FAB أبوظبي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 2Q26

Saudi Equity Research | Sector: Banking | Market: Tadawul

Saudi Investment Bank (SAIB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 13.93	AED 17.80	+28%	BUY

2Q26 Net Profit in line with our estimate

- SAIB's funded income rose 3.7% YOY to SAR 2,482 Mn, while funded expenses increased 6.3% to SAR 1,583 Mn, mainly due to higher customer deposits, resulting in a 0.7% decline in net funded income to SAR 899 Mn.
- Non-funded income increased 26.0% YOY to SAR 207 Mn in 2Q26, mainly driven by fees income and unrealised gain on financial instruments.
- Total operating expenses increased 1.3% YOY to SAR 442 Mn in 2Q26. However, the Bank's cost-to-income decreased from 40.8% in 2Q25 to 40.0% in 2Q26.
- Financing impairment charges grew 9.7% YOY to SAR 70 Mn in 2Q26, due to growth in financing.
- 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.
- The Company's net profit attributable to shareholders increased from SAR 513 Mn in 2Q25 to SAR 531 Mn in 2Q26, in line with our estimate of SAR 525 Mn for 2Q26.

Earnings Call Summary

- SAIB delivered 3.6% YOY growth in 2Q26 net income to SAR 531 Mn, supported by higher fee and other income, despite continued pressure on NIM.
- SAIB maintained solid balance sheet growth in 2Q26, with loans increasing 8.2% YOY to SAR 117.3 Bn and customer deposits rising 21.3% YOY to SAR 121.6 Bn, while maintaining strong liquidity and capital buffers.
- SAIB remains positive on loan growth, targeting its mid-to-high-single-digit guidance, with 5% growth achieved in 1H26 and a healthy 2H26 pipeline. The Bank expressed satisfaction with growth momentum and maintains unchanged risk appetite, declining deals that do not meet risk-adjusted return thresholds.
- Loans grew 5% YTD, driven primarily by corporate lending and private banking growth, while the bank remains cautious toward industries vulnerable to current geopolitical environment.
- NIM declined 22 bps YOY to 2.18% in 1H26, mainly due to lower asset yields, while the cost of interest-bearing liabilities also declined 43 bps to 4.79%. Asset yield decreased 32 bps YOY to 5.92% driven by lower benchmark rates and competitive pricing pressure, benefiting from improved CASA mix and disciplined deposit pricing.
- On a sequential basis, NIM declined 10 bps to 2.13% in 2Q26, with asset yield falling 9 bps to 5.88% and cost of interest-bearing liabilities declining 6 bps to 4.76%, reflecting faster asset repricing relative to liability repricing.
- SAIB maintained its 2026 loan growth guidance at the mid-to-high-single-digit range, while NIM guidance remained at 2.10%–2.25%. The Bank expects NIM to trend toward the lower end of the range, around 2.10%, with CASA growth and funding-mix optimization supporting margins.
- The Bank confirmed the bank is not highly sensitive to benchmark rate changes given its deposit-funded model, and expects stronger CASA balances, replacement of higher-cost deposits, and redeployment of excess liquidity to support NIM in 2H26.
- CASA ratio improved to 29.3%, supported by strong growth in savings and call accounts, with SAR 6.5 Bn of growth in 1H26 driven more than half by the bank's Sharia-compliant Zakat-exempt Savings Account initiative.
- Non-interest-bearing deposits represented 20.5% of total deposits in 2Q26 (down from 21.7% in 1Q26), reflecting strategic balance-sheet optimization toward lower-cost CASA funding.

