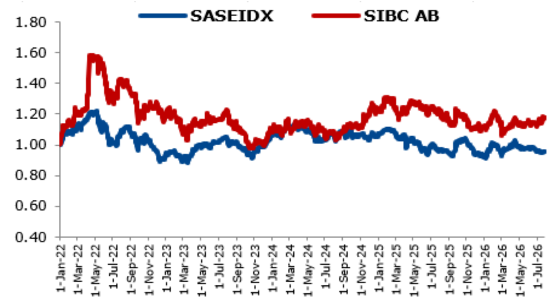
Saudi Investment Bank (SAIB)

Non-funded income boosted profits

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 13.80	SAR 17.80	+29%	BUY

- Total assets expanded 10.0% YOY and 2.1% QOQ to SAR 184.0 Bn in 2Q26, mainly due to strong growth in the loan book and investments portfolio.
- Customer deposits increased 21.3% YOY but decreased 1.1% QOQ to SAR 121.6 Bn in 2Q26.
- Asset quality edged down during 2Q26, with impairments increasing 9.7% YOY to SAR 70 Mn, mainly due to growth in financing.
- Cost discipline was broadly maintained, with the cost-to-income ratio improving 84 bps YOY to 40.0% in 2Q26.
- loan-to-deposit ratio declined to 96.5% in 2Q26 from 108.2% in 2Q25, pointing to a more comfortable funding position.



Stock Information	
Market Cap (SAR, Mn)	17,262.50
Paid Up Capital (Mn)	12,500.00
52 Week High	14.81
52 Week Low	12.26
3M Avg. daily value (SAR)	7,194,234

2Q26 Result Review (SAR, Mn)	
Total Assets	184,021
Investments	47,333
Total Equity	17,672
Total Deposits	121,559
Net Profit	531

Financial Ratios	
Dividend Yield (12m)	5.07
Dividend Pay-out (%)	47.59
Price-Earnings Ratio(x)	8.16
Price-to-Book Ratio (x)	0.98
Book Value (SAR)	14.04
Return-on Equity (%)	12.62

Stock Performance	
5 Days	1.17%
1 Months	3.06%
3 Months	3.06%
6 Months	-0.72%
1 Year	-2.13%
Month to Date (MTD%)	2.91%
Quarter to Date (QTD%)	2.91%
Year to Date (YTD%)	5.18%

2Q26 Net Profit in line with our estimate

Saudi Investment Bank ("SAIB"/ "The Bank") reported a 3.6% YOY increase in net profit to SAR 531 Mn in 2Q26, in line with our estimate of SAR 525 Mn. This growth was mainly supported by higher non-funded income, partially offset by higher operating expenses, financing impairments and zakat charges, coupled with lower share of associates earnings.

P&L Highlights

SAIB's funded income increased 3.7% YOY to SAR 2,482 Mn in 2Q26, driven by higher gross financing and investment returns. Funded expenses rose 6.3% YOY to SAR 1,583 Mn in 2Q26, mainly due to growth in customer deposits. Consequently, net funded income declined marginally by 0.7% YOY to SAR 899 Mn in 2Q26. The Bank's non-funded income grew substantially by 26.0% YOY to SAR 207 Mn in 2Q26. As a result, operating income increased by 3.4% YOY to SAR 1,106 Mn in 2Q26, primarily due to an increase in unrealized gain on fair value through statement of income, exchange income, gains on disposals of FVOCI debt securities and fee income from banking services, partially offset by a decrease in net funded income. Total operating expenses increased by 1.3% YOY to SAR 442 Mn in 2Q26, mainly due to an increase in salaries and employee-related expenses, provisions for credit and other losses and rent and premises related expenses, partially offset by a decrease in other general and administrative expenses and depreciation & amortization. Thus, the Bank's cost-to-income ratio improved from 40.8% in 2Q25 to 40.0% in 2Q26, reflecting operational efficiency. Financing impairment charges grew 9.7% YOY to SAR 70 Mn in 2Q26, due to growth in financing. Meanwhile, the share of earnings from associates decreased from SAR 27 Mn in 2Q25 to SAR 24 Mn in 2Q26, while zakat expenses rose 3.7% YOY to SAR 87 Mn in 2Q26.

