

Saudi National Bank 2Q26 Earnings Summary

SNB's NSCI delivered a positive surprise (+11% Y/Y) in 2Q26, driven by a substantial NIM expansion of 17bps Q/Q. This took 1H26 NSCI growth to 7% Y/Y vs. guidance of mid-single digit growth. However, loan growth remained mild. 1H26 loan growth was just 1.5% vs. the high single-digit guidance. We are noticing a similar trend in other banks as well. The sector as a whole expected 2H26 to be stronger, however, we were not expecting 2Q26 loan growth to be as mild as what we have seen. On deposits, SNB too saw growth outpace loans, however, the CASA ratio has dropped below 70% for the first time since many years, coming in at 68%.

We are looking for further details on two lines, namely non-yield income, which saw a healthy headline growth, despite fee income not seeing growth, and NIM, which saw a big expansion that surprised us. We would like to see how the bank managed this big move. It has been talking about repricing and selective growth since some time, however, we suspect a technical driver or a one-off in these numbers.

Rating and Target Price:

We are Buy rated on SNB with a target price of SAR 47.0 (21.9% upside).

Results vs. Consensus:

- Total income Beat estimates by 5.3%.
- Net income Beat estimates by 5.3%.

Key highlights

- NSCI was up 11% Y/Y in 2Q26 at SAR 7.90bn from a 139% and 5% increase in net investment and financing income, respectively. Q/Q, it rose 5% led by a 134% gain in net investment income, partly offset by a 1% fall in net financing income. Reported NIM widened 23bps Y/Y and 17bps Q/Q to 3.02% in 2Q26.
- NII gained 11% Y/Y and 25% Q/Q to SAR 2.69bn in 2Q26. The Y/Y growth was led by an increase in total investment gains by 34.0%, and net exchange income by 3.3%. Sequential rise was mainly driven by total investment gains rising 102.0%.
- Consequently, the total operating income rose 11% Y/Y and 10% Q/Q to SAR 10.58bn in the quarter.
- Operating expenses, ex provisions, rose 1% Y/Y but was flat Q/Q to SAR 2.79bn.
- Resultantly, the reported CIR, ex provisions, eased 2.5ppts, both Y/Y and Q/Q to 24.4% in the quarter.
- Impairments in 2Q26 rose to SAR 258mn from a net release of SAR 578mn in 1Q26 and SAR 170mn in 2Q25.
- Net income was up 8% Y/Y and 3% Q/Q to SAR 6.61bn in 2Q26. For 1H26, it increased 7% Y/Y to SAR 13.03bn, driven by an NSCI led growth (+7%) in revenue (+6%), partly offset by 2% increase in operating expense. Impairments aided profitability by coming in at a net reversal of SAR 320mn vs SAR 139mn in 1H25.
- Lending assets increased by 3% Y/Y (+1% Q/Q) to SAR 739.56bn, while customer deposits rose 6% Y/Y (+5% Q/Q) to SAR 698.17bn. Subsequently, headline LDR eased 260bps Y/Y (-17bps Q/Q) to 105.9%.
- Total assets were up 4% Y/Y (+1% Q/Q) to SAR 533.64bn, mainly attributed to the growth in financing and investment (+2% Y/Y, flat Q/Q) assets.
- Core interest-earning assets rose 3% Y/Y and 1% Q/Q, accounting for 85.3% of total assets in 2Q26, down 48bps Y/Y and 64bps Q/Q.
- Reported RoTCE narrowed 60bps Y/Y but rose 10bps Q/Q to 16.8%, while RoTA stood at 2.2%, down 10bps Y/Y but flat Q/Q.

Public



- Balance sheet leveraging stood at 5.8x vs. 5.7x in 1Q26 and 6.1x in 2Q25.

2Q26 Snapshot:

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

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

1H26	1H25	Y/Y %
14,194	13,332	6%
1,197	1,003	19%
15,391	14,335	7%
4,842	4,787	1%
20,233	19,122	6%
5,591	5,491	2%
-320	-139	130%
14,713	13,584	8%
13,029	12,159	7%
2.17	2.03	7%
1,244,688	1,200,998	4%
322,219	315,460	2%
739,563	714,839	3%
698,170	658,675	6%
214,335	197,278	9%
16.9	17.3	-40 bps
2.2	2.2	00 bps
105.9	108.5	-260 bps
5.8	6.1	-5%
(0.09)	(0.04)	-05 bps

1H26	1H25	Y/Y %
1,061,782	1,030,299	3%
2.94	2.91	03 bps
25.6	26.6	-100 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.

Important Disclaimer

This report is prepared by Saudi Fransi Capital ("SFC"), a fully-fledged investment firm providing investment banking, asset management, securities brokerage, research, and custody services. SFC, and its affiliate, might conduct business relationships with the company that is subject of this report and/ or own its security.

This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report.

This report is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This report is not intended as an offer or solicitation with respect to the purchase or sale of any security. This report is not intended to take into account any investment suitability needs of the recipient. In particular, this report is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this report. SFC strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs.

To the maximum extent permitted by applicable law and regulation, SFC shall not be liable for any loss that may arise from the use of this report or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this report may not be realized. All opinions and estimates included in this report constitute SFC's judgment as of the date of production of this report, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than what he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this report may be reproduced without the written permission of SFC. Neither this report nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this report should make themselves aware of, and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Saudi Fransi Capital

(Closed Joint Stock Company Owned by Banque Saudi Fransi)

Authorized and regulated under Capital Market Authority license 11153-37. The company is operating under commercial registration 1010231217 with a paid-up capital of SAR 500,000,000.

Head Office

8092 King Fahd Road | Riyadh 12313-3735 | Kingdom of Saudi Arabia

Mailing Address

P.O. Box 23454 Riyadh 11426 | Kingdom of Saudi Arabia

Tel: +966 11 282 6666 | 800 125 9999

www.bsfcapital.sa

