First Look Note | 3Q26

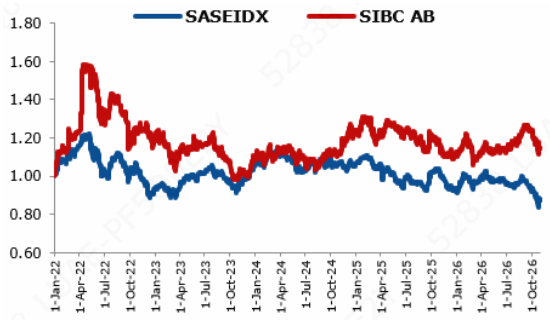
Saudi Equity Research | Sector: Banking | Market: Tadawul

Saudi Investment Bank (SAIB)

Lower non-funded income and higher expenses weigh on profitability

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

- Solid liquidity with LCR of 206.7% and NSFR of 112.0% in 3Q26.
- Customer deposits increased 14.8% YOY but decreased 0.7% QOQ to SAR 121 Bn in 3Q26.
- Well maintained capital ratios with CAR of 19.4% and Tier 1 ratio of 18.7% as of 3Q26.
- Net advances rose 7.6% YOY and 1.5% QOQ to SAR 119 Bn in 3Q26.
- NPL ratios at consistently low levels of 0.92% along with NPL coverage ratio of 175.2% in 3Q26.
- Management kept its 2026 guidance unchanged for loans, NIMs, Cost to income, ROE, Cost of risk and Tier1 ratio.



Stock Information	
Market Cap (SAR, Mn)	17,175.00
Paid Up Capital (Mn)	15,000.00
52 Week High	12.48
52 Week Low	10.22
3M Avg. daily value (SAR)	7,492,124

3Q26 Result Review (SAR, Mn)	
Total Assets	189,928
Investments	46,765
Total Equity	17,418
Total Deposits	120,761
Net Profit	507

Financial Ratios	
Dividend Yield (12m)	5.21
Dividend Pay-out (%)	47.59
Price-Earnings Ratio(x)	8.43
Price-to-Book Ratio (x)	0.98
Book Value (SAR)	11.63
Return-on Equity (%)	12.50

Stock Performance	
5 Days	0.70%
1 Months	-3.94%
3 Months	-0.43%
6 Months	4.25%
1 Year	4.57%
Month to Date (MTD%)	1.87%
Quarter to Date (QTD%)	-5.50%
Year to Date (YTD%)	4.65%

3Q26 Net Profit lower than our estimate

Saudi Investment Bank ("SAIB"/ "The Bank") reported a 2.2% YOY decline in net profit to SAR 507 Mn in 3Q26, lower than our estimate of SAR 541 Mn. This decline was mainly due to lower non-funded income and share in earnings of associates coupled with higher operating expenses, partially offset by lower funded expenses, financing impairment and zakat expenses coupled with marginal increase in funded income.

P&L Highlights

SAIB's funded income increased marginally by 0.2% YOY to SAR 2,535 Mn in 3Q26, supported by higher gross financing. Funded expenses declined 2.3% YOY to SAR 1,633 Mn in 3Q26. Consequently, net funded income increased 5.1% YOY to SAR 901 Mn in 3Q26. The Bank's non-funded income fell 21.7% YOY to SAR 148 Mn in 3Q26. However, operating income increased marginally by 0.3% YOY to SAR 1,049 Mn in 3Q26, primarily due to an increase in net funded income, fee income from banking services and gains on disposals of FVOCI debt securities, partially offset by lower exchange income and unrealized loss from financial instruments held at fair value through statement of income. Operating expenses increased by 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 increased from 40.3% in 3Q25 to 41.8% in 3Q26. Financing impairment charges decreased 10.9% YOY to SAR 54 Mn in 3Q26, as asset quality improved thereby reducing credit cost. Meanwhile, the share of earnings from associates declined 14.4% YOY to SAR 33 Mn in 3Q26, while zakat expenses decreased 1.8% YOY to SAR 83 Mn in 3Q26.

Balance Sheet Highlights

SAIB's total assets expanded 8.5% YOY and 3.2% QOQ to SAR 190 Bn in 3Q26, mainly due to growth in financing activities and investments portfolio. Net advances rose 7.6% YOY and 1.5% QOQ to SAR 119 Bn in 3Q26. Customer deposits increased 14.8% YOY but decreased 0.7% QOQ to SAR 121 Bn in 3Q26. Meanwhile, shareholders equity grew 6.0% YOY but decreased 1.4% QOQ to SAR 17.4 Bn in 3Q26.

