Saudi National Bank 3Q26 Earnings Summary

SNB's 3Q26 results were flat Y/Y as NIM led NSCI was offset by a fall in non-interest income (NII). SNB and RJHI, both saw NIM led double digit NSCI growth, offset by lower NII due to a fall in investment income. The difference was RJHI's NIM and NII was significantly stronger than SNB. While cost control led to a sequential decline in OPEX, higher provisioning offset the impact on the bottom line. Q/Q loan growth too mirrored RJHI's 3%. SNB had stated in its 2Q26 call that it was willing to forego margins to remain competitive. The bank currently trades with a PBV of 1.1x vs. a sector average of 1.4x. Our 3-year forward average RoE expectation (post-AT1 cost) stands at 12.8%.

The 4bps increase in CoR was ahead of our forecast. We would like to see if there was an increase in overlays or if this was a recovery timing related issue. Next quarter, NIM is expected to decline due to the rate hike in September (liabilities reprice faster than assets), leading to a strong possibility of CIR downgrade which is unlikely to be offset by investment income given expectations of the Fed delivering another rate hike.

Rating and Target Price:

We are Hold rated on SNB with a target price of SAR 45.0 (23.2% upside).

Results vs. Consensus:

- Total income came in line with estimates.
- Net income came in line with estimates.

Key highlights

- NSCI rose 10% Y/Y and 2% Q/Q to SAR 8.05bn led by 762% Y/Y and 52% increase Q/Q ain net investment income, while net financing income rose 5% Y/Y but was flat Q/Q.
- Reported NIM rose 13bps Y/Y but fell 9bps Q/Q to 2.93% in 3Q26.
- NII fell 18% Y/Y and 14% Q/Q to SAR 2.31bn. The Q/Q fall came from came from lower net exchange income (-4.9%) and total investment gains/income (-35.1%).
- Total operating income rose 2% Y/Y but fell 2% Q/Q to SAR 10.37bn.
- Operating expenses, ex provisions, stood at SAR 2.72bn, up 9% Y/Y from higher salaries and employee-related expenses (+1.3%), depreciation and amortization (+41.3%), and other general and administrative expenses (+13.2%), but down 3% Q/Q, reflecting ongoing cost optimization initiative. Consequently, the cost-to-income ratio (CIR), ex provisions, increased 164bps Y/Y but eased 16bps Q/Q to 26.2%.
- Credit impairment provisions rose 40% Y/Y and 25% Q/Q to SAR 323mn due to higher net impairment charges. Cost of risk rose 4bps Y/Y and 3bps Q/Q to 0.17%.
- Net income was flat Y/Y but down 2% Q/Q to SAR 6.45bn in 3Q26. In 9M26 it rose 5% Y/Y to SAR 19.48bn led by an NSCI driven (+8%) growth in total income (+5%) and 97% decline in provisions, partially offset by higher opex (+4%).
- Lending assets rose 5% Y/Y and 3% Q/Q to SAR 758.10bn, while customer deposits rose 5% Y/Y but fell 4% Q/Q to SAR 669.86bn. Subsequently, headline LDR eased 21bps Y/Y but widened 724bps Q/Q to 113.2%.
- Total assets were up 5% Y/Y (+1% Q/Q) to SAR 1.26tn led by loans and advances and investment book (+2% Y/Y, +1% Q/Q).
- Core interest-earning assets rose 4% Y/Y and 2% Q/Q, accounting for 85.7% of total assets in 3Q26, down 72bps Y/Y but up 44bps Q/Q.
- Reported RoTCE fell 160bps Y/Y and 90bps Q/Q to 15.9%, while RoTA fell 10bps, both Y/Y and Q/Q to 2.1%.
- Balance sheet leverage was relatively stable at 6.0x in 3Q26, vs. 5.8x in 2Q26 and 6.1x in 3Q25.

Public

3Q26 Snapshot:

SAR mln	2Q26	1Q26	2Q25	2Q23	Q/Q %	Y/Y %	3-yr CAGR/bps	1H26	1H25	Y/Y %
Net income from Financing	7,056	7,138	6,733	5,957	-1%	5%	6%	14,194	13,332	6%
Net income from Investments	839	358	351	565	134%	139%	14%	1,197	1,003	19%
Net Interest Income	**7,895**	**7,496**	**7,084**	**6,522**	**5%**	**11%**	**7%**	**15,391**	**14,335**	**7%**
Non-Interest Income	2,688	2,154	2,426	1,972	25%	11%	11%	4,842	4,787	1%
Total Income	**10,583**	**9,650**	**9,510**	**8,494**	**10%**	**11%**	**8%**	**20,233**	**19,122**	**6%**
Operating Expenses	2,790	2,801	2,765	2,607	0%	1%	2%	5,591	5,491	2%
Total provisions	*258*	*-578*	*-170*	*76*	*NM*	*NM*	*50%*	*-320*	*-139*	*130%*
Income before Zakat	7,424	7,289	6,865	5,795	2%	8%	9%	14,713	13,584	8%
Net Income	**6,606**	**6,423**	**6,137**	**5,016**	**3%**	**8%**	**10%**	**13,029**	**12,159**	**7%**
EPS	1.10	1.07	1.02	0.84	3%	8%	10%	2.17	2.03	7%
Assets	1,244,688	1,228,496	1,200,998	996,205	1%	4%	8%	1,244,688	1,200,998	4%
Investments	322,219	323,201	315,460	264,827	0%	2%	7%	322,219	315,460	2%
Loans & Advances	739,563	732,658	714,839	577,849	1%	3%	9%	739,563	714,839	3%
Deposits	698,170	665,462	658,675	602,209	5%	6%	5%	698,170	658,675	6%
Shareholders' Equity	214,335	214,117	197,278	170,178	0%	9%	8%	214,335	197,278	9%
Reported RoTCE (%)	16.80	16.70	17.40	NA	10 bps	-60 bps	NA	16.9	17.3	-40 bps
Reported RoTA (%)	2.20	2.20	2.10	NA	00 bps	10 bps	NA	2.2	2.2	00 bps
Simple LDR (%)	105.9	110.1	108.5	96.0	-417 bps	-260 bps	997 bps	105.9	108.5	-260 bps
Assets to Equity (x)	5.8	5.7	6.1	5.9	1%	-5%	0%	5.8	6.1	-5%
Credit impairment prov/ loans (%)	0.14	(0.32)	(0.10)	0.05	46 bps	23 bps	09 bps	(0.09)	(0.04)	-05 bps

SAR mln unless otherwise specified	2Q26	1Q26	2Q25	2Q23	Q/Q %	Y/Y %	3-yr CAGR/bps	1H26	1H25	Y/Y %
Core Interest Earning Assets (CIEA)	1,061,782	1,055,859	1,030,299	842,676	1%	3%	1%	1,061,782	1,030,299	3%
Reported NIM (%)	3.02	2.85	2.79	NA	17 bps	23 bps	NA	2.94	2.91	03 bps
Cost/Income (%)	24.4	26.9	26.9	30.7	-250 bps	-250 bps	-629 bps	25.6	26.6	-100 bps
CIEA to total Assets (%)	85.3	85.9	85.8	84.6	-64 bps	-48 bps	72 bps	85.3	85.8	-48 bps

Source: Company Announcement

Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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