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Balance Sheet Highlights

SAIB's total assets expanded 9.6% YOY and 2.1% QOQ to SAR 184.0 Bn in 2Q26, mainly due to strong growth in the loan book and investments portfolio. Net advances rose 8.2% YOY and 1.5% QOQ to SAR 117.3 Bn in 2Q26. Customer deposits increased 21.3% YOY but decreased 1.1% QOQ to SAR 121.6 Bn in 2Q26. Meanwhile, shareholders equity post minority grew 8.2% YOY and 0.8% QOQ to SAR 17.7 Bn in 2Q26.

Target Price and Rating

We maintain our BUY rating on SAIB with a target price of SAR 17.80. The Bank reported a 3.6% YOY increase in net income to SAR 531.1 Mn in 2Q26. Growth was primarily supported by higher non-funded income, partially offset by higher operating expenses, financing impairments, zakat charges and a lower share of associates earnings. Operating income grew 3.4% YOY to SAR 1,106 Mn in 2Q26, benefiting from higher non-funded income driven by fee and other income, which supported overall profitability alongside broadly flat net funded income; the shift in mix was evident in the net funded income-to-operating income ratio, which narrowed to 81.3% in 2Q26 from 84.6% in 2Q25, underscoring the growing reliance on fee-led revenue. Cost discipline was broadly maintained, with the cost-to-income ratio improving 84 bps YOY to 40.0% in 2Q26, though it rose sequentially by 91 bps on higher operating expenses. On the asset side, SAIB continued to demonstrate solid balance sheet expansion, with net advances rising 8.2% YOY and 1.5% QOQ to SAR 117.3 Bn in 2Q26, supported by sustained credit demand. Customer deposits recorded strong growth of 21.3% YOY but declined slightly by 1.1% QOQ to SAR 121.6 Bn in 2Q26, with the faster deposit accumulation over the year driving the loan-to-deposit ratio down to 96.5% in 2Q26 from 108.2% in 2Q25, pointing to a more comfortable funding position. Asset quality edged down during 2Q26, with impairments increasing 9.7% YOY to SAR 70 Mn, mainly due to growth in financing; this pushed the impairment-to-pre-provision profit ratio up to 10.6% in 2Q26 from 10.1% in 2Q25, signaling a modest rise in the cost of risk. Reflecting the offsetting income and cost dynamics, return on average assets held broadly stable at 1.4% in 2Q26. 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	18.22	12.69	10.87	9.69	8.25	9.55
PB	1.17	1.28	1.19	1.09	1.01	0.95
BVPS	11.841	10.860	11.616	12.665	13.715	14.516
EPS	0.761	1.092	1.275	1.431	1.680	1.451
DPS	0.420	0.600	0.680	0.760	0.700	0.700
Dividend Yield	3.1%	4.4%	5.0%	5.5%	5.1%	5.1%

FABS Estimates & Co Data

SAIB Bank – P&L

SAR Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	2,394	2,418	2,482	2,446	1.5%	3.7%	2.6%	9,692	9,797	1.1%
Funded expense	-1,489	-1,513	-1,583	-1,530	3.5%	6.3%	4.6%	-6,164	-6,123	-0.7%
Net funded income	**906**	**905**	**899**	**916**	**-1.9%**	**-0.7%**	**-0.7%**	**3,528**	**3,674**	**4.1%**
Non-funded income	**164**	**151**	**207**	**171**	**20.8%**	**26.0%**	**36.7%**	**1,266**	**757**	**-40.3%**
Operating income	**1,070**	**1,057**	**1,106**	**1,088**	**1.7%**	**3.4%**	**4.7%**	**4,794**	**4,431**	**-7.6%**
Total operating exp.	-437	-413	-442	-435	1.8%	1.3%	7.1%	-1,723	-1,719	-0.3%
Pre-provision profit	**633**	**644**	**664**	**653**	**1.6%**	**4.8%**	**3.1%**	**3,071**	**2,712**	**-11.7%**
Impairments	-64	-58	-70	-83	-15.6%	9.7%	22.1%	-355	-334	-5.9%
Net operating income	**569**	**586**	**593**	**570**	**4.1%**	**4.3%**	**1.2%**	**2,716**	**2,378**	**-12.4%**
Share in ear. of associate	27	18	24	41	-40.9%	-10.3%	33.9%	125	118	-5.7%
Income before Zakat	**596**	**604**	**618**	**611**	**1.1%**	**3.6%**	**2.2%**	**2,841**	**2,495**	**-12.1%**
Zakat	-83	-85	-87	-86	1.2%	3.7%	2.3%	-409	-349	-14.6%
Net profit attributable	**513**	**520**	**531**	**525**	**1.1%**	**3.6%**	**2.2%**	**2,431**	**2,146**	**-11.7%**