Target Price and Rating

We maintain our BUY rating on SAIB with a revised target price of SAR 14.80 post bonus adjustment. SAIB reported a 2.2% YOY decline in net profit to SAR 507 Mn in 3Q26. The decline was primarily driven by lower non-funded income, higher operating expenses and a lower share of associates earnings, partially offset by lower financing impairments and zakat charges. Calculated NIM improved 12 bps YOY and remained broadly stable QOQ at 2.4% in 3Q26, indicating limited movement in the Bank's overall interest margin despite continued financing growth. Operating income grew marginally by 0.3% YOY to SAR 1,049 Mn in 3Q26, due to 5.1% YOY increase in net funded income to SAR 901 Mn, offset by a 21.7% YOY decline in non-funded income to SAR 148 Mn. Operating expenses increased 4.1% YOY to SAR 438 Mn, outpacing revenue growth and pushing the calculated cost-to-income ratio up 152 bps YOY to 41.8% in 3Q26, above the management guidance of 40.5% for 2026. This operating leverage pressure, alongside lower non-funded income, resulted in pre-provision operating profit declining 2.2% YOY to SAR 611 Mn. On the balance sheet, SAIB continued to deliver healthy financing growth, with net advances increasing 7.6% YOY and 1.5% QOQ to SAR 119.0 Bn in 3Q26, while total assets expanded 8.5% YOY and 3.2% QOQ to SAR 189.9 Bn. Customer deposits grew 14.8% YOY to SAR 120.8 Bn, outpacing advances growth, although deposits declined 0.7% QOQ, resulting in the loan-to-deposit ratio rising to 98.6% in 3Q26 from 96.5% in 2Q26. Asset quality remained resilient in 3Q26, with financing impairment charges declining 10.9% YOY and 23.4% QOQ to SAR 54 Mn, supporting profitability amid weaker operating performance. NPL ratio remains modest in the benign credit environment with 0.92% as of 9M26. NPL coverage ratio at comfortable levels with 175.2% as of 9M26. The impairment-to-pre-provision profit ratio also improved to 8.8% in 3Q26 from 9.7% in 3Q25, reflecting lower impairment charges despite a decline in pre-provision profit. Capital ratios were reported with CAR of 19.4% and Tier1 ratio of 18.7% in 3Q26, above the 2026 guided range of 18.0%. liquidity remained solid with LCR of 206.7% and NSFR of 112.0% in 3Q26. In September 2026, SAIB agreed to sell its 50% stake in American Express Saudi Arabia to Amex (Middle East) for SAR 1,430.1 Mn in cash, plus deferred consideration. Against a book value of SAR 637.7 Mn, this implies a potential one-off gain of c. SAR 0.8 Bn and should strengthen capital, although it will reduce associates earnings going forward. Completion remains subject to regulatory approvals. Going forward, sustained financing growth, stable NIMs and lower provisions should continue to support SAIB's earnings resilience. However, the sharp decline in non-funded income and operating expenses growing faster than funded income remain key concerns. Despite this, the Bank's healthy balance sheet expansion and strong YOY deposit growth provide support to the medium-term outlook, although the rising loan-to-deposit ratio warrants monitoring. We maintain our BUY rating on the stock.

SAIB Bank - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	17.60	12.26	10.50	9.36	7.97	10.38
PB	1.13	1.23	1.15	1.06	0.98	0.94
BVPS	9.868	9.050	9.680	10.553	11.434	11.835
EPS	0.634	0.910	1.063	1.192	1.400	1.075
DPS (pre-bonus)	0.420	0.600	0.680	0.760	0.800	0.800
DPS (post-bonus)	0.350	0.500	0.567	0.633	0.666	0.666
Dividend Yield	3.2%	4.5%	5.1%	5.6%	5.9%	5.9%

FABS Estimates & Co Data

SAIB Bank – P&L

SAR Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	2,529	2,482	2,535	2,490	1.8%	0.2%	2.1%	9,692	9,958	2.7%
Funded expense	-1,672	-1,583	-1,633	-1,589	2.8%	-2.3%	3.2%	-6,164	-6,367	3.3%
Net funded income	**857**	**899**	**901**	**901**	**0.0%**	**5.1%**	**0.3%**	**3,528**	**3,590**	**1.8%**
Non-funded income	189	207	148	215	-31.4%	-21.7%	-28.7%	1,266	716	-43.4%
Operating income	**1,046**	**1,106**	**1,049**	**1,116**	**-6.0%**	**0.3%**	**-5.1%**	**4,794**	**4,307**	**-10.2%**
Total operating exp.	-421	-442	-438	-442	-0.9%	4.1%	-0.9%	-1,723	-1,730	0.4%
Pre-provision profit	**625**	**664**	**611**	**674**	**-9.4%**	**-2.2%**	**-8.0%**	**3,071**	**2,577**	**-16.1%**
Impairments	-60	-70	-54	-85	-36.4%	-10.9%	-23.4%	-355	-298	-16.0%
Net operating income	**564**	**593**	**557**	**589**	**-5.5%**	**-1.3%**	**-6.1%**	**2,716**	**2,279**	**-16.1%**
Share in ear. of associate	38	24	33	40	-18.0%	-14.4%	35.4%	125	118	-5.7%
Income before Zakat	**603**	**618**	**590**	**629**	**-6.3%**	**-2.2%**	**-4.5%**	**2,841**	**2,396**	**-15.6%**
Zakat	-84	-86	-83	-88	-5.9%	-1.8%	-4.1%	-409	-336	-18.0%
Net profit attributable	**518**	**531**	**507**	**541**	**-6.3%**	**-2.2%**	**-4.6%**	**2,431**	**2,061**	**-15.2%**

