

Saudi Investment Bank (SAIB)

Stable earnings supported by core income and cost discipline

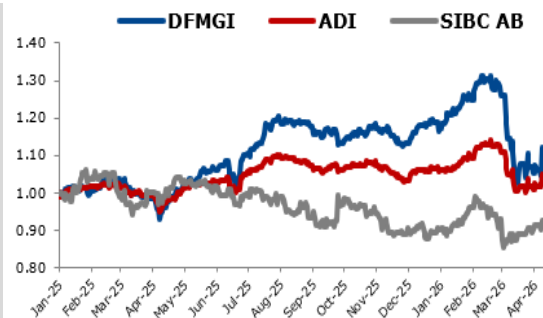
Current Price
SAR 13.36

Target Price
SAR 17.80

Upside/Downside (%)
+33%

Rating
BUY

- SAIB reported a 3.2% YOY increase in net profit to SAR 520 Mn in 1Q26, normalizing from the elevated base in 4Q25, which included a one-off land sale gain.
- Net advances increased 11.0% YOY to SAR 115.6 Bn, while customer deposits grew 20.9% YOY to SAR 122.9 Bn, reflecting sustained credit demand and strong funding growth.
- Cost-to-income ratio improved from 41.2% in 1Q25 to 39.1% in 1Q26, driven by lower operating expenses and improved operational efficiency.
- SAIB commenced the issuance of the offer of SAR-denominated Additional Tier 1 sukuk via private placement to strengthen its capital base and support future growth.



1Q26 Net Profit higher than our estimate

Saudi Investment Bank ("SAIB"/ "The Bank") reported a 3.2% YOY increase in net profit to SAR 520 Mn in 1Q26, higher than our estimate of SAR 483 Mn. This growth was mainly supported by higher net-funded income coupled with lower operating expenses and financing impairments, partially offset by decline in non-funded income, higher zakat charges, and a lower share of associates earnings.

P&L Highlights

SAIB's funded income increased 6.0% YOY to SAR 2,418 Mn in 1Q26, driven by higher gross financing and investment returns. Funded expenses rose 8.7% YOY to SAR 1,513 Mn in 1Q26, mainly due to growth in customer deposits. Consequently, net funded income grew 1.6% YOY to SAR 905 Mn in 1Q26. The Bank's non-funded income declined 5.1% YOY to SAR 152 Mn in 1Q26. As a result, operating income edged up 0.6% YOY to SAR 1,057 Mn in 1Q26, primarily due to increases in net special commission income, fee income from banking services and other income, partially offset by a decrease in gains on disposals of FVOCI debt securities, unrealized gain in fair value through statement of income and exchange income. Total operating expenses fell by 4.5% YOY to SAR 413 Mn in 1Q26, mainly driven by lower general and administrative costs, reduced provisions for credit and other losses, and a decline in depreciation and amortization, partly offset by higher salaries, employee-related expenses, and rent and premises costs. Thus, the Bank's cost-to-income ratio improved from 41.2% in 1Q25 to 39.1% in 1Q26, reflecting enhanced operational efficiency. Financing impairment charges declined 6.1% YOY to SAR 58 Mn in 1Q26, supported by higher recoveries, which led to lower net charges for loans and advances.

Stock Information

Market Cap (SAR, Mn)	16,700.00
Paid Up Capital (Mn)	12,500.00
52 Week High	15.10
52 Week Low	12.26
3M Avg. daily value (SAR)	9,024,668

1Q26 Result Review (SAR, Mn)

Total Assets	180,284
Investments	46,936
Total Equity (post NCI)	17,527
Total Deposits	122,935
Net Profit	520

Financial Ratios

Dividend Yield (12m)	6.00
Dividend Pay-out (%)	47.59
Price-Earnings Ratio(x)	7.91
Price-to-Book Ratio (x)	0.97
Book Value (SAR)	13.73
Return-on Equity (%)	12.73

Stock Performance

5 Days	-1.91%
1 Months	2.53%
3 Months	-4.57%
6 Months	-4.57%
1 Year	-10.58%
Month to Date (MTD%)	0.98%
Quarter to Date (QTD%)	0.98%
Year to Date (YTD%)	1.75%

Meanwhile, the share of earnings from associates decreased from SAR 29 Mn in 1Q25 to SAR 18 Mn in 1Q26, while zakat expenses rose 3.1% YOY to SAR 85 Mn in 1Q26.

