

Saudi Investment Bank (HOLD, TP: SAR 15.0, 1030.SE) 1Q26 Results Review

RoE falls short by 55bps, low opex growth, pick up in NII to push it past >12.75% guidance

Saudi Investment Bank (SAIB)'s net income in 1Q26 rose 3% Y/Y to SAR 520mn (1Q26 EPS: SAR 0.42). Total income was up 1% at SAR 2.59bn as the fall in NII was more than offset by NSCI growth. Operating expenses, ex provisions, fell 5% Y/Y easing the reported cost-to-income ratio (CIR) by 210bps to 39.08%. Provisions decreased 6% to SAR 58mn. Deposits grew faster than loans, leading to a 839bps narrowing of headline LDR to 94.0%. Balance sheet leveraging stood at 10.3x, stable from 1Q25. Reported RoAE, fell 70bps to 12.2%, while annualized RoA fell 7bps to 1.2%.

- NSCI was up 2% Y/Y at SAR 905mn in 1Q26, driven by a 94% Y/Y increase in net investment income, partly offset by 21% drop in net financing income. Sequentially, NSCI was up 4% on higher net income from financing (+1%) and investments (+9%).
- Reported NIM fell 22bps Y/Y but was up 10bps Q/Q at 2.23% in 1Q26.
- NII declined 5% Y/Y and 80% Q/Q to SAR 152mn in 1Q26. Y/Y decline was a result of lower gains on disposals of FVOCI debt securities and unrealized FVIS income, partly offset by higher fee income. Q/Q fall was mainly from a one-off gain of SAR 535mn from a land sale recorded in 4Q25 in other income. It was further impacted by lower FVIS investment, fee, and exchange income, while gains on disposals of FVOCI debt securities saw an increase.
- Consequently, total operating income was 1% higher Y/Y but down 80% Q/Q, in line with street consensus.
- Operating expenses, ex provisions, declined 5% both, Y/Y and Q/Q to SAR 2.4bn in 1Q26. Y/Y fall was from lower G&A and D&A charges, partly offset by higher employee and premises related expenses, while Q/Q decline was ascribed to a drop in G&A, premises, D&A, and employee related expenses. Resultantly, the reported CIR came in at 39.1% vs. 26.6% in 4Q25 and 41.2% in 1Q25.
- The bank booked impairments worth SAR 578mn in 1Q26, down 6% Y/Y and 66% Q/Q primarily due to lower net charges for loans and advances.
- Net income was up 3% Y/Y but dropped 42% Q/Q to SAR 520mn in 1Q26.
- Adjusting for the impact of the one-off gain of SAR 535mn in 4Q25, Q/Q, NII was down 31% (-80% reported), total income was down 3% (-35% reported), and profit before zakat was up 16% (-43% reported). The underlying CIR eased 55bps (+12.5ppts reported).
- NPL balances rose 5% Y/Y and 2% Q/Q to SAR 1.11bn. Calculated annualized NPL formation in 1Q26 stood at 0.13% of average gross loans vs 0.20% in FY25. NPL ratio came in at 0.94% vs.0.95% in 4Q25, and 0.99% in 1Q25. The NPL coverage stood at 194.1% up 32.2ppts Y/Y and 10.0ppts Q/Q.
- Assets were up 10% Y/Y (+4% Q/Q) to SAR 180.28bn, mainly attributed to the growth in financing (+11% Y/Y, +3% Q/Q) and investment (+15% Y/Y, -1% Q/Q) assets.

SAR mln	1Q26	4Q25	1Q25	Q/Q %	Y/Y %
Net income from Financing	569	565	717	1%	-21%
Net income from Investments	336	310	174	9%	94%
Net Interest Income	905	874	891	4%	2%
Non-Interest Income	152	754	160	-80%	-5%
Total Income	1,057	1,628	1,050	-35%	1%
Operating Expenses	413	433	433	-5%	-5%
Total provisions	58	169	62	-66%	-6%
Income before Zakat	604	1,057	585	-43%	3%
Net Income	520	897	503	-42%	3%
EPS	0.42	0.72	0.40	-42%	3%
Assets	180,284	172,720	164,202	4%	10%
Investments	46,936	47,197	40,801	-1%	15%
Loans & Advances	115,608	112,070	104,135	3%	11%
Deposits	122,935	109,619	101,666	12%	21%
Shareholders' Equity	17,527	17,121	15,933	2%	10%
Reported RoE (%)	12.2	21.2	12.9	-900 bps	-70 bps
Annualized RoA (%)	1.2	2.1	1.2	-93 bps	-07 bps
Simple LDR (%)	94.0	102.2	102.4	-820 bps	-839 bps
Assets to Equity (x)	10.3	10.1	10.3	2%	0%
Cost of Risk (%)	0.20	0.60	0.24	-40 bps	-4 bps

