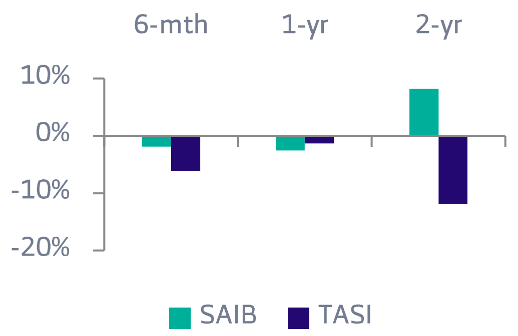
Stronger Non-Funded Income Offsets Softer NSCI

July 29, 2026

Upside to Target Price	16.4%	Rating	Buy
Expected Dividend Yield	5.4%	Last Price	SAR 13.74
Expected Total Return	21.8%	12-mth target	SAR 16.00

Market Data	
52-week high/low	SAR 14.81/12.26
Market Cap	SAR 17,175 mln
Shares Outstanding	1,250 mln
Free-float	69.77%
12-month ADTV	543,404
Bloomberg Code	SIBC AB



SAIB	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Net Commission Income	899	906	(1%)	905	(1%)	926
Total Operating Income	1,106	1,070	3%	1,057	5%	1,093
Net Income	531	513	4%	520	2%	533
Net Financing	117,320	108,423	8%	115,608	1%	119,076
Deposits	121,559	100,236	21%	122,935	(1%)	125,394

(All figures are in SAR mln)

- The bank's loan book expanded to reach SAR 117 bln (+8% Y/Y, +1% Q/Q), broadly in line with our forecast of SAR 119 bln. Deposits declined modestly by 1% Q/Q, reaching to SAR 122 bln (+21% Y/Y) following the temporary government related inflow recorded in the previous quarter, which management indicated was short-term in nature. As a result, loan-to-deposit ratio (LDR) increased to 97%, compared to 94% in 1Q26.NSCI stood at SAR 899 mln (-1% Y/Y and Q/Q), slightly below our forecast of SAR 926 mln. The softer performance was driven by higher special commission expense, despite the increase in special commission income. Consequently, NIMs declined to 2.13% (vs. 2.23% 1Q26) below our estimate of 2.19%.
- Operating Income increased to SAR 1.1 bln (+3% Y/Y, +5% Q/Q), in line with our forecast. The sequential improvement was mainly driven by stronger non-funded income, which increased to SAR 207 mln (+26% Y/Y, +37% Q/Q), primarily supported by unrealized gain on fair value through statement of income, gains on the disposals of FVOCI debt securities, exchange income and fee income from banking services, exceeding our estimate of SAR 168 mln. Operating expenses increased to SAR 442 mln (+1% Y/Y, +7%Q/Q), slightly above our forecast of SAR 423 mln. The cost-efficiency ratio increased to 40.0% in 2Q26 (vs.39.1% 1Q26) compared with our estimate of 38.7%. Impairment charges increased to SAR 70 mln in 2Q26 (+10% Y/Y, +22% Q/Q), slightly lower than our estimate of 76 mln. Meanwhile, CoR remained stable at 24 bps Q/Q, in line with our estimate of 25 bps.
- SAIB reported 2Q net income of SAR 531 mln (up +4% Y/Y, +2% Q/Q), in line with our estimate of SAR 533 mln. The sequential improvement was primarily driven by stronger non-funded income, which more than offset the continued pressure on net special commission income, while lower-than-expected impairment charges also provided modest support to earnings.
- Saudi Investment Bank currently trades on FY26 P/BV of 1.0x (representing a 31% discount to peers). While 2Q26 results were largely in line with our expectations, we continue to see scope for gradual improvement in profitability, supported by steady loan growth, resilient non-funded income and disciplined balance sheet management. Our justified P/BV of 1.1x implies a target price of SAR 16.00. We therefore maintain our Buy rating and target.

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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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