Balance Sheet Highlights

SAIB's total assets expanded 9.8% YOY and 4.4% QOQ to SAR 180.3 Bn in 1Q26, mainly due to a strong growth in the loan book and investments portfolio. Net advances rose 11.0% YOY and 3.2% QOQ to SAR 115.6 Bn in 1Q26. Customer deposits increased 20.9% YOY and 12.1% QOQ to SAR 122.9 Bn in 1Q26. Meanwhile, shareholders equity grew 10.0% YOY and 2.4% QOQ to SAR 17.5 Bn in 1Q26.

Target Price and Rating

We maintain our BUY rating on SAIB with a target price of SAR 17.80. The Bank reported a modest increase in net income of 3.2% YOY to SAR 520 Mn in 1Q26, normalizing from the elevated base in 4Q25, which included a one-off gain from land sale. The growth in net profit was primarily supported by a growth in net funded income along with lower operating expenses and impairments. On the asset side, SAIB continued to demonstrate solid balance sheet expansion, with net advances increasing 11.0% YOY and 3.2% QOQ to SAR 115.6 Bn in 1Q26, supported by sustained credit demand. Investment portfolio also grew 15.0% YOY and to SAR 46.9 Bn, reflecting continued portfolio expansion. Customer deposits recorded strong growth of 20.9% YOY and 12.1% QOQ to SAR 122.9 Bn in 1Q26, driven by an increase in customer funding. As a result, the Bank's loan-to-deposit ratio improved from 102.4% in 1Q25 to 94.0% in 1Q26, indicating enhanced liquidity and a stronger funding position. Asset quality showed improvement during the quarter, with impairments declining 6.1% YOY to SAR 58 Mn, supported by higher recoveries, leading to lower net charges for loans and advances. Additionally, as of 4Q25 the Bank's NPL ratio stood at 0.9%, while provisioning coverage remained strong at 184.1%, reflecting prudent and proactive credit risk management. Furthermore, capitalization also remained robust during 4Q25, with CET 1 and CAR ratios at 14.3% and 19.3%, respectively. The Bank also commenced the issuance of SAR-denominated Additional Tier 1 sukuk via private placement, with the final size and pricing subject to market conditions, aimed at strengthening its capital base and supporting future growth. Overall, the Bank's profitability remained stable, supported by steady income growth, improved cost efficiency, and strong balance sheet expansion. Thus, based on the above analysis, we maintain our BUY rating on the stock.

SAIB Bank - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	17.61	12.27	10.51	9.37	6.87	9.20
PB	1.13	1.23	1.15	1.06	0.98	0.93
BVPS	11.841	10.860	11.616	12.665	13.726	14.366
EPS	0.761	1.092	1.275	1.431	1.681	1.456
DPS	0.420	0.600	0.680	0.760	0.800	0.832
Dividend Yield	3.1%	4.5%	5.1%	5.7%	6.0%	6.2%

FABS Estimates & Co Data

SAIB Bank – P&L

	1Q25	4Q25	1Q26	1Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
SAR Mn										
Funded income	2,282	2,487	2,418	2,508	-3.6%	6.0%	-2.8%	9,692	9,707	0.2%
Funded expense	-1,391	-1,613	-1,513	-1,635	-7.5%	8.7%	-6.2%	-6,164	-5,991	-2.8%
Net funded income	891	874	905	874	3.6%	1.6%	3.5%	3,528	3,716	5.3%
Non-funded income	160	754	152	181	-16.2%	-5.1%	NM	1,266	730	-42.4%
Operating income	1,050	1,628	1,057	1,055	0.2%	0.6%	-35.1%	4,794	4,445	-7.3%
Total operating exp.	-432	-433	-413	-435	-5.2%	-4.5%	-4.7%	-1,723	-1,716	-0.4%
Pre-provision profit	618	1,195	644	619	3.9%	4.2%	-46.1%	3,071	2,730	-11.1%
Impairments	-61	-169	-58	-87	-33.4%	-6.1%	NM	-355	-358	0.8%
Net operating income	556	1,026	586	533	10.0%	5.3%	-42.9%	2,716	2,372	-12.7%
Share in ear. of associate	29	30	18	29	-37.9%	-37.3%	-40.5%	125	129	3.2%
Income before Zakat	585	1,057	604	562	7.5%	3.2%	-42.8%	2,841	2,501	-12.0%
Zakat	-82	-159	-85	-79	7.4%	3.1%	-47.0%	-409	-350	-14.4%
Net profit attributable	503	897	520	483	7.5%	3.2%	-42.1%	2,431	2,151	-11.5%