Rating Summary and Forecasts

Rating Summary

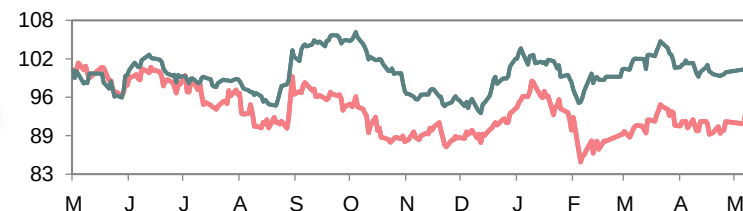
Rating	Hold
Market Price	13.5
12-month Target Price	15.0
Upside / Downside	11%
Mkt Cap (SAR mn)	16,850
52-week High/Low	13.2/14.72

Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	2,431	2,047	2,220	2,365
PER (x)	6.9	8.2	7.6	7.1
PBV (x)	1.0	1.0	0.9	0.9
EPS (SAR)	1.95	1.64	1.78	1.89
DPS (SAR)	0.70	0.80	0.90	0.95
RoE (%)	14.2	12.2	12.5	12.4
Dividend Yield (%)	5.2	5.9	6.7	7.0

Price Chart

SAIB TASI



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- Estimated interest-earning assets (IEA) rose 12% Y/Y and 2% Q/Q to SAR 164.47bn, accounting for 91.2% of assets in 1Q26, up 169bps Y/Y but down 192bps Q/Q. Balance sheet leveraging was 10.3x in 1Q26 vs. 10.1x in 4Q25 and 10.3x in 1Q25.
- 3% YTD growth in loans driven by 4% increase in corporate lending, driven by active participation in financing large infrastructure projects, further supported by demand from building & construction, services, transport & communication, manufacturing etc. Retail lending grew 2% supported by an increase of 3% in private banking lending. Corporate loans made up 76% of total book, followed by 15% from private banking, 8% from retail, and 2% from other loans.
- Deposits grew 12% YTD in 1Q26 due to increased IBDs (+18%), while NIBDs fell 4%. Growth was primarily driven by retail deposits, including public institutions, up 17% YTD. Treasury & Investments increased 7% and corporate deposits declined 9%. NIBD share decreased by 3.7ppts YTD to 21.7%, while CASA ratio decreased by 2.4ppts YTD to 26.6%.
- Regulatory LDR was within required levels at 76.7%, down 5.1ppts Y/Y and 3.6ppts Q/Q. LCR and NSFR came in at 190.8% and 112.5%, comfortably above the 100% minimum.

Investment thesis

- SAIB delivered results broadly in line with estimates in 1Q26, with volume growth offsetting NIM compression and resulting in positive NSCI growth. The market was already aware that NII would decline Q/Q in 1Q26 due to the SAR 535mn one-off gain recorded in 4Q25. While we had expected stronger NII performance from SAIB, given management's earlier clarification that the impact of regulatory changes on fee income would be minimal due to the bank's relatively recent entry into the credit card segment, the shortfall was primarily attributable to weaker investment-related income. Fee income, meanwhile, recorded modest growth of 2% Y/Y. Management also indicated that fee and other income had shown an improvement during the early part of 2Q26. On the cost side, the bank expects expenses to remain broadly in line with FY25 levels, supported by a benign inflation environment and the completion of a period of elevated strategic spending. Given this constructive outlook for FY26, we expect the bank to deliver high-single-digit growth in net income. Our forecast does not incorporate additional provisioning related to geopolitical uncertainties, as higher oil prices are likely to offset the increase in downside probability within the ECL framework. Furthermore, SAIB maintains one of the highest NPL coverage ratios in the sector at 194.1%. NPL formation as a percentage of gross loans has also remained low, at 13bps in 1Q26 and 20bps in FY25.
- SAIB continues to demonstrate strong growth and is taking the right steps to improve operating efficiency through technology investments and greater automation. As a smaller institution, digital capabilities are particularly important given its more limited branch network relative to peers and historically higher CIR. Despite these positives, several structural headwinds remain. The bank continues to have the lowest NIBD (21.7%) and CASA (26.6%) ratios in the sector, which remains the primary reason it has been unable to achieve sector-level NIMs despite generating a respectable asset yield of approximately 6%. While the bank has successfully reduced its CIR from the high-40% range to below 40%, larger peers have also continued to generate positive jaws and are now approaching CIR levels below 30%. As a result, SAIB has yet to meaningfully narrow the efficiency gap relative to the leading banks in the sector.

SAIB trades with a 1.0x PBV (on shareholders equity) with a 3-year forward RoAE (post-AT1 cost) of 10.7%. The stock trades at a 12% discount to its 2-year average of 1.1x. Compared to the sector, it is trading with a 34% discount to the sector average of 1.5x (mirrors 2-year average sector discount of 34%). The discount is warranted given its low returns ratio vs. the sector. Maintain Hold.

Rating and Risks

We are HOLD rated on SAIB and our 12-month price target is SAR 15.0. Upside risks include material pick up in credit demand, robust recoveries, easing of liquidity, and pick up in CASA share. Primary downside risk is geopolitical; prolonged US-Israel-Iran conflict, damage to energy infrastructure, and closing of trade routes. Operational risks include worsening deposit mix, material dip in system credit quality, and slowdown in economic activity.

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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