Zakat</b>	<b>599</b>	<b>596</b>	<b>603</b>	<b>590</b>	<b>2.2%</b>	<b>0.7%</b>	<b>1.2%</b>	<b>2,270</b>	<b>2,322</b>	<b>2.3%</b>
Zakat	-81	-83	-84	-83	2.2%	4.3%	1.2%	-313	-325	3.8%
<b>Net profit attributable</b>	<b>518</b>	<b>512</b>	<b>518</b>	<b>507</b>	<b>2.2%</b>	<b>0.1%</b>	<b>1.2%</b>	<b>1,957</b>	<b>1,997</b>	<b>2.1%</b>

FABS estimate & Co Data

**SAIB Bank - KPI**

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	84.6%	84.6%	82.0%	-260	-268	84.6%	84.0%	-64
Cost to income (calculated)	41.5%	40.8%	40.2%	-120	-58	41.5%	40.8%	-73
Impairment/PPP	10.4%	10.1%	9.7%	-73	-47	11.9%	13.0%	113
NP/OI	48.0%	47.9%	49.6%	152	166	46.8%	46.9%	7
Loan-to-deposit	96.8%	108.2%	105.2%	838	-300	105.8%	103.0%	-280

FABS estimate & Co Data

**SAIB Bank - Key B/S items**

SAR Mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
Net advances	94,936	99,466	104,135	108,423	110,581	16.5%
QOQ change	4.7%	4.8%	4.7%	4.1%	2.0%	
Total assets	151,653	156,667	163,799	167,292	174,912	15.3%
QOQ change	5.8%	3.3%	4.6%	2.1%	4.6%	
Customer deposits	98,094	94,013	101,666	100,236	105,152	7.2%
QOQ change	2.9%	-4.2%	8.1%	-1.4%	4.9%	
Total equity	15,738	15,416	15,530	15,933	16,432	4.4%
QOQ change	4.9%	-2.0%	0.7%	2.6%	3.1%	

FABS estimate & Co Data

## Valuation:

We use Residual Income and Relative Valuation (RV) method to value SAIB. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income Method	18.48	70%	12.94
Relative Valuation (RV)	16.20	30%	4.86
<b>Weighted Average Valuation (SAR)</b>			<b>17.80</b>
Current market price (SAR)			13.82
Upside/Downside (%)			+29%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.0%. Cost of equity is calculated by using 10-year government bond yield of 5.3%, beta of 0.86 and equity risk premium of 4.3%. Government bond yield is calculated after adding KSA 10-year CDS spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	1,959
Terminal value (SAR, Mn)	5,161
Book value of Equity (as of June 2025)	15,933
<b>FV to Common shareholders (SAR, Mn)</b>	<b>23,053</b>
No. of share (Mn)	1,247
Current Market Price (SAR)	13.82
<b>Fair Value per share (SAR)</b>	<b>18.48</b>

### DCF Method

(All Figures in SAR Mn)	2025F	2026F	2027F	2028F	2029F	2030F
Net Profit	1,663	1,801	1,962	2,100	2,239	2,327
(-) Equity Charge	(1,381)	(1,440)	(1,514)	(1,596)	(1,684)	(1,778)
<b>Excess Equity</b>	<b>282</b>	<b>361</b>	<b>448</b>	<b>504</b>	<b>555</b>	<b>549</b>
Discounting Factor	0.98	0.90	0.83	0.76	0.70	0.64
<b>Present Value of Excess Equity</b>	<b>139<sup>1</sup></b>	<b>326</b>	<b>372</b>	<b>384</b>	<b>387</b>	<b>352</b>

Source: FAB Securities, <sup>1</sup>Adjusted for the partial year

## 2) Relative Valuation:

We have used local peers to value SAIB, and it is valued using the P/B multiple. It is valued at a P/B multiple of 1.2x in line with its peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Riyad Bank	21,792	1.3	1.2	8.6	8.2	3.5%	6.3%
Banque Saudi Fransi	11,967	1.1	1.0	9.2	9.1	6.1%	6.1%
Saudi Awwal Bank	17,697	1.0	1.1	8.3	8.2	6.4%	6.5%
Alinma Bank	17,558	1.8	1.7	11.2	10.7	4.3%	4.4%
Arab National Bank	12,847	1.1	1.1	9.3	9.1	5.5%	5.7%
Mashreqbank	13,003	1.3	1.2	6.4	6.7	6.8%	8.4%
Dubai Islamic Bank	18,868	1.6	1.5	10.1	10.0	4.8%	4.9%
National Bank of Kuwait	29,805	2.0	1.9	15.6	15.0	3.4%	3.4%
<b>Average</b>		<b>1.4x</b>	<b>1.3x</b>	<b>9.8x</b>	<b>9.6x</b>	<b>5.1%</b>	<b>5.7%</b>
<b>Median</b>		<b>1.3x</b>	<b>1.2x</b>	<b>9.3x</b>	<b>9.1x</b>	<b>5.2%</b>	<b>5.9%</b>
<b>Max</b>		<b>1.7x</b>	<b>1.5x</b>	<b>10.4x</b>	<b>10.2x</b>	<b>6.2%</b>	<b>6.3%</b>
<b>Min</b>		<b>1.1x</b>	<b>1.1x</b>	<b>8.5x</b>	<b>8.2x</b>	<b>4.1%</b>	<b>4.7%</b>

Source: FAB Securities

## Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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