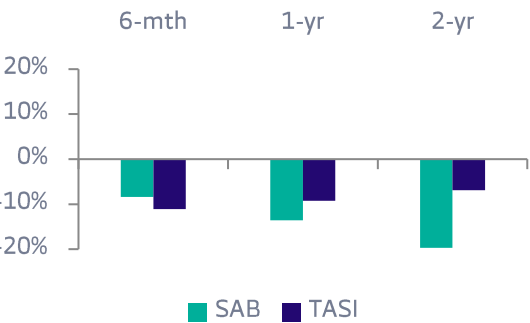


Market Data	
52-week high/low	SAR 39.55/30.55
Market Cap	SAR 67,315 mln
Shares Outstanding	2,055 mln
Free-float	48.46%
12-month ADTV	1,908,359
Bloomberg Code	SABB AB



Higher Funding Costs Pressure Margins

July 24, 2025

Upside to Target Price	34.3%	Rating			Buy	
Expected Dividend Yield	6.7%	Last Price			SAR 32.76	
Expected Total Return	41.0%	12-mth target			SAR 44.00	
SAB	2Q2025	2Q2024	Y/Y	1Q2025	Q/Q	RC Estimate
Net Commission Income	2,848	2,733	4%	2,838	0%	2,879
Total Operating Income	3,721	3,492	7%	3,620	3%	3,721
Net Income	2,127	2,018	5%	2,135	(0%)	2,189
Net Financing	282,604	241,552	17%	278,836	1%	295,566
Deposits	297,003	279,167	6%	290,440	2%	304,962

(All figures are in SAR mln)

- Net financing recorded a strong +17% Y/Y and a moderate +1% Q/Q, reaching SAR 283 bln, supported by continued growth in both corporate and retail portfolio. Deposits grew by +6% Y/Y and +2% Q/Q, to SAR 297 bln; improving funding mix. Consequently, the SAR 4.0 bln increase in net financing was outpaced by the SAR 7.0 bln increase in deposits Q/Q, driving a lower loan-to-deposit ratio (LDR) at 95%; from 96% in 1Q2025.
- Net Special Commission Income increased by +4% Y/Y and remained flat sequentially, at SAR 2.8 bln, broadly in-line with our estimate of SAR 2.87 bln. The muted quarterly performance reflects increases in funding costs due to higher proportion of time deposits in the bank’s deposit base and stable asset yields. Accordingly, NIM contracted to 2.65% in 2Q25, down by -21 bps Y/Y and -11 bps Q/Q.
- Provision for expected credit losses surged +52% Q/Q to SAR 216 mln, reflecting higher provisioning levels on the loan portfolio. Management attributed the rise to a concentration of specific customers. As a result, Cost-of-Risk increased to 0.30 bps for 2Q25, higher from 21 bps in 1Q25. Total Operating Income rose +7% Y/Y and +3% Q/Q, supported by an increase in non-funded income, which showed a healthy growth of +12% Y/Y to SAR 3.7 bln; matching our estimate. Operating expenses remained flat Q/Q and Y/Y, improving the cost-efficiency ratio to 28.9% in 2Q25, compared to 29.6% in the previous quarter.
- Net income for the period stood at SAR 2.1 bln, +5% Y/Y and stable Q/Q, primarily supported by strong non-core income, although offset by higher impairment charges.
- We believe the Bank is well-positioned to sustain strong performance over the medium and long-term, driven by active participation in large-scale projects. These projects are expected to offset some of the current margin pressure. Despite the positive outlook, stock price has shown lackluster performance, reflecting broader market sentiment. We maintain our Buy rating with a target price of SAR 44.00, acknowledging the Bank’s strong fundamentals and potential for future growth despite market headwinds.

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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

For any feedback on our reports, please contact research@riyadcapital.com

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