

Saudi Banking Sector

Healthy Credit Demand and Improving Liquidity Support Sector Outlook

Sector Weighting:
MARKET WEIGHT

Top Picks and Rating Changes

The Saudi banking sector entered 2Q26 from a position of strength, supported by resilient economic activity, healthy credit demand, improving liquidity conditions, and stable asset quality. Sector profitability remained robust in 1Q26 despite a lower interest-rate environment, as banks benefited from continued loan growth, disciplined balance sheet management, and relatively resilient margins. While geopolitical developments and a softer global growth outlook have introduced some uncertainty, the underlying domestic operating environment remains supportive, driven by sustained government spending, ongoing Vision 2030 initiatives, and strong investment activity across infrastructure, housing, manufacturing, logistics, tourism, and other non-oil sectors. Saudi Arabia's non-oil economy continues to demonstrate resilience, supported by healthy domestic demand, improving business conditions, and ongoing project execution, which is expected to sustain financing opportunities for banks throughout 2026. Credit growth remains a key driver of sector performance. Banking system advances continued to expand at a healthy pace, supported by lending to both private and public sectors. Major banks reported strong loan pipelines, particularly within corporate, infrastructure, government-related projects, housing, and SME segments. SME financing continues to emerge as one of the fastest-growing lending categories, supported by government initiatives, attractive risk-adjusted returns, and significant cross-selling opportunities. While banks remain optimistic about credit demand, and increasingly emphasize profitability, funding efficiency, and portfolio quality over aggressive balance sheet expansion, suggesting future growth will be more disciplined and sustainable.

Liquidity conditions have improved significantly, supported by deposit growth outpacing loan growth across the banking system. Stronger deposit inflows, improving loan-to-deposit ratios, and healthy CASA balances have reduced funding pressures and lowered reliance on wholesale funding. This has created a more balanced funding environment and strengthened banks' ability to support future credit growth. Margin performance remains resilient despite lower benchmark rates. While declining SAIBOR continues to pressure asset yields, banks have largely offset the impact through asset repricing, funding mix optimization, and stronger low-cost deposit franchises. Banks suggest that margin pressure has largely peaked, with NIMs expected to remain broadly stable through the remainder of 2026. Asset quality continues to be a key strength of the sector, supported by stable borrower behavior, conservative underwriting standards, and strong provisioning buffers. NPL ratios remain among the lowest in the region, while robust capital levels provide sufficient capacity to absorb potential stress and support future balance sheet growth. Although provisioning may gradually normalize, credit costs are expected to remain manageable. The sector has also witnessed strong capital market activity, with several banks issuing Additional Tier 1 (AT1) sukuk to strengthen capital buffers and support future growth. Strong investor demand for these issuances reflects continued confidence in the financial strength and credit profile of Saudi banks. Looking ahead, the outlook for 2Q26 remains constructive, supported by healthy credit demand, improving liquidity, stable asset quality, and ongoing Vision 2030-related investments. While geopolitical developments and a softer global growth environment warrant monitoring, Saudi banks remain well-positioned to deliver sustainable growth and stable profitability through the remainder of 2026.

Among the Saudi banks in our coverage, our preferred stocks are -

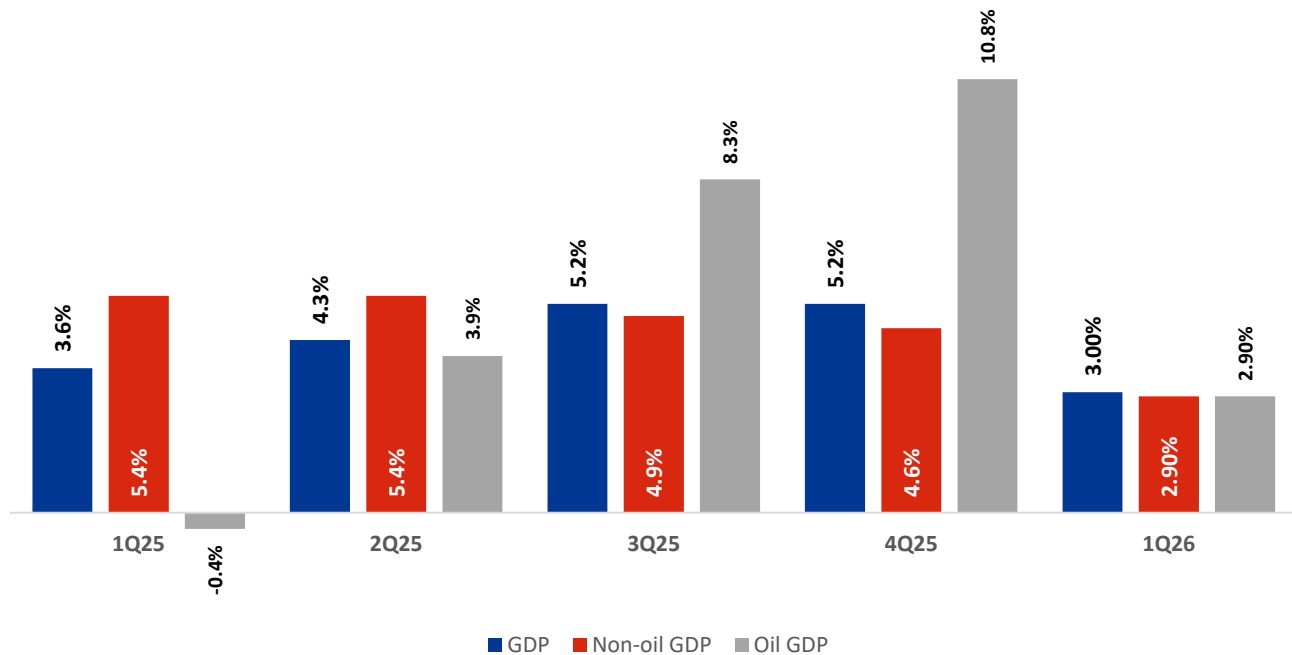
1) Al Rajhi: Al Rajhi Bank is well-positioned to deliver strong earnings growth through 2026, supported by its superior funding franchise, resilient profitability, and exposure to high-growth lending segments. The Bank reported a sector-leading NIM of 3.54% in 1Q26, underpinned by a strong CASA ratio of 67.8%, lower funding costs, and disciplined asset repricing. The Bank continues to prioritize profitability over volume growth by replacing lower-spread corporate exposures with higher-yielding SME and retail financing, with the SME portfolio growing by 47.7% YOY and accounting for c. 24% of the non-retail book in 1Q26. Furthermore, the Bank reduced around SAR 16 Bn of time deposits and SAR 13 Bn of interbank funding, improving funding efficiency, while maintaining excellent asset quality with an NPL ratio of 0.8% in 1Q26. Supported by strong margin resilience, healthy SME momentum, and continued leverage to Vision 2030-driven financing opportunities, Al Rajhi remains one of the best-positioned banks in the Kingdom to sustain superior profitability and returns.

2) SNB: SNB remains one of the strongest franchises in the KSA banking sector, supported by its market-leading franchise, strong liquidity profile, and significant exposure to Vision 2030-related financing opportunities. The Bank maintains strongest funding portfolio, with customer deposits reaching SAR 665 Bn and a sector-leading CASA ratio of 71.5% in 1Q26, providing a substantial advantage in managing funding costs and supporting margin stability. The Bank continues to see a healthy wholesale banking pipeline and expects high-single-digit financing growth in 2026, driven by corporate, infrastructure, and government-related projects. At the same time, SNB is expanding its presence in higher-growth segments, with MSME financing growing by 9% YTD in 1Q26. The Bank also benefits from strong asset quality, disciplined risk management, and a diversified earnings profile, positioning it well to capitalize on accelerating economic activity and continued Vision 2030 investments while delivering resilient profitability and shareholder returns.

Key Industry Themes

KSA banks reported strong profitability in 1Q26, driven by healthy loan growth, resilient margins, improving funding conditions, and stable asset quality. Strong domestic economic activity and continued Vision 2030-related financing opportunities helped support earnings growth across the sector despite a lower interest rate environment. According to the IMF's April 2026 World Economic Outlook report, global economic growth is projected at 3.1% in 2026 and 3.2% in 2027, reflecting a moderation from the 3.4% average growth recorded during 2024-2025. Growth is expected to remain around this level over the medium term, below the historical average of 3.7% recorded between 2000 and 2019. Compared with the IMF's January 2026 outlook, the 2026 growth forecast has been revised downward by 0.2 percentage points, while the 2027 projection remains unchanged. The downward outlook revision in the 2026 global growth forecast is primarily attributed to the economic disruptions caused by the Middle East conflict, which have weighed on global activity. However, the impact has been partially mitigated by stronger-than-expected recent economic data and lower tariff rates. Emerging Market and Developing Economies (EMDEs) are projected to grow by 3.9% in 2026. Advanced economies are projected to grow 1.8% in 2026 and 1.7% in 2027, with the United States at 2.3% and 2.1% respectively. Global headline inflation is projected at 4.4% in 2026 and 3.7% in 2027, revised upward as the conflict-driven spike in oil prices fed through, the IMF assumes an average oil price of c. USD 82 per barrel in 2026. According to the IMF's April 2026 World Economic Outlook, Saudi Arabia's 2026 real GDP growth forecast was cut to 3.1%, from 4.5% in the January 2026 Update, a 1.4 percentage-point reduction reflecting the temporary disruption to oil output and Strait of Hormuz shipping during the conflict and continued OPEC+ supply management. Growth is projected to rebound to 4.5% in 2027.