FABS estimate & Co Data

SAIB Bank - KPI

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	84.8%	53.7%	85.7%	86	NM	73.6%	83.6%	NM
Cost to income (calculated)	41.2%	26.6%	39.1%	-210	NM	35.9%	38.6%	265
Impairment/PPP	9.9%	14.1%	9.0%	-98	-515	11.6%	13.1%	154
NP/OI	47.9%	55.1%	49.2%	126	-594	50.7%	48.4%	-234
Loan-to-deposit	102.4%	102.2%	94.0%	-839	-820	102.2%	101.7%	-50
ROAA	1.3%	1.4%	1.4%	16	2	1.5%	1.2%	-27

FABS estimate & Co Data

SAIB Bank - Key B/S items

	1Q25	2Q25	3Q25	4Q25	1Q26F	YOY Ch
SAR Mn						
Net advances	104,135	108,423	110,581	112,070	115,608	11.0%
QOQ change	4.7%	4.1%	2.0%	1.3%	3.2%	
Total assets	164,202	167,292	174,912	172,720	180,284	9.8%
QOQ change	4.5%	1.9%	4.6%	-1.3%	4.4%	
Customer deposits	101,666	100,236	105,152	109,619	122,935	20.9%
QOQ change	8.1%	-1.4%	4.9%	4.2%	12.1%	
Shareholders' equity	15,933	15,933	16,432	17,121	17,527	10.0%
QOQ change	0.7%	0.0%	3.1%	4.2%	2.4%	

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	18.54	70%	12.98
Relative Valuation (RV)	16.08	30%	4.82
Weighted Average Valuation (SAR)			17.80
Current market price (SAR)			13.36
Upside/Downside (%)			+33%

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 5.5%, beta of 0.86 and equity risk premium of 4.2%. 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)	1,539
Terminal value (SAR, Mn)	4,061
Book value of Equity (as of Mar 2026)	17,527
FV to Common shareholders (SAR, Mn)	23,127
No. of share (Mn)	1,247
Current Market Price (SAR)	13.36
Fair Value per share (SAR)	18.54

DCF Method

(All Figures in SAR Mn)	2026F	2027F	2028F	2029F	2030F
Net Profit	1,816	2,044	2,119	2,216	2,295
(-) Equity Charge	(1,548)	(1,621)	(1,705)	(1,787)	(1,874)
Excess Equity	267	424	415	428	420
Discounting Factor	0.94	0.86	0.79	0.73	0.67
Present Value of Excess Equity	252	366	329	311	280

Source: FAB Securities

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 2026 P/B multiple of 1.1x in line with its peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Riyad Bank	23,457	1.3	1.2	8.7	8.1	4.8%	5.6%
Banque Saudi Fransi	13,371	1.1	1.1	9.8	9.2	5.5%	5.8%
Saudi Awwal Bank	20,423	1.1	1.0	9.3	8.7	5.5%	5.9%
Alinma Bank	19,851	1.8	1.7	11.8	10.8	3.2%	3.6%
Arab National Bank	11,730	1.0	0.9	9.3	8.7	5.6%	5.9%
Mashreqbank	11,906	1.1	1.2	6.3	7.0	7.5%	NA
Dubai Islamic Bank	14,500	1.1	1.1	8.1	7.7	5.2%	5.7%
National Bank of Kuwait	26,199	1.7	1.6	14.8	13.7	3.7%	3.9%
Average		1.3x	1.2x	9.8x	9.2x	5.1%	5.2%
Median		1.1x	1.1x	9.3x	8.7x	5.4%	5.7%
Max		1.4x	1.3x	10.3x	9.6x	5.6%	5.9%
Min		1.1x	1.0x	8.6x	8.0x	4.5%	4.8%

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	ahmad.banihani@Bankfab.com
Shahrukh Nawaz	+971-2 -6161612	Shahrukh.Nawaz@bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	

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