Earnings Call Insight | 3Q26

Saudi Equity Research | Sector: Banking | Market: Tadawul

Saudi National Bank (SNB)

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 36.58	SAR 50.00	+37%	BUY

3Q26 Net Profit slightly lower than our estimate

- Saudi National Bank ("SNB"/ "The Bank") reported a 1.0% YOY increase in funded income to SAR 15,984 Mn in 3Q26, primarily due to a 2.6% YOY increase in funded income from the financing portfolio.
- SNB's net funded income increased 10.2% YOY to SAR 8,048 Mn in 3Q26, supported by financing growth and favourable repricing dynamics, as funding costs declined faster than asset yields on a YOY basis.
- The Bank's non-funded income declined 18.4% YOY to SAR 2,318 Mn in 3Q26, amid weaker income from FVIS investments, exchange income, lower gains on FVIS financial instruments, partially offset by an increase in banking service fees, exchange income and lower operating expenses.
- Total operating expenses increased 9.0% YOY to SAR 2,716 Mn in 3Q26, primarily driven by higher depreciation and amortisation, general and administrative expenses, and employee-related costs.
- The Bank's impairment charges grew 39.6% YOY to SAR 323 Mn in 3Q26. Zakat expenses declined 3.0% YOY to SAR 780 Mn in 3Q26.
- SNB's net profit attributable to shareholders marginally declined 0.3% YOY to SAR 6,450 Mn in 3Q26, driven by higher net funded income and lower zakat charges, which was partially offset by lower non-funded income, increased operating expenses and higher impairment charges.
- SNB's total assets grew 4.6% YOY and 1.4% QOQ to SAR 1,262.3 Bn in 3Q26, driven by growth in financing and investments.
- Net financing portfolio grew 4.6% YOY and 2.5% QOQ to SAR 758.1 Bn, while customer deposits grew 4.7% YOY and declined 4.1% QOQ to SAR 670.1 Bn in 3Q26.

Earnings Call Summary

- SNB maintained strong financing momentum in 3Q26, with financing increasing by SAR 18.5 Bn QOQ, supported by retail, corporate and MSME growth. The Bank expects a healthy pipeline in 4Q26 and does not anticipate year-end repayments to materially affect its growth outlook.
- Customer deposits rose 5% YTD to SAR 670 Bn, despite a 4.1% QOQ decline, as temporary deposits rolled off. SNB continues to optimise the funding mix, with time deposits increasing by SAR 54 Bn YTD and greater use of interbank funding to support balance-sheet growth.
- The Bank expects strong corporate financing opportunities from Vision 2030 projects, with lending largely concentrated in Saudi Arabia.
- Funding-cost pressure is expected to weigh on margins in 4Q26 as liabilities reprice ahead of assets. However, the Bank expects asset repricing to catch up during 1H27 and remains confident that margins can recover toward targeted levels.
- SNB expects fee-income momentum to remain positive, supported by core banking fees, financing and cards. Banking fees reached SAR 1.4 Bn in 3Q26, up 11.8% YOY and 14.2% QOQ, while the Bank said one-off contributions were immaterial.
- SNB continues to shift its financing mix towards retail, corporate and MSME segments, while reducing exposure to financial institutions. The Bank expects this strategy to support growth in transaction banking, payments and other banking service income.
- Cost efficiency continued to improve, with 3Q26 operating expenses declining 2.6% QOQ and the cost-to-income ratio reaching 24.2%. SNB expects further benefits from procurement, premises optimisation and technology-led efficiency initiatives, while continuing to invest in digital capabilities.
- Asset quality remained supportive, with 9M26 cost of risk close to zero and strong recoveries offsetting provisioning requirements. The Bank raised 2026 cost-of-risk guidance to 5-15 bps, while maintaining high coverage levels and continuing to monitor vulnerable sectors and customers.

- SNB's capital adequacy ratio declined to 21.1% in 3Q26 from 22.0% in 2Q26, reflecting interim dividend payments, negative investment fair value movements and financing growth.
- SNB recorded approximately SAR 3 Bn of negative fair value movements in its FVOCI debt portfolio during 3Q26 due to higher market interest rates. The Bank maintained a shorter portfolio duration than its benchmark and active hedging to manage interest rate exposure.
- SNB expects its effective zakat rate to normalise within the 10.0-11.0% range, reflecting financing growth and changes in the zakat calculation methodology.
- The Bank continues to focus on profitable balance-sheet expansion rather than volume-led growth, balancing financing growth, pricing, funding costs and asset quality as market conditions evolve.

SNB – P&L

SAR Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch
Funded income	15,821	15,404	15,984	15,745	1.5%	1.0%	3.8%
Funded expense	8,517	7,510	7,937	7,668	3.5%	-6.8%	5.7%
Net funded income	**7,304**	**7,894**	**8,048**	**8,077**	**-0.4%**	**10.2%**	**1.9%**
Non-funded income	2,841	2,689	2,318	2,778	-16.6%	-18.4%	-13.8%
Operating income	**10,145**	**10,583**	**10,366**	**10,855**	**-4.5%**	**2.2%**	**-2.0%**
Total operating Expenses	**2,492**	**2,790**	**2,716**	**2,804**	**-3.1%**	**9.0%**	**-2.6%**
Other non-operating income (expenses), net	-145	-111	-91	-109	-16.2%	-37.1%	-17.5%
Pre-provision profit	**7,508**	**7,682**	**7,558**	**7,942**	**-4.8%**	**0.7%**	**-1.6%**
Impairment charge for financing losses, net	231	258	323	377	-14.4%	39.6%	25.2%
PBT	**7,277**	**7,424**	**7,235**	**7,565**	**-4.4%**	**-0.6%**	**-2.5%**
Zakat	804	809	780	794	-1.8%	-3.0%	-3.6%
Profit after tax	**6,473**	**6,615**	**6,455**	**6,771**	**-4.7%**	**-0.3%**	**-2.4%**
Non-controlling interest	4	9	5	7	-23.9%	19.7%	-42.6%
Net profit attributable	**6,469**	**6,606**	**6,450**	**6,764**	**-4.6%**	**-0.3%**	**-2.4%**

FABS estimate & Co Data

Management Guidance:

SNB Financial Guidance	FY 2025 Baseline	9M 2026 Actual	FY 2026 Guidance	Status
Financing Growth	﷼ 729bn	+4% YTD	Mid single digit	Unchanged
NSCI Growth	﷼ 29.2bn	+8% YoY	Mid single digit	Unchanged
Group Cost to Income Ratio[3]	23.1%	25.1%	Below 25%	Unchanged
Domestic Cost to Income Ratio[3]	20.3%	22.6%	Below 22.5%	
Cost of Risk	15 bps	0 bps	5 to 15 bps	Upgrade
Tier 1 CAR	19.8%	19.8%	19-20%	Unchanged
ROTE	17.2%	16.8%	16% to 17%	Unchanged
ROTE, adjusted[4]	18.6%	18.1%	17% to 18%	

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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