FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 2Q26

Saudi Equity Research | Sector: Banking | Market: Tadawul

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	⃁ 729bn	+1.4% YTD	Mid single digit	Downgrade
NSCI Growth	⃁ 29.2bn	+7% YoY	Mid single digit	Unchanged
Group Cost to Income Ratio[3] Domestic Cost to Income Ratio[3]	23.1% 20.3%	25.6% 23.1%	Below 25% Below 22.5%	Unchanged
Cost of Risk	15 bps	-9 bps	10 to 20 bps	Upgrade
Tier 1 CAR	19.8%	20.6%	19-20%	Unchanged
ROTE ROTE, adjusted[4]	17.2% 18.6%	16.9% 18.1%	16% to 17% 17% to 18%	Unchanged

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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