FABS estimate & Co Data

SAIB Bank - KPI

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	82.0%	81.3%	85.9%	395	464	73.6%	83.4%	978
Cost to income (calculated)	40.3%	40.0%	41.8%	152	179	35.9%	40.2%	422
Impairment/PPP	9.7%	10.6%	8.8%	-85	-178	11.6%	11.6%	1
NP/OI	49.6%	48.0%	48.3%	-125	29	50.7%	47.9%	-286
Loan-to-deposit	105.2%	96.5%	98.6%	-659	206	102.2%	101.7%	-50
ROAA	1.2%	1.4%	1.3%	15	-6	1.5%	1.1%	-33

FABS estimate & Co Data

SAIB Bank - Key B/S items

SAR Mn	3Q25	4Q25	1Q26	2Q26	3Q26	YOY Ch
Net advances	110,581	112,070	115,608	117,320	119,036	7.6%
QOQ change	2.0%	1.3%	3.2%	1.5%	1.5%	
Total assets	175,047	172,825	180,284	184,021	189,928	8.5%
QOQ change	4.3%	-1.3%	4.3%	2.1%	3.2%	
Customer deposits	105,152	109,619	122,935	121,559	120,761	14.8%
QOQ change	4.9%	4.2%	12.1%	-1.1%	-0.7%	
Shareholders' equity	16,432	17,121	17,527	17,672	17,418	6.0%
QOQ change	0.6%	4.2%	2.4%	0.8%	-1.4%	

FABS estimate & Co Data

Valuation:

We use Residual Income and Relative Valuation (RV) method to value SAIB. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income Method	15.76	70%	11.04
Relative Valuation (RV)	12.54	30%	3.76
Weighted Average Valuation (SAR)			**14.80**
Current market price (SAR)			11.21
Upside/Downside (%)			+32%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.3%. Cost of equity is calculated by using 10-year government bond yield of 5.7%, beta of 0.86 and equity risk premium of 4.2%. Government bond yield is calculated after adding KSA 10-year CDS spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	1,525
Terminal value (SAR, Mn)	4,673
Book value of Equity (as of Jun 2026)	17,418
FV to Common shareholders (SAR, Mn)	**23,616**
No. of share (Mn)	1,498
Current Market Price (SAR)	11.21
Fair Value per share (SAR)	**15.76**

DCF Method

(All Figures in SAR Mn)	2026F	2027F	2028F	2029F	2030F	2031F
Net Profit	1,610	1,837	2,120	2,279	2,435	2,549
(-) Equity Charge	(1,598)	(1,655)	(1,730)	(1,821)	(1,915)	(2,015)
Excess Equity	**12**	**181**	**390**	**457**	**520**	**534**
Discounting Factor	0.98	0.90	0.82	0.75	0.69	0.63
Present Value of Excess Equity	**3[1]**	**163**	**321**	**344**	**358**	**336**

Source: FAB Securities [1]Adjusted for partial year

2) Relative Valuation:

We have used regional peers to value SAIB, and it is valued using the PB multiple. It is valued at a 2027 PB multiple of 1.0x, in line with its peer median.

Company	Market	P/B (x)		P/E (x)		Dividend Yield (%)	
	(USD Mn)	2026F	2027F	2026F	2027F	2026F	2027F
Riyad Bank	20,272	1.1	1.0	7.7	7.4	6.0%	6.4%
Banque Saudi Fransi	12,710	1.1	1.0	8.9	8.3	5.9%	6.4%
Saudi Awwal Bank	17,836	0.9	0.9	8.4	7.8	6.2%	6.4%
Alinma Bank	18,507	1.8	1.6	11.3	10.4	3.4%	3.6%
Arab National Bank	11,224	1.0	0.9	8.5	8.5	6.3%	6.4%
Mashreqbank	16,931	1.6	1.3	8.0	6.6	3.7%	4.5%
Dubai Islamic Bank	13,898	1.1	1.0	7.7	7.9	5.0%	5.1%
National Bank of Kuwait	24,387	1.6	1.5	12.9	13.1	4.1%	4.1%
Average		**1.2x**	**1.2x**	**9.2x**	**8.8x**	**5.1%**	**5.4%**
Median		**1.1x**	**1.0x**	**8.4x**	**8.1x**	**5.5%**	**5.7%**
Max		**1.6x**	**1.4x**	**9.5x**	**9.0x**	**6.1%**	**6.4%**
Min		**1.0x**	**1.0x**	**7.9x**	**7.7x**	**4.0%**	**4.4%**

Source: FAB Securities

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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