Earnings Call Insight | 3Q26

Saudi Equity Research | Sector: Banking | Market: Tadawul

Saudi Investment Bank (SAIB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 11.21	AED 14.80	+32%	BUY

3Q26 Net Profit lower than our estimate

- SAIB's funded income grew marginally 0.2% YOY to SAR 2,535 Mn in 3Q26, supported by higher gross financing assets. Funded expenses declined 2.3% YOY to SAR 1,633 Mn due to lower cost of funds, resulting in a 5.1% YOY increase in net funded income to SAR 901 Mn.
- Non-funded income declined by 21.7% YOY to SAR 148 Mn in 3Q26.
- NIM contracted due to shift in the deposit mix limiting COF improvement and was reported at 2.15%, declining 16bps YOY in 9M26.
- Total operating expenses increased 4.1% YOY to SAR 438 Mn in 3Q26, mainly due to an increase in other general and administrative expenses, salaries and employee-related expenses, partially offset by a decrease in depreciation & amortization expenses. Thus, the Bank's cost-to-income ratio deteriorated by 152 bps YOY to 41.8% in 3Q26.
- Financing impairment charges decreased 10.9% YOY to SAR 54 Mn in 3Q26.
- The share of earnings from associates decreased 14.4% YOY to SAR 33 Mn in 3Q26, while zakat expenses declined 1.8% YOY to SAR 83 Mn in 3Q26.
- The Banks's net profit attributable to shareholders declined 2.2% YOY to SAR 507 Mn in 3Q26 due to lower non-funded income and share in earnings of associates coupled with higher operating expenses, partially offset by lower funded expenses, provisioning and zakat expenses coupled with marginal increase in funded income.
- NPL ratios at consistently low levels of 0.92% along with NPL coverage ratio of 175.2% in 3Q26.
- Liquidity remained solid with LCR of 206.7% and NSFR of 112.0% in 3Q26.

Earnings Call Summary

- Deposit outflows over recent quarters largely reflected scheduled maturities, while average 3Q26 deposits remained above 2Q26 levels and customer relationships stayed broadly stable.
- Corporate loans grew 6% YTD, supported by broad-based sector demand, while retail lending increased 6% YTD.
- SAIB prioritized higher-yielding bilateral lending, with demand spanning building and construction, utilities, consumer, banking and financial institutions, services and commerce.
- Lower non-funded income reflected weak FX earnings, reduced swap gains and the absence of further valuation gains following the Amex investment reclassification.
- The Bank continue to evaluate the possibility of assets repricing in the coming quarters depending on customer discussions and prevailing market conditions.
- A 100-bps interest-rate movement is estimated to affect NIM by around 5 bps, while deposit mix will remain a key margin driver.
- Liquidity tightened toward late 3Q26 and early October before improving as system funding conditions strengthened, while funding costs remained market-sensitive.
- System liquidity improved during October, supported by central-bank engagement and corporate dividend flows, while funding costs eased from earlier peaks.
- SAIB agreed to sell its 50% stake in American Express Saudi Arabia for SAR 1.43 Bn upfront, alongside deferred consideration.
- The Amex stake sale followed a mutual decision to monetise a long-standing investment, with completion expected in 4Q26 subject to regulatory approval.

