

Saudi National Bank (SNB)

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 40.86	SAR 50.00	+22.4%	BUY

2Q26 Net Profit higher than our estimate

- Saudi National Bank reported a 1.6% YOY increase in funded income to SAR 15.4 Bn in 2Q26, primarily due to a 1.3% YOY increase in funded income from the financing portfolio coupled with a 2.8% YOY increase in funded income from the investment portfolio.
- The Bank's net funded income increased 11.4% YOY to SAR 7,895 Mn in 2Q26. The reported NSCI margin expanded by 23bps YOY and 17bps QOQ to 3.02% in 2Q26 due to lower funding costs.
- The Bank's non-funded income increased 10.8% YOY to SAR 2,688 Mn in 2Q26, primarily driven by a 34.0% YOY increase in investment gains/income and a 3.3% YOY rise in net exchange income. Thus, total operating income rose 11.3% YOY to SAR 10.6 Bn in 2Q26.
- Total operating expenses increased marginally 0.9% YOY to SAR 2,790 Mn in 2Q26. Thus, the Bank's cost-to-income (excluding amortization of intangible assets) decreased from 26.9% in 2Q25 to 24.4% in 2Q26.
- Other non-operating expense increased from SAR 51 Mn in 2Q25 to SAR 111 Mn in 2Q26.
- The Bank recorded an impairment charge of SAR 258 Mn in 2Q26 compared to a reversal of SAR 170 Mn in 2Q25.
- Zakat expenses increased 9.7% YOY to SAR 809 Mn in 2Q26, compared to SAR 738 Mn in 2Q25.
- SNB's net profit attributable to shareholders increased 7.6% YOY to AED 6,606 Mn in 2Q26. The increase was mainly driven by higher net funded and non-funded income, partially offset by a marginal increase in operating expenses and an impairment charge of SAR 258 Mn in 2Q26 compared to a reversal of SAR 170 Mn in 2Q25.
- SNB's total assets grew 2.9% YTD to SAR 1.2 Tn in 2Q26, driven by value-driven growth in financing and investments.

Earnings Call Summary

- SNB delivered strong growth in 2Q26 profit, driven by higher NSCI, robust fee income, and healthy deposit growth, supported by an improved lending mix. Disciplined cost management and strong credit recoveries further boosted profitability.
- Strong liquidity maintained in 1H26 and expect loan growth to improve in 2H26.
- SNB supports government and major projects via its wholesale banking franchise while keeping exposure to giga projects limited.
- SNB lowered its 2026 financing growth guidance to prioritize profitable, value-driven growth while improving its cost of risk guidance to 10–20 bps. The bank also revised its 2026 return on tangible equity (ROTE) guidance to 16–17% and maintained its base-case assumption of no Fed rate cuts.
- It also indicated that NSCI margins are likely to soften slightly in 2H26 due to its value-over-volume strategy, while repricing actions and funding optimization should keep margins above the levels recorded in 1Q26.
- The bank rebalanced its loan portfolio toward retail and SMEs, supported by mortgage and affluent customer growth, while lowering financial institution exposure.
- SNB maintained disciplined cost control, with operating expenses rising 2% YOY in 1H26, due to workforce expansion and salary increases, partly offset by procurement and operational efficiency savings.
- The bank reported strong deposit growth in 1H26, with customer deposits increasing by SAR 62 Bn YTD. CASA balances rose by SAR 8 Bn, although the CASA ratio declined as domestic time deposits increased by SAR 53 Bn, outpacing CASA growth.

- SNB declared an interim dividend of SAR 1.15 per share for 1H26 and continued to target a dividend payout ratio above 50%, balancing shareholder returns with capital preservation.
- Management maintained its guidance assuming no rate cuts, while reaffirming that ECL assumptions and provisioning remain unchanged with no additional overlays required.
- The Bank expects to sustain its ROE targets through continued recoveries and AI-driven operational efficiencies.
- The improvement in 2Q26 NIM was mainly attributable to repricing efforts, complemented by a small contribution from suspended commission income recoveries.
- Management expects NSCI margins to remain resilient in 2027, despite a modest normalization from current levels.

SNB – P&L

SAR Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch
Commission income	15,158	14,760	15,404	15,729	-2.1%	1.6%	4.4%
Commission expense	8,074	7,264	7,510	8,024	-6.4%	-7.0%	3.4%
Net funded income	7,084	7,496	7,895	7,705	2.5%	11.4%	5.3%
Fees and commissions	1,243	1,310	1,243	1,330	-6.6%	-0.1%	-5.2%
Exchange income, net	592	748	612	636	-3.8%	3.3%	-18.3%
Income from FVIS investments, net	468	397	960	575	66.9%	NM	NM
Gains on non-FVIS financial instruments, net	172	183	130	165	-21.0%	-24.5%	-28.9%
Other operating (expenses) income, net	-372	-543	-455	-434	4.8%	22.4%	-16.2%
Trading income, net	167	-61	81	122	-33.4%	-51.2%	NM
Dividend income	156	120	118	121	-2.6%	-24.5%	-1.7%
Non-funded income	2,426	2,154	2,688	2,515	6.9%	10.8%	24.8%
Operating income	9,510	9,650	10,583	10,220	3.5%	11.3%	9.7%
Salaries and employee-related expenses	1,227	1,321	1,270	1,294	-1.9%	3.5%	-3.8%
Rent and premises-related expenses	119	110	112	114	-2.4%	-6.7%	1.5%
Depreciation of property and equipment	412	312	422	412	2.3%	2.5%	35.1%
Amortisation of intangible assets	205	205	205	203	1.0%	0.0%	0.0%
Other general and administrative expenses	801	853	781	565	38.2%	-2.5%	-8.4%
Total operating Expenses	2,765	2,801	2,790	2,589	7.8%	0.9%	-0.4%
Other non-operating income (expenses), net	-51	-138	-111	-111	0.1%	NM	-19.9%
Pre-provision profit	6,694	6,711	7,682	7,521	2.1%	14.8%	14.5%
Impairment charge for financing losses, net	-170	-578	258	562	-54.1%	NM	NM
PBT	6,864	7,289	7,424	6,959	6.7%	8.2%	1.9%
Zakat	738	861	809	731	10.8%	9.7%	-6.0%
Profit after tax	6,127	6,427	6,615	6,228	6.2%	8.0%	2.9%
Non-controlling interest	-10	4	9	12	-27.9%	NM	NM
Net profit attributable	6,137	6,423	6,606	6,215	6.3%	7.6%	2.9%

FABS estimate & Co Data

Management Guidance:

SNB Financial Guidance	FY 2025 Baseline	1H 2026 Actual	FY 2026 Guidance	Status
Financing Growth	ﷲ 729bn	+1.4% YTD	Mid single digit	 Downgrade
NSCI Growth	ﷲ 29.2bn	+7% YoY	Mid single digit	 Unchanged
Group Cost to Income Ratio ³	23.1%	25.6%	Below 25%	 Unchanged
Domestic Cost to Income Ratio ³	20.3%	23.1%	Below 22.5%	
Cost of Risk	15 bps	-9 bps	10 to 20 bps	 Upgrade
Tier 1 CAR	19.8%	20.6%	19-20%	 Unchanged
ROTE	17.2%	16.9%	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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	ahmad.banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161612	shahrukh.nawaz@Bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.