- SAIB maintained its 2026 ROE guidance above 12.75%, with 1H26 ROE at 12.2%, down 56 bps YOY as average common equity grew 8% YOY, outpacing the 3% YOY growth in net income to SAR 1,051 Mn in 1H26.
- One of SAIB's three associates recorded a one-off accounting adjustment in 2Q26, which lowered its reported profit, the Bank confirmed that the adjustment was non-recurring and is not expected to affect future periods. Share of earnings from associates declined 24% YOY to SAR 42 Mn in 1H26, with normal earnings recovery expected in 2H26.
- SAIB maintained strong asset quality in 1H26, with the NPL ratio improving to 0.91%, cost of risk at 22 bps and NPL coverage rising to 201.8%.
- The Bank maintained its 2026 cost-of-risk guidance at 25–35 bps, with 1H26 cost of risk at 22 bps, while continuing to apply a broadened provisioning approach given the regional environment.
- The Bank reported no material impact from regional geopolitical volatility on asset quality or cost of risk, with corporate clients continuing normal business operations and healthy cash flows. The Bank has incorporated additional provisioning scenarios to account for potential downside.
- SAIB reported limited exposure to delayed or scaled-down giga projects, with exposure below 1%, while the Bank has not observed any deterioration in customer cash flows from the affected sectors.
- The bank maintained a strong liquidity and capital position, with LCR at 196.5%, NSFR at 111.5% and SAMA LDR at 76.6% in 2Q26. Tier 1 ratio stood at 19.7% in 2Q26, supported by retained earnings and the SAR 1.85 Bn Additional Tier 1 Sukuk issuance in April 2026 at 6.5% return.
- Total regulatory capital increased 11% during 1H26 to SAR 25.5 Bn, supported by the AT1 Sukuk issuance and net income, partially offset by dividend payments.
- Capital adequacy ratio (CAR) stood at 20.2% and CET1 ratio at 14.0%, both providing ample headroom above regulatory minimums for continued balance-sheet growth.
- Risk-weighted assets increased 6% YTD to SAR 126.1 Bn, with growth driven by balance-sheet expansion across credit risk, operational risk, and market risk, reflecting disciplined portfolio management.
- The Bank's Strategy 2027 remains focused on improving funding efficiency, accelerating non-interest income growth (particularly trade finance), and translating its transformation capabilities into measurable improvements in customer experience and revenue generation, with 43 strategic initiatives completed and 9 new initiatives underway.
- SAIB's 2H26 priorities include accelerating fee and other income (particularly trade finance), supporting NIM through CASA growth and deposit mix optimization, maintaining cost discipline, preserving asset quality, and translating completed transformation initiatives into measurable customer experience and revenue improvements.

SAIB-P&L

(SAR Mn)	**2Q25**	**1Q26**	**2Q26**	**2Q26F**	**Var**	**YOY Ch**	**QOQ Ch**
Funded income	2,394	2,418	2,482	2,446	1.5%	3.7%	2.6%
Funded expense	-1,489	-1,513	-1,583	-1,530	3.5%	6.3%	4.6%
Net funded income	**906**	**905**	**899**	**916**	**-1.9%**	**-0.7%**	**-0.7%**
Non-Funded Income	**164**	**151**	**207**	**171**	**20.8%**	**26.0%**	**36.7%**
Operating income	**1,070**	**1,057**	**1,106**	**1,088**	**1.7%**	**3.4%**	**4.7%**
Operating expenses	-437	-413	-442	-435	1.8%	1.3%	7.1%
Pre-provisioning income	**633**	**644**	**664**	**653**	**1.6%**	**4.8%**	**3.1%**
Financing impairment	-64	-58	-70	-83	-15.6%	9.7%	22.1%
Net operating income	**569**	**586**	**593**	**570**	**4.1%**	**4.3%**	**1.2%**
Share in earnings of associates	27	18	24	41	-40.9%	-10.3%	33.9%
Income before provisions for Zakat	**596**	**604**	**618**	**611**	**1.1%**	**3.6%**	**2.2%**
Zakat	-83	-85	-87	-86	1.2%	3.7%	2.3%
Net profit for period	**513**	**520**	**531**	**525**	**1.1%**	**3.6%**	**2.2%**

FABS estimate & Co Data

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Management Guidance 2026:

		2025 Actual	1H 2026 Actual	2026 Guidance	Guidance Revisions
Balance Sheet	LOANS & ADVANCES	+13% YoY	+5% YTD	Mid to High single digit	Guidance Unchanged
Profitability	NET INTEREST MARGIN	2.26% -41 bps YoY	2.18% -22bps YoY	2.10% - 2.25%	Guidance Unchanged
Profitability	COST TO INCOME RATIO	40.5%* -105 bps YoY	39.5% -146 bps YoY	<40.5%	Guidance Unchanged
Profitability	RETURN ON EQUITY (ROE)	14.8% +202 bps YoY	12.2% -56 bps YoY	>12.75%	Guidance Unchanged
Asset Quality	COST OF RISK	0.33% +1 bps YoY	0.22% -2 bps YoY	0.25% - 0.35%	Guidance Unchanged
Capital	TIER 1 RATIO	18.8% -59 bps YoY	19.7% +92 bps YTD	>18.0%	Guidance Unchanged

FOCUSED ON DELIVERING STRONG RESULTS ACROSS KEY PERFORMANCE INDICATORS

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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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