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SAIB Bank - KPI

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	84.6%	85.7%	81.3%	-337	-439	73.6%	82.9%	934
Cost to income (calculated)	40.8%	39.1%	40.0%	-84	91	35.9%	38.8%	285
Impairment/PPP	10.1%	9.0%	10.6%	47	165	11.6%	12.3%	75
NP/OI	47.9%	49.2%	48.0%	11	-115	50.7%	48.4%	-228
Loan-to-deposit	108.2%	94.0%	96.5%	NM	247	102.2%	101.7%	-50
ROAA	1.2%	1.4%	1.4%	16	-2	1.5%	1.2%	-29

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SAIB Bank - Key B/S items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26	YOY Ch
Net advances	108,423	110,581	112,070	115,608	117,320	8.2%
QOQ change	4.1%	2.0%	1.3%	3.2%	1.5%	
Total assets	167,828	174,912	172,720	180,284	184,021	9.6%
QOQ change	1.9%	4.6%	-1.3%	4.4%	2.1%	
Customer deposits	100,236	105,152	109,619	122,935	121,559	21.3%
QOQ change	-1.4%	4.9%	4.2%	12.1%	-1.1%	
Shareholders' equity	16,336	16,432	17,121	17,527	17,672	8.2%
QOQ change	2.5%	0.6%	4.2%	2.4%	0.8%	

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	18.38	70%	12.87
Relative Valuation (RV)	16.44	30%	4.93
Weighted Average Valuation (SAR)			**17.80**
Current market price (SAR)			13.80
Upside/Downside (%)			+29%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.1%. Cost of equity is calculated by using 10-year government bond yield of 5.4%, 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)	1,318
Terminal value (SAR, Mn)	3,957
Book value of Equity (as of Jun 2026)	17,672
FV to Common shareholders (SAR, Mn)	**22,947**
No. of share (Mn)	1,248
Current Market Price (SAR)	13.80
Fair Value per share (SAR)	**18.38**

DCF Method

(All Figures in SAR Mn)	2026F	2027F	2028F	2029F	2030F
Net Profit	1,811	2,018	2,095	2,203	2,301
(-) Equity Charge	(1,550)	(1,641)	(1,731)	(1,812)	(1,899)
Excess Equity	**261**	**377**	**364**	**390**	**402**
Discounting Factor	0.96	0.88	0.81	0.74	0.68
Present Value of Excess Equity	**126**[1]	**333**	**295**	**290**	**274**

Source: FAB Securities [1]Adjusted for partial year

2) Relative Valuation:

We have used local peers to value SAIB, and it is valued using the PB multiple. It is valued at a 2026 PB multiple of 1.1x in line with its peers.

Company	Market	P/B (x)		P/E (x)		Dividend Yield (%)	
	(USD Mn)	2026F	2027F	2026F	2027F	2026F	2027F
Riyad Bank	21,294	1.1	1.0	8.0	7.5	5.5%	6.0%
Banque Saudi Fransi	12,513	1.0	1.0	9.4	8.6	5.9%	6.3%
Saudi Awwal Bank	17,363	0.9	0.9	8.1	7.6	6.3%	6.7%
Alinma Bank	19,184	1.8	1.7	11.6	10.8	3.5%	3.6%
Arab National Bank	10,915	0.9	0.9	8.4	8.1	6.0%	6.1%
Mashreqbank	13,899	1.3	1.2	7.4	7.0	4.0%	NA
Dubai Islamic Bank	14,796	1.2	1.1	8.5	8.2	4.8%	5.0%
National Bank of Kuwait	23,810	1.5	1.5	14.6	13.2	4.2%	4.3%
Average		**1.2x**	**1.1x**	**9.5x**	**8.9x**	**5.0%**	**5.4%**
Median		**1.1x**	**1.1x**	**8.4x**	**8.2x**	**5.2%**	**6.0%**
Max		**1.3x**	**1.3x**	**9.9x**	**9.1x**	**5.9%**	**6.2%**
Min		**1.0x**	**1.0x**	**8.1x**	**7.6x**	**4.2%**	**4.7%**

Source: FAB Securities

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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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