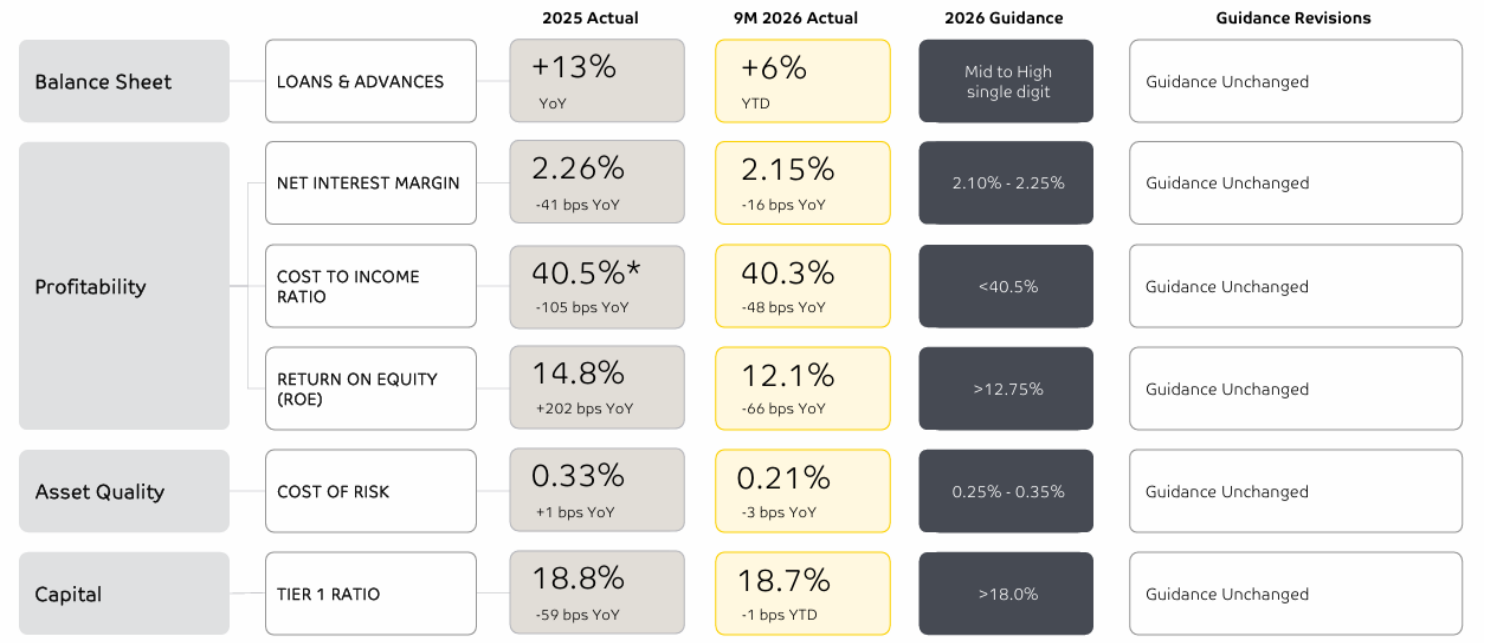
- The Amex transaction is expected to generate a SAR 792 Mn gain, while the investment reclassification is not expected to have an impact on capital ratios.
- CET1 declined 72 bps QOQ, reflecting high growth in risk-weighted assets and OCI movements, although improvement in the investment portfolio's valuation could support OCI in the coming quarter.
- Market-risk RWAs increased to SAR 2.3 Bn from SAR 448 Mn, driven by higher exposure to open fixed positions, reflecting a larger allocation to positions carrying market-risk capital requirements.
- Capital adequacy improved on a YTD basis as Sukuk issuance and earnings generation offset the impact of dividend distributions and higher risk-weighted assets.
- Project-finance activity remained healthy with no material slowdown, while the Bank continued evaluating opportunities including potential projects ahead of Expo 2030.
- SAIB maintained 2026 guidance, with loan growth in the mid-to-high single digits, NIM of 2.10–2.25%, cost-to-income below 40.5%, ROE above 12.75%, cost of risk 0.25–0.50% and Tier 1 ratio above 18%.

SAIB-P&L

(SAR Mn)	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch
Funded income	2,529	2,482	2,535	2,490	1.8%	0.2%	2.1%
Funded expense	-1,672	-1,583	-1,633	-1,589	2.8%	-2.3%	3.2%
Net funded income	**857**	**899**	**901**	**901**	**0.0%**	**5.1%**	**0.3%**
Non-Funded Income	189	207	148	215	-31.4%	-21.7%	-28.7%
Operating income	**1,046**	**1,106**	**1,049**	**1,116**	**-6.0%**	**0.3%**	**-5.1%**
Operating expenses	-421	-442	-438	-442	-0.9%	4.1%	-0.9%
Pre-provisioning income	**625**	**664**	**611**	**674**	**-9.4%**	**-2.2%**	**-8.0%**
Financing impairment	-60	-70	-54	-85	-36.4%	-10.9%	-23.4%
Net operating income	**564**	**593**	**557**	**589**	**-5.5%**	**-1.3%**	**-6.1%**
Share in earnings of associates	38	24	33	40	-18.0%	-14.4%	35.4%
Income before provisions for Zakat	**603**	**618**	**590**	**629**	**-6.3%**	**-2.2%**	**-4.5%**
Zakat	-84	-86	-83	-88	-5.9%	-1.8%	-4.1%
Net profit for period	**518**	**531**	**507**	**541**	**-6.3%**	**-2.2%**	**-4.6%**

FABS estimate & Co Data

Management Guidance 2026:



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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