KSA GDP



Source: GASTAT

According to the General Authority for Statistics (GASTAT), Saudi Arabia recorded real GDP growth of 3.0% YOY in 1Q26, with oil activities and non-oil activities each expanding 2.9% YOY and government activities rising 1.5% YOY in 1Q26. On a seasonally-adjusted basis, real GDP declined 1.2% QOQ compared with 4Q25, as oil activity softened amid the regional disruption, while financial, insurance and business services and manufacturing led the non-oil expansion. The Riyadh Bank Saudi Arabia PMI increased to 52.8 in May 2026 from 51.5 in April 2026, indicating an improvement in business conditions. Business activity expanded at the fastest pace in three months as firms benefited from normalized operating conditions following earlier disruptions and stronger demand from domestic customers. New order growth remained positive but modest, as improved economic conditions and restarted projects were partly offset by delayed customer spending and intense market competition. Supply chain conditions improved, with supplier delivery times shortening for the first time since February. Input cost inflation remained elevated, driven by higher raw material prices, freight and transportation costs, and increased supplier charges. However, overall cost pressures eased slightly from the record-high levels reported in April. Overall, Saudi Arabia’s non-oil economy is benefiting from resilient domestic demand and improving supply chains, but growth continues to be constrained by weak export markets, geopolitical uncertainties, and persistent cost pressures. KSA’s banking total assets rose 7.8% YOY to SAR 5.1 Tn in April 2026. The expansion in banking-sector assets was primarily driven by growth in claims on government and quasi-government entities, the private sector, foreign assets, fixed assets, and claims on banks, which more than offset the decline in claims on non-monetary financial institutions. Fixed assets rose 9.8% YOY to SAR 57.7 Bn in April 2026, while advances to private sector increased 7.2% YOY to SAR 3.2 Tn during the same period. Government advances rose 10.5% YOY to SAR 922.7 Bn. Strong government and private-sector investments in the region contributed positively to credit growth in 1Q26. Advances in the KSA banking system grew 8.2% YOY to SAR 3.4 Tn in 1Q26. The strong growth in advances was driven by increased lending across the private and public sectors. The banking system’s advances to the private sector rose 7.3% YOY to SAR 3.1 Tn in April 2026. All banks under our coverage recorded

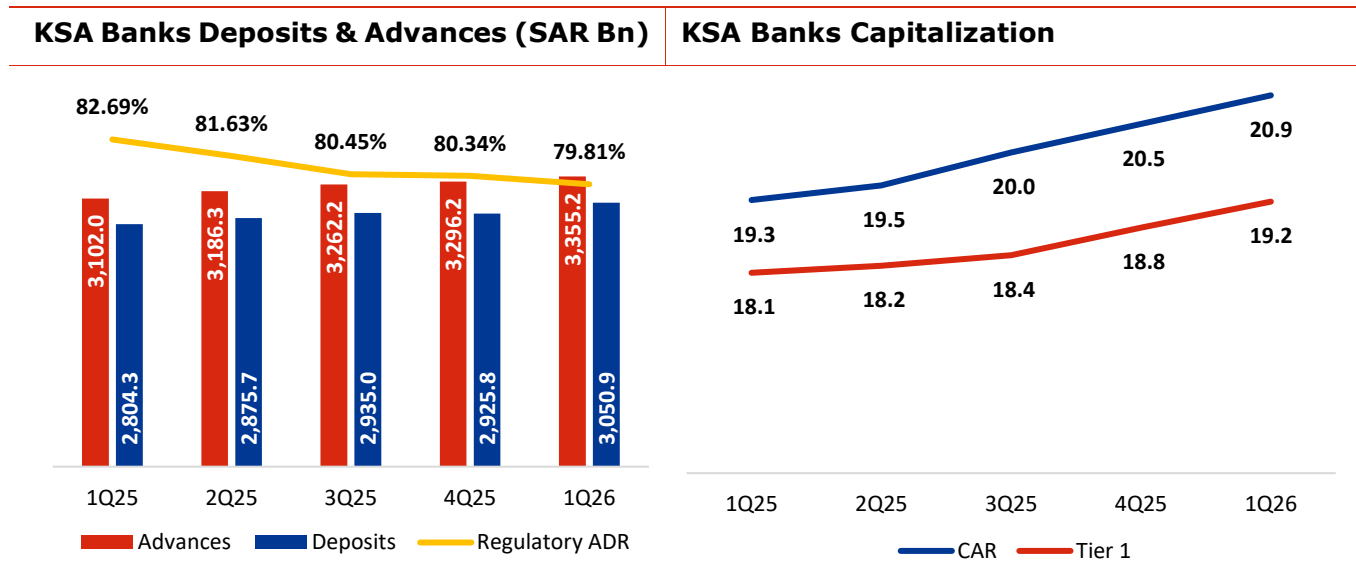
solid growth in advances in 1Q26 on YOY basis, with Bank Al Bilad, Alinma Bank and Riyadh Bank recording the highest growth. KSA's banking system-wide NPL ratio remained stable at 0.9% in 1Q26, supported by stable credit conditions and continued recoveries. Additionally, the system-wide Tier 1 capital ratio increased from 18.8% in 4Q25 to 19.2% in 1Q26, supported by retained earnings and disciplined risk-weighted asset growth. Similarly, the capital adequacy ratio (CAR) increased from 20.5% in 4Q25 to 20.9% in 1Q26, supported by stronger total capital levels across banks, enhancing the sector's ability to absorb potential stress while supporting balance sheet expansion and dividends.

Looking ahead to 2Q26 and the remainder of 2026, the Saudi banking sector is expected to remain constructive, supported by strong domestic economic activity, continued government spending, and the ongoing execution of Vision 2030 projects. Despite geopolitical uncertainties and a softer global economic backdrop, major banks remain confident about the resilience of Saudi Arabia's economy and the sustainability of banking sector growth. Credit demand is expected to be healthy, particularly across infrastructure, housing, government-related projects, manufacturing, logistics, and other sectors linked to the Kingdom's economic diversification agenda. The strategic focus across the sector has gradually shifted from focusing loan volumes at any cost to prioritizing profitability, funding optimization, balance sheet quality, and sustainable returns. SNB highlighted a healthy wholesale banking pipeline and continues to target high-single-digit financing growth, with a larger contribution expected from the corporate segment, while SAIB expects for mid-to-high single-digit loan growth, supported by a strong pipeline of corporate opportunities and improving operating conditions. SME financing is expected to remain a key structural growth driver, continuing to outpace traditional corporate and mortgage lending growth. Banks are likely to further expand their SME franchises as the segment offers higher yields, strong government support, attractive cross-selling opportunities, and significant long-term growth potential. SNB reported 9% YTD growth in MSME financing, while Al Rajhi's SME portfolio expanded by 47.7% YOY in 1Q26, reflecting the strategic importance of this segment. As a result, SME lending is expected to remain one of the fastest-growing areas within the banking system and a major contributor to sector-wide credit expansion going forward.

Liquidity conditions are expected to remain supportive, benefiting from stronger deposit growth, easing competition for funding, and improving customer confidence. Most banks reported healthy deposit momentum entering 1Q26, with funding pressure continuing to moderate. SNB maintained a strong 71.5% CASA ratio, while Al Rajhi reported a 67.8% CASA ratio in 1Q26, highlighting the strength of their low-cost funding franchises. Riyadh Bank and SAIB both reported deposit growth significantly exceeding loan growth during 1Q26, resulting in stronger liquidity metrics and improving loan-to-deposit dynamics. Consequently, banks appear better positioned to support future lending growth without relying heavily on expensive wholesale funding or interbank borrowings. Margin performance has also proven more resilient than initially expected despite lower benchmark interest rates. While declining SAIBOR continues to create pressure on asset yields, banks have largely offset this through active asset repricing, stronger CASA generation, improved funding mixes, and reductions in higher-cost liabilities. Al Rajhi reported one of the strongest margin performances in the sector, with NIM expanding to 3.54% in 1Q26 and guiding for expansion of 30-40 bps for the 2026, while Riyadh Bank and BSF maintained broadly stable margins. SNB also indicated that preserving margins remains a key strategic objective and continues to target broadly stable NIM performance. Overall, KSA banks reflected the peak of margin pressure has passed, with NIMs expected to remain stable or improve modestly through the remainder of 2026. A key trend emerging across the KSA banks is the increasing focus on quality over quantity in lending. Banks are becoming more selective in deploying capital, prioritizing profitability and risk-adjusted returns over aggressive balance sheet expansion. Rajhi Bank reduced approximately SAR 16 Bn of higher-cost time deposits and SAR 13 Bn of interbank funding during 1Q26, replacing them with lower-cost CASA deposits. Similarly, SNB utilized strong customer deposit growth to replace interbank borrowings and optimize its funding structure, while Riyadh Bank benefited from deposit growth outpacing loan growth,

reducing funding pressure and strengthening liquidity. This shift suggests that future credit growth across the sector is likely to be more measured but increasingly profitable and sustainable.

Asset quality remains a key strength of the Saudi banking sector and is expected to remain supportive going into 2Q26. Major Saudi banks continue to report stable borrower behaviour, limited signs of stress, low NPL formation, and ongoing recoveries from legacy accounts. Most banks maintain NPL ratios at or below 1%, supported by conservative underwriting standards, strong provisioning buffers, and healthy economic fundamentals. Despite geopolitical uncertainties, there has been no meaningful deterioration in portfolio performance, and banks remain confident that credit costs will stay within manageable levels.



Source: SAMA, Bloomberg ¹Calculated based on 10 listed KSA Banks

Alinma Bank Initiates Private Placement of SAR-Denominated Sukuk

Alinma Bank launched a private placement of Additional Tier 1 (AT1) sukuk denominated in Saudi riyals under its SAR 5 Bn sukuk programme. The size and pricing of the issuance will be determined based on prevailing market conditions, with Alinma Capital and HSBC acting as joint lead managers.

Saudi Investment Bank Completes SAR 1.85 Bn AT1 Sukuk Issuance

Saudi Investment Bank (SAIB) successfully completed a SAR 1.85 Bn perpetual Additional Tier 1 (AT1) sukuk issuance through a private placement under its SAR 5 Bn sukuk programme. The SAR-denominated sukuk carries a fixed annual profit rate of 6.5%, payable semi-annually. Alistithmar Capital and Al Rajhi Capital acted as joint lead managers and bookrunners for the transaction, which is aimed at strengthening the bank’s capital base.

Alinma Bank Launches SAR-Denominated AT1 Sukuk Under SAR 5 Bn Program

Alinma Bank has launched a private placement of SAR-denominated perpetual Additional Tier 1 (AT1) sukuk as part of its SAR 5 Bn sukuk program. The subscription period runs until 17 May 2026, subject to market conditions, with a minimum investment of SAR 1 Mn per sukuk. Alinma Capital and HSBC Saudi Arabia are serving as joint lead managers for the issuance.

Islamic Development Bank Announces New 5-Year Dollar Sukuk Offering

The Islamic Development Bank (IsDB), has mandated a benchmark 5-year USD sukuk under its USD 25 Bn Trust Certificate Issuance Programme. Initial price thoughts (IPTs) have been set at SOFR Mid-Swaps +55bps area, with pricing expected on 7 May 2026 and settlement on 14 May 2026. The senior unsecured sukuk will be jointly managed by a consortium of international banks and is expected to be listed on Euronext Dublin and Nasdaq Dubai.

Alinma Bank Raises USD 500 Mn Through Oversubscribed AT1 Sukuk Issue

Alinma Bank has priced a USD500 Mn perpetual non-call 5.5-year Additional Tier 1 (AT1) sustainable sukuk at a fixed resettable coupon of 6.625%, tightening from initial price thoughts of 7.125%. The issuance attracted strong investor demand, with the orderbook exceeding USD1.7 Bn, highlighting robust market appetite. The sukuk will be listed on the London Stock Exchange and supports the bank's capital strengthening objectives.

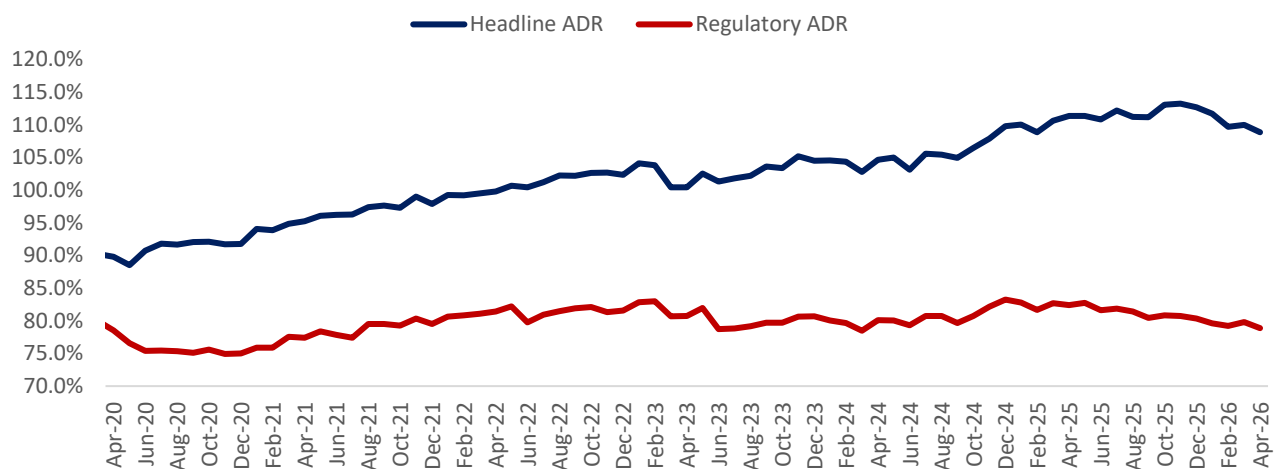
Bank AlJazira Raises USD 500 Mn Through Oversubscribed AT1 Sukuk

Bank AlJazira has priced a USD 500 Mn perpetual non-call 5.5-year (PerpNC5.5) Additional Tier 1 (AT1) sukuk, tightening pricing from initial guidance amid strong investor demand. The issuance attracted orders exceeding USD 1.5 Bn, highlighting robust market appetite for Saudi bank capital instruments. The USD-denominated sukuk is scheduled to settle on 24 June 2026 and will be listed on the London Stock Exchange.

KSA Banking Liquidity

Deposit growth in the KSA banking system rose 10.5% YOY and 1.7% MOM to SAR 3.1 Tn in April 2026, while credit growth remained comparatively slower on a YOY basis. KSA banking system advances rose 8.0% YOY and 0.6% MOM to SAR 3.4 Tn in April 2026. As a result, the headline loan-to-deposit ratio (ADR) decreased 251 bps YOY and 116 bps MOM to 108.8% in April 2026. All the banks under our coverage witnessed healthy growth in advances during 1Q26 on a YOY basis, of which Al Bilad Bank recorded the highest annual credit growth of 15.5% YOY and 6.2% QOQ to SAR 129.8 Bn in 1Q26, followed by Alinma Bank with advances growth of 13.8% YOY and 3.7% QOQ to SAR 238.3 Bn during the same period of 1Q26. In terms of deposits, Saudi Investment Bank recorded the highest deposit growth of 20.9% YOY and 12.1% QOQ to SAR 122.9 Bn in 1Q26, followed by Riyadh Bank with an increase of 15.9% YOY and 6.3% QOQ to SAR 352.6 Bn in 1Q26. The broader (M3) money supply rose 10.0% YOY and 1.5% MOM to SAR 3.4 Tn in April 2026. Real Estate Loans in the KSA banking sector grew 6.4% YOY to SAR 967.9 Bn in 1Q26. According to the 2024 KSA census, the home ownership rate among Saudi nationals reached 65.4%, exceeding the 2025 target of 65%. Furthermore, real estate loans extended to individuals increased by 6.0% YOY to SAR 740.5 Bn in 1Q26. Faster growth in deposits relative to advances on a YOY basis led to a contraction in the regulated loan-to-deposit ratio (ADR), which decreased 354 bps YOY and 94 bps QOQ to 78.9% in April 2026. Looking ahead, we expect Saudi banks to benefit from improving liquidity conditions, supported by strong deposit growth and easing funding pressures, which should provide greater flexibility to support credit expansion. Furthermore, lower loan-to-deposit ratios and a growing money supply are likely to stabilize funding costs, support margin resilience, and create a favorable operating environment for the sector through 2026.

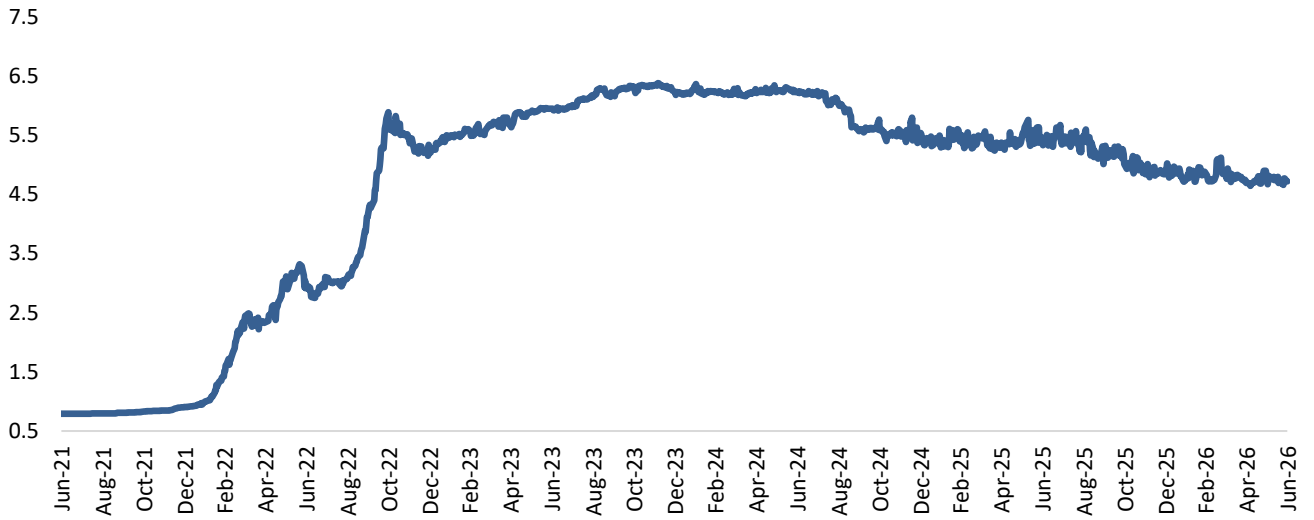
KSA banking system Headline and Regulatory Loan to Deposit Ratio



Source: FABS from SAMA data

The 3-Month SAIBOR rate declined from 4.83% on 31 March 2026 to 4.72% on 30 June 2026. The rate averaged remained flat at 4.75% in June 2026, compared to May 2026. SAMA maintain its repo rate and reverse repo rate unchanged to 4.25% and 3.75%, respectively, in June 2026. The spread between SAIBOR and the repo rate narrowed from 47 bps in June 2026 to 65 bps in May 2026, indicating an easing in liquidity conditions across the banking system. KSA Banking system-regulated LDR declined from 79.81% in March 2026 to 78.87% in April 2026, suggesting relatively improved balance-sheet liquidity.

3-Month SAIBOR (%) June 2021 – June 2026



Source: Bloomberg

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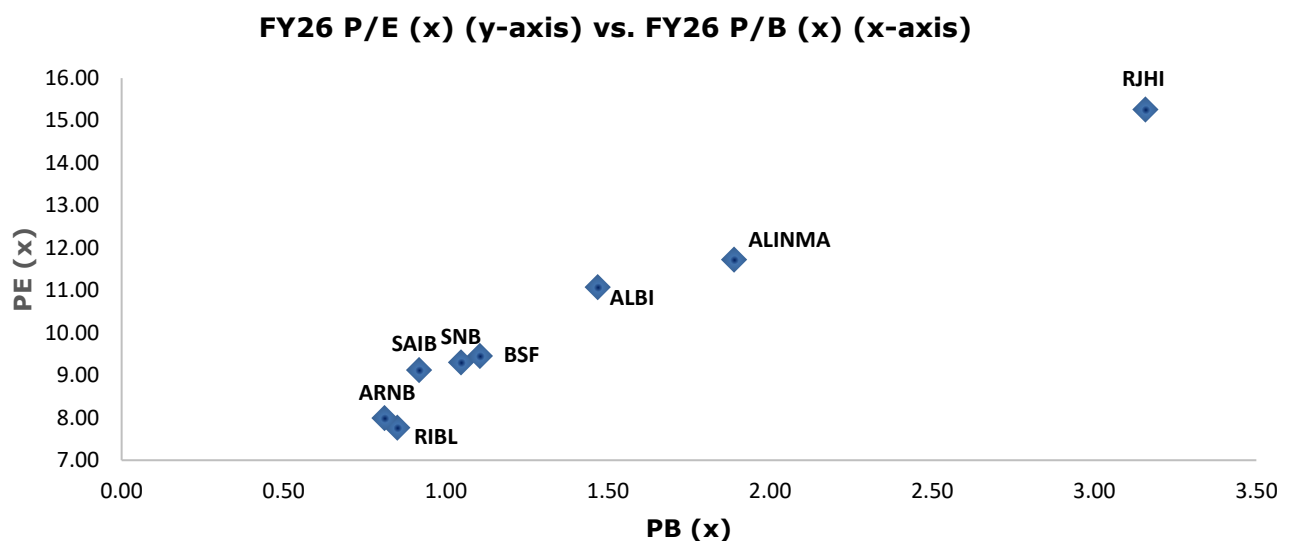
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Relative valuation and rating

Riyad Bank and ARNB's offer the most attractive valuations among KSA banks under coverage

The sector is currently trading at an average P/B of 1.41x and P/E of 10.21x based on 2026 estimated financials. Arab National Bank is the cheapest on a P/B basis at 0.81x, followed by Riyad Bank at 0.85x. On a P/E basis, Riyad Bank remains the most attractive at 7.76x, while Arab National Bank also trades at a relatively low multiple of 7.99x. Al Rajhi Bank trades at the expensive valuation, with a P/B of 3.16x and P/E of 15.26x.

FY26 - P/E (x) vs. FY26 - P/B (x)



Source: FABS estimate

Market Weight

We maintain a Market Weight rating on KSA banks under our coverage, supported by all BUY ratings. On a relative basis, we remain inclined towards Saudi National Bank and Al Rajhi Bank, given their ability to better withstand earnings pressure.

Target price and rating

(SAR)	Target Price	Current Market Price	Gain/(-loss)	Rating
RJHI	78.00	65.90	+18.4%	BUY
ALBI	30.00	24.39	+23.0%	BUY
RIBL	27.00	19.91	+35.6%	BUY
ALINMA	29.50	24.44	+20.7%	BUY
SNB	50.00	38.66	+29.3%	BUY
ARNB	25.00	20.74	+20.5%	BUY
BSF	22.50	19.40	+16.0%	BUY
SAIB	17.80	13.42	+32.6%	BUY

FABS Estimate

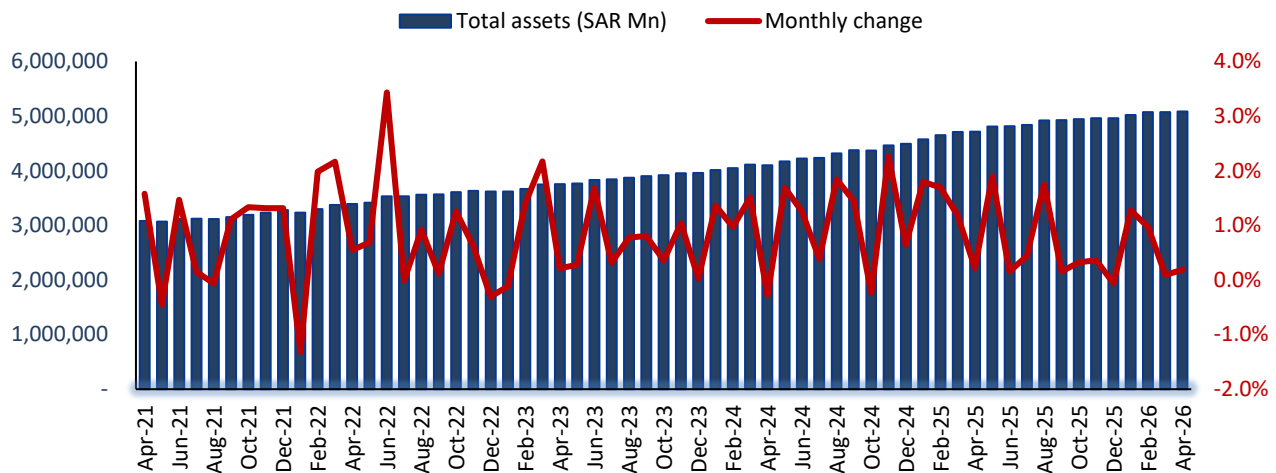
Banking indicators

1. Assets

Total banking assets rose 7.8% YOY in April 2026

KSA's total banking assets increased 7.8% YOY and 0.2% MOM to SAR 5,084.0 Bn in April 2026.

KSA banking system assets (SAR Mn) and Monthly change, Apr 2021 – Apr 2026



Source: FABS from SAMA data

Total assets across Saudi banks increased on both a YOY and QOQ basis in 1Q26, reflecting broad-based balance sheet expansion

All banks under our coverage witnessed total asset expansion on both a YOY and QOQ basis in 1Q26. Riyadh Bank delivered the strongest increase at 15.4% YOY to SAR 537.1 Bn in 1Q26, followed by Bank Al Bilad with 13.1% YOY, and Alinma Bank with 12.9% YOY in 1Q26. Al Rajhi recorded the lowest annual increase at 2.8% YOY to SAR 1,051.3 Bn in 1Q26. On a QOQ basis, Banque Saudi Fransi recorded the highest growth at 5.1%, followed by Saudi Investment Bank at 4.4% QOQ and Alinma Bank at 4.3% QOQ, while Al Rajhi posted the weakest sequential performance with a 0.8% QOQ increase in 1Q26. Moreover, the overall KSA banking system expanded 7.8% YOY and 2.3% QOQ to SAR 5,074.4 Bn in 1Q26, with all of the banks under our coverage reporting positive annual and quarterly growth.

Total assets (SAR Mn)	1Q25	2Q25	3Q25	4Q25	1Q26	YOY%	QOQ%
Al Rajhi	1,023,080	1,038,988	1,059,240	1,043,268	1,051,268	2.8%	0.8%
Bank Al Bilad	159,103	161,902	167,929	172,972	179,959	13.1%	4.0%
Riyad Bank	465,345	490,816	507,566	519,481	537,083	15.4%	3.4%
Alinma Bank	287,222	297,216	307,214	311,067	324,291	12.9%	4.3%
Saudi National Bank	1,171,079	1,200,998	1,206,607	1,210,032	1,228,496	4.9%	1.5%
Arab National Bank	264,651	268,983	280,486	281,383	284,891	7.6%	1.2%
Banque Saudi Fransi	302,988	301,490	314,946	309,006	324,810	7.2%	5.1%
Saudi Investment Bank	163,799	167,292	174,912	172,720	180,284	10.1%	4.4%
KSA banking system	4,707,258	4,814,086	4,927,309	4,958,105	5,074,440	7.8%	2.3%

FABS from co data and SAMA

Riyad Bank recorded the highest YOY growth in assets market share in 1Q26

Riyad Bank recorded the strongest gain in asset market share, increasing by 70 bps YOY to 10.6% in 1Q26, followed by Alinma Bank with a 29 bps YOY increase to 6.4%, Bank Al Bilad with a 17 bps YOY gain to 3.5%, and Saudi Investment Bank with a 7 bps YOY increase to 3.6% in 1Q26. Arab National Bank also reported a modest decrease of 1 bps YOY, with a market share of 5.6% in 1Q26, while Banque Saudi Fransi recorded a 4 bps YOY decline to 6.4% over the same period. In contrast, the remaining banks under our coverage saw declines in market share on a YOY basis. Al Rajhi registered the largest drop of 102 bps YOY to 20.7% in 1Q26, while Saudi National Bank recorded a 67 bps YOY decline to 24.2% in 1Q26. Despite the decline, Saudi National Bank continues to hold the highest asset market share at 24.2%, followed by Al Rajhi Bank and Riyad Bank in 1Q26.

Asset market share							
	1Q25	2Q25	3Q25	4Q25	1Q26	YOY (bps)	QOQ (bps)
Al Rajhi	21.7%	21.6%	21.5%	21.0%	20.7%	-102	-32
Bank Al Bilad	3.4%	3.4%	3.4%	3.5%	3.5%	17	6
Riyad Bank	9.9%	10.2%	10.3%	10.5%	10.6%	70	11
Alinma Bank	6.1%	6.2%	6.2%	6.3%	6.4%	29	12
Saudi National Bank	24.9%	24.9%	24.5%	24.4%	24.2%	-67	-20
Arab National Bank	5.6%	5.6%	5.7%	5.7%	5.6%	-1	-6
Banque Saudi Fransi	6.4%	6.3%	6.4%	6.2%	6.4%	-4	17
Saudi Investment Bank	3.5%	3.5%	3.5%	3.5%	3.6%	7	7

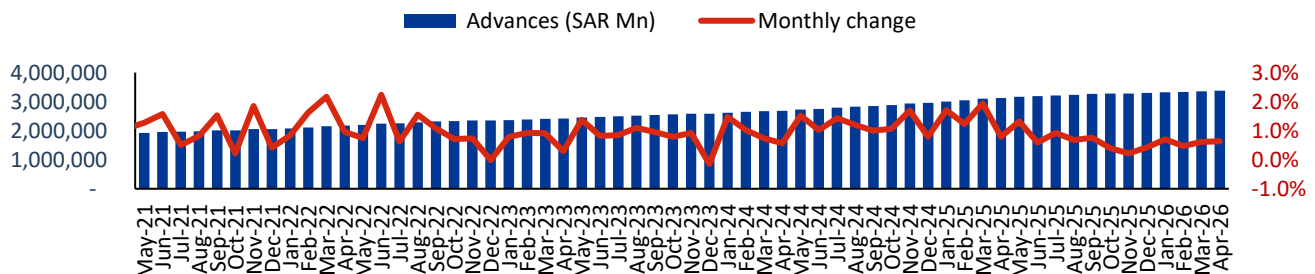
FABS from co-data

2. Advances

KSA banking system Advances grew 8.0% YOY in April 2026

KSA banking system net Advances increased 8.0% YOY and 0.6% MOM to SAR 3,376.5 Bn in April 2026.

KSA banking system net advances (SAR Mn) and Monthly change, May 2021 – Apr 2026



Source: FABS from SAMA data

All Banks under our coverage recorded a solid growth in advances during 1Q26

All the banks under our coverage reported growth in net advances on both a YOY and QOQ basis in 1Q26. Bank Al Bilad recorded the highest growth of 15.5% YOY to SAR 129.8 Bn in 1Q26, followed by Alinma Bank with a 13.8% YOY growth to SAR 238.3 Bn in 1Q26. Riyad Bank also reported 11.2% YOY increase in advances to SAR 377.0 Bn in 1Q26. However, Saudi National Bank recorded the lowest growth in net advances, with an increase of 3.7% YOY to SAR 732.7 Bn in 1Q26.

Net advances

(SAR Mn)	1Q25	2Q25	3Q25	4Q25	1Q26	YOY%	QOQ%
Al Rajhi	722,785	741,715	755,985	752,760	753,730	4.3%	0.1%
Bank Al Bilad	112,427	115,689	119,135	122,188	129,803	15.5%	6.2%
Riyad Bank	338,991	354,550	368,554	373,305	377,047	11.2%	1.0%
Alinma Bank	209,435	218,596	225,684	229,747	238,325	13.8%	3.7%
Saudi National Bank	706,430	714,839	725,090	729,311	732,658	3.7%	0.5%
Arab National Bank	179,057	186,476	191,356	195,299	198,639	10.9%	1.7%
Banque Saudi Fransi	208,978	209,881	215,592	214,891	221,929	6.2%	3.3%
Saudi Investment Bank	104,135	108,423	110,581	112,070	115,608	11.0%	3.2%
KSA banking system	3,101,961	3,186,271	3,262,152	3,296,176	3,355,206	8.2%	1.8%

FABS from co-data

Al Rajhi recorded the highest advances in market share in 1Q26

Al Rajhi maintained the largest advances market share at 22.5% in 1Q26, followed by Saudi National Bank at 21.8% and Riyad Bank at 11.2%. Among all banks under our coverage, five banks recorded growth in advances market share on a YOY basis in 1Q26. Alinma Bank posted the highest improvement with a rise of 35 bps on a YOY basis in 1Q26, followed by Riyad Bank with a 31 bps YOY increase, and Bank Al Bilad with a 24 bps YOY rise. Arab National Bank and Saudi Investment Bank also saw increases of 15 bps YOY and 9 bps YOY, respectively, in 1Q26. However, Saudi National Bank witnessed the largest decline in advances market share of 94 bps YOY and 29 bps QOQ to 21.8% during 1Q26, followed by Al Rajhi Bank with a fall of 84 bps YOY, while Banque Saudi Fransi recorded a decline of 12 bps YOY to 6.6% in 1Q26.

Advances market share

	1Q25	2Q25	3Q25	4Q25	1Q26	YOY (bps)	QOQ (bps)
Al Rajhi	23.3%	23.3%	23.2%	22.8%	22.5%	-84	-37
Bank Al Bilad	3.6%	3.6%	3.7%	3.7%	3.9%	24	16
Riyad Bank	10.9%	11.1%	11.3%	11.3%	11.2%	31	-9
Alinma Bank	6.8%	6.9%	6.9%	7.0%	7.1%	35	13
Saudi National Bank	22.8%	22.4%	22.2%	22.1%	21.8%	-94	-29
Arab National Bank	5.8%	5.9%	5.9%	5.9%	5.9%	15	0
Banque Saudi Fransi	6.7%	6.6%	6.6%	6.5%	6.6%	-12	10
Saudi Investment Bank	3.4%	3.4%	3.4%	3.4%	3.4%	9	5

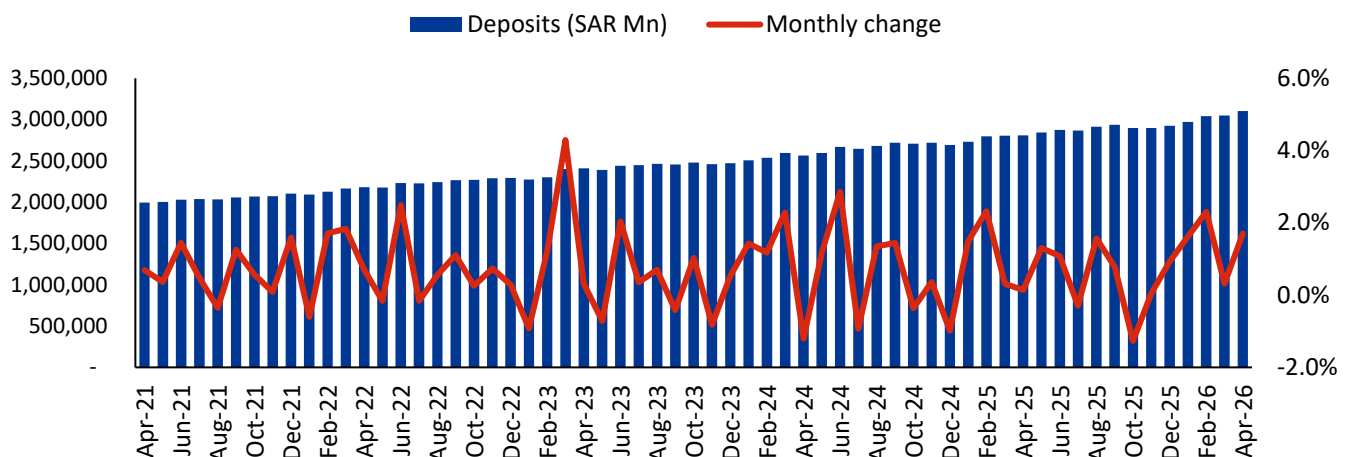
FABS from co-data

3. Customer Deposits

KSA banking system customer deposits grew 10.5% YOY in April 2026

KSA banking system deposits reported a growth of 10.5% YOY and 1.7% MOM to SAR 3,103.0 Bn in April 2026.

KSA banking system customer deposits (SAR Mn) and Monthly change, Apr 2021 – Apr 2026



Source: FABS from SAMA data

All Banks under our coverage recorded growth in deposits on a YOY basis in 1Q26

All the banks under our coverage experienced growth in deposits on a YOY basis in 1Q26. Saudi Investment Bank posted the highest increase of 20.9% YOY to SAR 122.9 Bn in 1Q26, followed by Riyadh Bank with a 15.9% YOY rise to SAR 352.6 Bn, and Bank Al Bilad with 13.1% YOY growth to SAR 140.3 Bn in 1Q26. Banque Saudi Fransi recorded the lowest deposits growth of 4.6% YOY to SAR 199.6 Bn in 1Q26. On a quarterly basis, Saudi Investment Bank recorded the strongest QOQ growth of 12.1% in deposits during 1Q26, followed by Riyadh Bank with a 6.3% QOQ increase and Bank Al Bilad with 5.6% QOQ growth. Meanwhile, Arab National Bank posted a marginal decline of 0.6% QOQ in deposits during 1Q26.

Deposits (SAR Mn)	1Q25	2Q25	3Q25	4Q25	1Q26	YOY%	QOQ%
Al Rajhi	629,229	641,987	670,180	667,288	678,734	7.9%	1.7%
Bank Al Bilad	124,018	123,929	129,023	132,879	140,294	13.1%	5.6%
Riyadh Bank	304,092	316,811	325,413	331,721	352,567	15.9%	6.3%
Alinma Bank	218,839	229,944	234,623	227,374	239,604	9.5%	5.4%
Saudi National Bank	626,394	658,675	639,488	636,094	665,462	6.2%	4.6%
Arab National Bank	195,619	201,739	210,697	209,287	208,021	6.3%	-0.6%
Banque Saudi Fransi	190,728	182,690	185,868	195,219	199,583	4.6%	2.2%
Saudi Investment Bank	101,666	100,236	105,152	109,619	122,935	20.9%	12.1%
KSA banking system	2,804,337	2,875,706	2,935,011	2,925,812	3,050,923	8.8%	4.3%

FABS from co-data and SAMA

Al Rajhi maintained the largest deposit market share in 1Q26

Al Rajhi holds the largest deposit market share at 22.2% in 1Q26, followed by Saudi National Bank at 21.8% and Riyad Bank at 11.6%. Among all banks under our coverage, four banks recorded an increase in deposit market share on a YOY basis in 1Q26. Riyad Bank posted the largest increase of 71 bps YOY, followed by Saudi Investment Bank with a 40 bps YOY rise and Bank Al Bilad with 18 bps YOY increase in 1Q26. Meanwhile, Saudi National Bank reported highest decline of 52 bps in 1Q26, followed by Banque Saudi Fransi with a 26 bps YOY decline.

Deposits market share

	1Q25	2Q25	3Q25	4Q25	1Q26	YOY (bps)	QOQ (bps)
Al Rajhi	22.4%	22.3%	22.8%	22.8%	22.2%	-19	-56
Bank Al Bilad	4.4%	4.3%	4.4%	4.5%	4.6%	18	6
Riyad Bank	10.8%	11.0%	11.1%	11.3%	11.6%	71	22
Alinma Bank	7.8%	8.0%	8.0%	7.8%	7.9%	5	8
Saudi National Bank	22.3%	22.9%	21.8%	21.7%	21.8%	-52	7
Arab National Bank	7.0%	7.0%	7.2%	7.2%	6.8%	-16	-33
Banque Saudi Fransi	6.8%	6.4%	6.3%	6.7%	6.5%	-26	-13
Saudi Investment Bank	3.6%	3.5%	3.6%	3.7%	4.0%	40	28

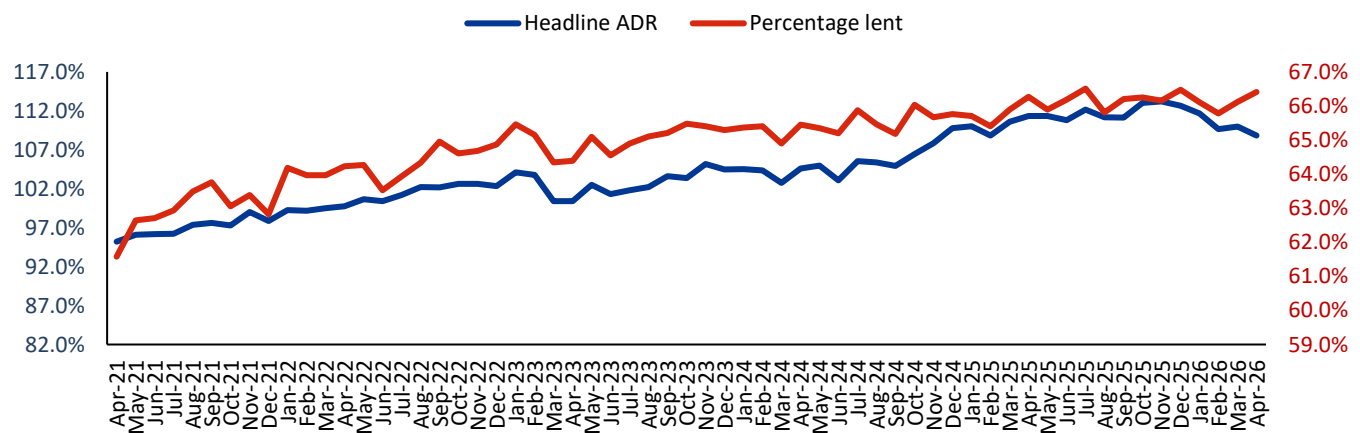
FABS from co-data

4. Liquidity

KSA banking system’s liquidity remained under pressure in April 2026

KSA’s banking system’s headline ADR ratio decreased from 110.0% in March 2026 to 108.8% in April 2026. The lending percentage to total assets increased 29 bps MOM to 66.4% in April 2026.

KSA banking system ADR and % lent, April 2021 – Apr 2026



Source: FABS from SAMA data

Arab National Bank recorded the highest ADR growth on a YOY basis in 1Q26

In 1Q26, all listed banks posted ADR levels above 90%. Arab National Bank recorded the highest YOY growth of 396 bps to 95.5% in 1Q26. Moreover, Banque Saudi Fransi reported the highest ADR at 111.2% in 1Q26, followed by Al Rajhi at 111.0% and Saudi National Bank at 110.1%. Bank Al Bilad recorded the lowest ADR at 92.5% in 1Q26. Among all banks under our coverage, only four recorded an improvement in ADR on a YOY basis in 1Q26. Arab National Bank delivered the highest increase of 396 bps YOY, followed by Alinma Bank with a 376 bps YOY rise and Bank Al Bilad with a 187 bps

YOY increase. Meanwhile, Saudi Investment Bank recorded the largest decline of 839 bps YOY, followed by Riyadh Bank with a 453 YOY decline and Al Rajhi with a 382 bps YOY decline in 1Q26.

ADR

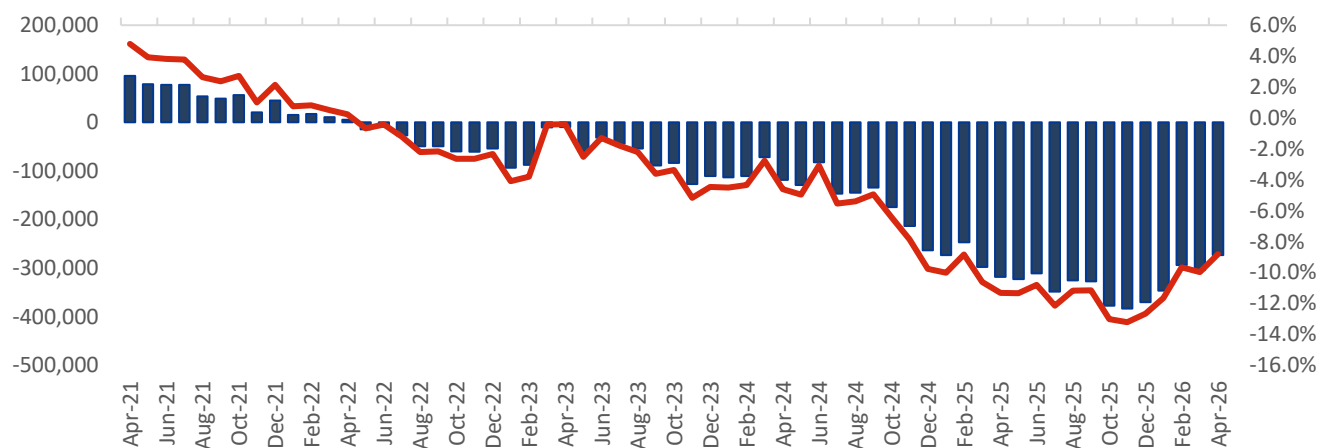
	1Q25	2Q25	3Q25	4Q25	1Q26	YOY (bps)	QOQ (bps)
Al Rajhi	114.9%	115.5%	112.8%	112.8%	111.0%	-382	-176
Bank Al Bilad	90.7%	93.4%	92.3%	92.0%	92.5%	187	57
Riyadh Bank	111.5%	111.9%	113.3%	112.5%	106.9%	-453	-559
Alinma Bank	95.7%	95.1%	96.2%	101.0%	99.5%	376	-158
Saudi National Bank	112.8%	108.5%	113.4%	114.7%	110.1%	-268	-456
Arab National Bank	91.5%	92.4%	90.8%	93.3%	95.5%	396	217
Banque Saudi Fransi	109.6%	114.9%	116.0%	110.1%	111.2%	163	112
Saudi Investment Bank	102.4%	108.2%	105.2%	102.2%	94.0%	-839	-820

FABS from co-data

KSA banking system deposits less advances gap narrows in April 2026

KSA banking deposits less advances decreased from negative SAR 304.3 Bn in March 2026 to negative SAR 273.5 Bn in April 2026.

KSA banking system deposits less advances and as % of deposits, Apr 2021 – Apr 2026



Source: FABS from SAMA data

Bank Al Bilad recorded the highest deposit surplus in 1Q26

Four out of eight banks under our coverage recorded a deposit surplus in 1Q26. Bank Al Bilad posted the highest deposit surplus of SAR 10.5 Bn in 1Q26, followed by Arab National Bank with a deposit surplus of SAR 9.4 Bn and Saudi Investment Bank with a deposit surplus of 7.3 Bn. Meanwhile, Al Rajhi Bank recorded the largest deposit deficit of SAR 75.0 Bn during 1Q26, followed by Saudi National Bank with a deposit deficit of SAR 67.2 Bn and Riyadh Bank with a deposit deficit of SAR 24.5 Bn in 1Q26.

Deposit surplus/-deficit							
SAR Mn	1Q25	2Q25	3Q25	4Q25	1Q26	YOY%	QOQ%
Al Rajhi	-93,556	-99,728	-85,805	-85,472	-74,996	-19.8%	-12.3%
Bank Al Bilad	11,591	8,240	9,888	10,691	10,491	-9.5%	-1.9%
Riyadh Bank	-34,899	-37,739	-43,141	-41,584	-24,480	-29.9%	-41.1%
Alinma Bank	9,404	11,348	8,939	-2,373	1,280	-86.4%	-153.9%
Saudi National Bank	-80,036	-56,163	-85,602	-93,217	-67,196	-16.0%	-27.9%
Arab National Bank	16,562	15,263	19,341	13,987	9,382	-43.4%	-32.9%
Banque Saudi Fransi	-18,251	-27,191	-29,724	-19,672	-22,346	22.4%	13.6%
Saudi Investment Bank	-2,469	-8,186	-5,429	-2,451	7,327	-396.8%	-399.0%

FABS from co-data

Banking Stock performance

Four KSA banks generated positive YTD returns in June 2026

The average return generated by the KSA Banking Sector stood well ahead of market headline indices such as DSM, Abu Dhabi, and Dubai, except EGX30. EGX recorded the highest growth rate among the below-listed indices. Four out of eight KSA banks under our coverage registered a YTD increase as on 30 June 2026. ALINMA recorded highest gains of 21.1% YTD among KSA banks followed by, BSF (14.6%), RJHI (1.2%), and SAIB (0.3%). Bank Albilad (ALBI) recorded highest decline of 2.5% YTD followed by ARNB (2.2%) and RIBL (1.4%).

27 MENA bank stocks: YE25 to 30th of June 2026, Ranked

		UAE	KSA	Qatar	Egypt	Ranking
QIBK	-8.2%			-8.2%		30
MARK	-6.0%			-6.0%		29
CBD	1.9%	1.9%				12
MASQ	0.8%	0.8%				15
QNBK	-5.5%			-5.5%		28
UAB	0.8%	0.8%				16
SIB	2.4%	2.4%				10
CBQK	-3.1%			-3.1%		26
DSM	-4.7%					27
RJHI	1.2%		1.2%			14
TASI	2.9%					9
ADI	-1.5%					22
ALINMA	21.1%		21.1%			2
ALBI	-2.5%		-2.5%			25
BSF	14.6%		14.6%			4
RAKBANK	8.5%	8.5%				5
DHBK	-1.0%			-1.0%		20
COMI	23.2%				23.2%	1
FAB	-1.8%	-1.8%				23
EGX30	19.1%					3
BOS	-12.0%	-12.0%				31
NCB	2.0%					11
DFM	-0.9%					19
ARNB	-2.2%		-2.2%			24
RIBL	-1.4%		-1.4%			21
CBI	3.5%	3.5%				8
ENBD	8.1%	8.1%				6
ADIB	-0.1%	-0.1%				18
DIB	-19.1%	-19.1%				32
AJMANBANK	5.3%	5.3%				7
ADCB	1.4%	1.4%				13
SAIB	0.3%		0.3%			17
AVERAGE		0.0%	4.4%	-4.8%	23.2%	

2Q26 preview: Saudi National Bank

Stable margins and healthy credit growth expected to support earnings outlook

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 38.66	SAR 50.00	+29.3%	BUY

2Q26 Forecast

Saudi National Bank's (SNB/the Bank) net profit attributable to equity shareholders is projected to increase 1.3% YOY to SAR 6,215 Mn in 2Q26, primarily driven by an expected increase in net funded and non-funded income, coupled with a decline in total operating expenses partially offset by higher impairment charges. The Bank's funded income is expected to increase by 3.7% YOY to SAR 15,729 Mn in 2Q26, driven by anticipated growth in lending activities and investments. Funded expense is expected to marginally fall by 0.6% YOY to SAR 8,024 Mn in 2Q26. As a result, net funded income is expected to rise 8.7% YOY to SAR 7,705 Mn in 2Q26. SNB's non-funded income is expected to grow by 3.9% YOY to SAR 2,515 Mn in 2Q26, due to a forecasted increase in fees & commissions income, net exchange income, income from FVIS financial instruments, partially offset by anticipated decline in gains on non FVIS investments, net trading income and dividend income. As a result, operating income is anticipated to increase 7.5% YOY to SAR 10,220 Mn in 2Q26. The Bank's total operating expenses are expected to decrease by 6.4% YOY to SAR 2,589 Mn in 2Q26, due to an expected decline in rent & premises-related expenses and other general & administrative expenses, partially offset by an anticipated growth in salaries and employee related expenses. SNB's other non-operating expenses are expected to increase from SAR 51 Mn in 2Q25 to SAR 111 Mn in 2Q26. Thus, we expect the cost to income to improve 358 bps YOY to 23.3% in 2Q26. SNB is expected to incur impairments charges of SAR 562 Mn in 2Q26, compared to impairment reversal of SAR 173 Mn in 2Q25. Zakat expenses are expected to decline marginally by 1.0% YOY to SAR 731 Mn in 2Q26. The Bank is expected to report a profit attributable to non-controlling interests (NCI) of SAR 12 Mn in 2Q26, compared to a loss of SAR 10 Mn in 2Q25.

2026 forecast

SNB's net profit is anticipated to grow 4.0% YOY to SAR 26,023 Mn in 2026, largely driven by expected growth in net funded and non-funded income, partially offset by an expected increase in operating expenses, and impairment charges. Funded income is expected to increase 4.3% YOY to SAR 63,577 Mn in 2026, driven by expected growth in investments and loans portfolio. Funded expense is anticipated to grow 1.8% YOY to SAR 32,393 Mn in 2026. Resultantly, net funded income is projected to increase 7.0% YOY to SAR 31,184 Mn in 2026. SNB's non-funded income is expected to increase marginally by 1.8% YOY to SAR 10,220 Mn in 2026, mainly due to expected increase in fees and commissions income, exchange income, gains on non-FVIS financial instruments, trading and dividend income, partially offset by increase in other operating expenses and decline in income from FVIS investments. Total operating income is to expected to rise by 5.6% YOY to SAR 41,405 Mn in 2026. Total operating expenses are expected to grow by 4.7% YOY to SAR 10,336 Mn in 2026, mainly due to an expected increase in salaries & employee-related expenses, rent & premises-related expenses, depreciation of property & equipment, and other general & administrative expenses, partially offset by a decrease in amortisation of intangible assets. However, we expect the cost-to-income to decline 9 bps YOY to 23.0% in 2026. Other non-operating expenses is expected to rise 2.0% YOY to SAR 399 Mn in 2026. Consequently, impairment charges are anticipated to increase from SAR 1,034 Mn in 2025 to SAR 1,536 Mn in 2026. Meanwhile, zakat expenses are expected to rise 5.3% YOY to SAR 3,059 Mn in 2026. The Bank is expected to report a profit attributable to non-controlling interests (NCI) of SAR 52 Mn in 2026, compared to a loss of SAR 22 Mn in 2025.

1Q26 Outturn

SNB's funded income rose 3.1% YOY to SAR 14,760 Mn in 1Q26, driven by an increase in interest earnings assets partially offset by a decline in asset yield. Funded expenses grew 2.7% YOY to SAR 7,264 Mn in 1Q26, owing to an increase in interest bearing liabilities partially offset by a decline in cost of funds. Thus, net Funded income increased 3.4% YOY to SAR 7,496 Mn in 1Q26. The Bank's calculated NIMs remained stable at 2.8% in 1Q26, compared to 1Q25. Total non-funded income declined 8.7% YOY to SAR 2,154 Mn in 1Q26, mainly due to lower income from FVIS investment and decline in trading income coupled with an increase in other operating expenses, partially offset by growth in fee-based income, exchange income, gains on non-FVIS financial instrument and dividend income. Thus, total operating income rose marginally 0.4% YOY to SAR 9,650 Mn in 1Q26. Total operating expenses increased 2.7% YOY to SAR 2,801 Mn in 1Q26, driven by higher salaries and employee and other general and admin costs, partly offset by lower rent and premises related expenses and depreciation charges. Thus, the Bank's cost-to-income increased 67 bps YOY to 26.9% in 1Q26. Furthermore, SNB's other non-operating expenses increased 2.9% YOY to SAR 138 Mn in 1Q26. The Bank recorded impairment reversal of SAR 578 Mn in 1Q26, compared to impairment charges of SAR 31 Mn in 1Q25, due to strong credit quality. Zakat charges increased 17.2% YOY to SAR 861 Mn in 1Q26. In addition, the share of profit attributable to non-controlling interest holders stood at SAR 4 Mn in 1Q26, compared to a loss of SAR 38 Mn in 1Q25.

Target price and recommendation

We maintain our BUY rating on SNB with a target price of SAR 50.00. SNB's financing portfolio increased 3.7% YOY and 0.5% QOQ to SAR 732.7 Bn in 1Q26, largely driven by growth in retail banking, where financing expanded 1.7% QOQ to SAR 357 Bn, supported by healthy mortgage activity. Meanwhile, wholesale financing saw a slight decline of 0.8% QOQ to SAR 235 Bn. However, the Bank reaffirmed its high single-digit financing growth guidance for 2026, underpinned by a healthy lending pipeline across wholesale, retail, and MSME segments despite a relatively slower start to the year. The Bank continues to prioritize profitable growth over balance sheet expansion, with a strategic focus on higher-yielding SME and retail segments, which is expected to enhance returns and improve earnings quality over the medium term. On the funding side, customer deposits increased 6.2% YOY and 4.6% QOQ to SAR 665.5 Bn in 1Q26, significantly outpacing financing growth. Deposit growth was primarily driven by time deposits. Furthermore, SNB continues to strengthen its funding profile through robust customer deposit growth and funding optimization initiatives, including replacing interbank funding with stable customer deposits, which should support lower funding costs and reinforce margin resilience. Reported NIMs of the Bank remained stable at 2.85% in 1Q26, compared to 4Q25. SNB expects NIMs to remain broadly stable, supported by ongoing repricing initiatives, disciplined balance sheet management, and optimization of the earning asset mix, despite the lower interest rate environment. Asset quality remained strong during 1Q26, with reported NPL ratio continuing to decline from 0.68% in 4Q25 to 0.67% in 1Q26. Calculated provision coverage remained strong at 136.7% in 1Q26, providing strong buffers against bad loans. On the front of capitalization CAR stood at 21.9%, while Tier 1 capital ratio improved to 20.6% during 1Q26. Coupled with its strong capital position, diversified revenue streams, and resilient funding profile, we believe SNB remains well positioned to deliver sustainable earnings growth and superior shareholder returns over the medium term. Thus, based on aforementioned we maintain our BUY rating on the stock.

SNB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	17.22	12.68	11.93	11.34	9.57	9.30
PB	1.47	1.40	1.32	1.20	1.13	1.05
BVPS (SAR)	26.361	27.662	29.317	32.094	34.273	36.892
EPS (SAR)	2.243	3.045	3.236	3.405	4.035	4.151
DPS	1.157	1.269	1.750	1.900	2.150	2.221
Dividend yield %	3.0%	3.3%	4.5%	4.9%	5.6%	5.7%

FABS Estimates & Co Data

SNB - P&L

SAR Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Commission income	15,161	14,760	15,729	3.7%	6.6%	60,962	63,577	4.3%
Commission expense	8,074	7,264	8,024	-0.6%	10.5%	31,806	32,393	1.8%
Net funded income	7,087	7,496	7,705	8.7%	2.8%	29,155	31,184	7.0%
Fees and commissions	1,243	1,310	1,330	6.9%	1.5%	4,931	5,326	8.0%
Exchange income, net	592	748	636	7.4%	-15.0%	2,302	2,348	2.0%
Income from FVIS investment	454	397	575	26.7%	45.0%	2,820	2,594	-8.0%
Gains/Loss on non-trading invest	172	183	165	-4.3%	-10.0%	559	570	2.0%
Other Operating Income / Exp	-374	-543	-434	16.1%	-20.0%	-1,649	-1,748	6.0%
Trading income, net	177	-61	122	-30.8%	NM	614	645	5.0%
Dividend income	156	120	121	-22.4%	1.0%	463	486	5.0%
Non-funded income	2,420	2,154	2,515	3.9%	16.8%	10,039	10,220	1.8%
Operating income	9,507	9,650	10,220	7.5%	5.9%	39,195	41,405	5.6%
Salaries and emp-related exps	1,221	1,321	1,294	6.0%	-2.0%	4,911	5,083	3.5%
Rent and premises-related exps	119	110	114	-4.4%	4.0%	486	496	2.0%
Dep of property and equipment	412	312	412	0.1%	32.0%	1,484	1,687	13.7%
Amort of intangible assets	205	205	203	-1.0%	-1.0%	820	812	-1.0%
Other G&A expenses	808	853	565	-30.0%	-33.8%	2,171	2,258	4.0%
Total operating Expenses	2,765	2,801	2,589	-6.4%	-7.6%	9,872	10,336	4.7%
Other non-operating inc (exp), net	-51	-138	-111	NM	-20.0%	-391	-399	2.0%
Pre-provision profit	6,692	6,711	7,521	12.4%	12.1%	28,931	30,670	6.0%
Impairment	-173	-578	562	NM	NM	1,034	1,536	48.5%
PBT	6,865	7,289	6,959	1.4%	-4.5%	27,897	29,134	4.4%
Zakat	738	861	731	-1.0%	-15.2%	2,905	3,059	5.3%
Profit after tax	6,127	6,427	6,228	1.6%	-3.1%	24,992	26,075	4.3%
Non-controlling interest	-10	4	12	NM	NM	-22	52	NM
Net Profit attri. to equity	6,137	6,423	6,215	1.3%	-3.2%	25,013	26,023	4.0%

FABS estimate & Co Data

SNB - P&L KPI

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	74.5%	77.7%	75.4%	85	-229	74.4%	75.3%	93
NIMs - Trailing 12M	2.8%	2.8%	2.8%	-1	1	2.8%	2.7%	-10
NIMs - Annualized	2.8%	2.8%	2.8%	4	3	2.8%	2.7%	-10
NIS	2.3%	2.4%	2.5%	13	0	2.4%	2.4%	-2
Fees & comns/OI	13.1%	13.6%	13.0%	-7	-56	12.9%	141.9%	NM
Trading/OI	6.2%	7.8%	6.2%	-1	-153	5.7%	35.5%	NM
Cost to income	26.9%	26.9%	23.3%	-358	-355	23.1%	23.0%	-9
Impairment/PPP	-2.6%	-8.6%	7.5%	NM	NM	3.6%	5.0%	143
NP/OI	64.6%	66.6%	60.8%	-374	-574	63.8%	62.8%	-97
Cost of risk - Calculated	0.0%	-0.32%	0.30%	30	62	0.15%	0.20%	5
Loan-to-deposit (Headline)	108.5%	110.1%	110.9%	233	76	114.7%	110.1%	-456
NPL - Calculated	0.9%	0.7%	0.7%	-12	0	0.7%	0.8%	2
NPL Coverage - Calculated	139.0%	136.7%	137.5%	-146	77	137.5%	137.5%	0
Tier 1	19.5%	20.6%	21.5%	193	89	19.8%	19.9%	15
Capital adequacy	20.6%	21.9%	22.8%	216	88	21.2%	21.2%	4
ROAE	12.9%	13.5%	13.2%	30	-22	13.4%	12.9%	-50
ROAA	2.0%	2.1%	2.1%	6	-4	2.2%	2.0%	-12

FABS estimate & Co Data

SNB- Key BS Items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	714,839	725,090	729,311	732,658	752,715	5.3%
QOQ Change	1.2%	1.4%	0.6%	0.5%	2.7%	
Total assets	1,200,998	1,206,607	1,210,032	1,228,496	1,256,841	4.6%
QOQ Change	2.6%	0.5%	0.3%	1.5%	2.3%	
Customer deposits	658,675	639,488	636,094	665,462	678,976	3.1%
QOQ Change	5.2%	-2.9%	-0.5%	4.6%	2.0%	
Total equity	197,887	197,041	203,827	214,658	220,874	11.6%
QOQ Change	1.9%	-0.4%	3.4%	5.3%	2.9%	

FABS estimate & Co Data

2Q26 preview: Banque Saudi Fransi

Substantial decline in Fee & commission income, and exchange income to impact profit

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 19.40	SAR 22.50	+16.0%	BUY

2Q26 forecast

Banque Saudi Fransi's (BSF/the Bank) net profit is expected to decline 2.5% YOY to SAR 1,368 Mn in 2Q26, mainly due to forecasted decline in non-funded income, coupled with anticipated rise in salaries & employee related expenses, rent & premises related expenses, other general & administrative expenses, and impairment charges, partially offset by projected growth in net funded income, decline in depreciation & amortization expenses, and Zakat expenses. The Bank's funded income is expected to grow 5.7% YOY to SAR 4,571 Mn in 2Q26, supported by expected increase in loans and advances, and investments, partially offset by decline in asset yield. The funded expenses are expected to increase 9.0% YOY to SAR 2,319 Mn in 2Q26, due to anticipated increase in customer deposits, along with forecasted rise in cost of funds. Resultantly, the net funded income is likely to increase 2.5% YOY to SAR 2,252 Mn in 2Q26. Whereas the non-funded income is projected to decline 7.1% YOY to SAR 448 Mn in 2Q26, supported by forecasted decrease in fee & commission income, exchange income, net and other operating income, partially offset by projected growth in trading income, net, dividend income, and gains on non-trading investments, net. Fees & commission income is anticipated to fall 18.5% YOY to SAR 229 Mn in 2Q26. While net exchange income is projected to decline 17.8% YOY to SAR 106 Mn in 2Q26. Whereas the trading income is expected to increase significantly from SAR 23 Mn in 2Q25 to SAR 73 Mn in 2Q26. Dividend income is expected to increase from SAR 6 Mn in 2Q25 to SAR 11 Mn in 2Q26. Gains on non-trading investments, net is expected to grow 9.7% YOY to SAR 17 Mn in 2Q26. Other operating income is anticipated to fall 49.6% YOY to SAR 15 Mn in 2Q26. As a result, total operating income is likely to increase marginally 0.8% YOY to SAR 2,700 Mn in 2Q26. Salaries & employee related expenses are forecasted to grow 3.9% YOY to SAR 494 Mn in 2Q26. Rent & premises related expenses are anticipated to expand 5.9% YOY to SAR 18 Mn in 2Q26. Depreciation and amortization are expected to decline 8.8% YOY to SAR 83 Mn in 2Q26. