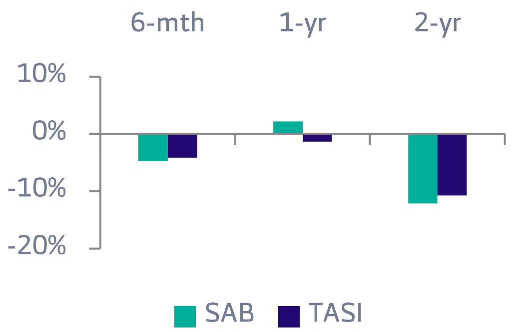
Earnings Beat Driven by Lower Provisions

July 27, 2026

Upside to Target Price	32.1%	Rating	Buy
Expected Dividend Yield	6.2%	Last Price	SAR 33.30
Expected Total Return	38.3%	12-mth target	SAR 44.00

Market Data	
52-week high/low	SAR 37.92/29.90
Market Cap	SAR 68,425 mln
Shares Outstanding	2,055 mln
Free-float	48.38%
12-month ADTV	1,804,222
Bloomberg Code	SABB AB



SAB	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Net Commission Income	2,950	2,866	3%	2,870	3%	3,024
Total Operating Income	3,663	3,721	(2%)	3,612	1%	3,733
Net Income	2,331	2,127	10%	2,086	12%	2,163
Net Financing	320,207	282,604	13%	306,906	4%	317,942
Deposits	342,157	297,003	15%	331,411	3%	338,039

(All figures are in SAR mln)

- Net financing expanded to reach SAR 320 bln (+13% Y/Y and +4% Q/Q), in line with our estimate of SAR 318 bln, supported by continued growth across both corporate and retail segments. Deposits showed solid momentum, rising to SAR 342 bln (+15% Y/Y and +3% Q/Q), broadly in line with our estimate of SAR 338 bln. As a result, the loan-to-deposit ratio (LDR) increased to 94% from 93% in 1Q26. NSCI increased to SAR 2.95 bln (+3% Y/Y and Q/Q), slightly below our estimate of SAR 3.02 bln, while NIM remained stable at 2.53% Q/Q, in line with our estimate of 2.52%, reflecting stable asset yields and funding costs.
- Total operating income increased to SAR 3.66 bln (-2% Y/Y and +1% Q/Q), slightly below our estimate of SAR 3.73 bln. Sequential improvement was supported by stable NIM and a rebound in fee income.
- Operating expenses (excluding provisions) remained broadly stable on a quarterly basis at SAR 1.11 bln (+3% Y/Y), in line with our estimate. Cost-to-income improved to 30.3% in 2Q26 (vs. 30.5% 1Q26), compared to our estimate of 29.8%. Provisions for expected credit losses declined sharply to SAR 5.0 mln (vs. SAR 166 mln in 1Q26), and significantly below our estimate of SAR 212 mln, benefiting from recoveries and continued resilient asset quality, driving the cost of risk down to 11 bps from 21 bps in previous quarter.
- Net income reached SAR 2.3 bln (+10% Y/Y, +12% Q/Q), exceeding our estimate and consensus estimate of SAR 2.2 bln and SAR 2.1 bln, respectively. The outperformance was primarily driven by significantly lower provisions for expected credit losses and lower zakat and income tax expenses. Excluding impairments, pre-provision profit increased +2% Q/Q, supported by higher NSCI and rebound in fee income. SAB declared a cash dividend of SAR 1.0 per share for the 1H26.
- SAB currently trades on FY26 P/BV of 1.0x, broadly in line with its two-year historical discount to peers (vs. 1.4x for the peer average). We believe the current valuation does not fully reflect the bank's structurally improved return profile, underpinned by stronger asset quality, disciplined credit costs and sustained loan growth. Our justified P/BV of 1.2x implies a target price of SAR 44.0. We therefore maintain our Buy rating and target price.

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Disclaimer

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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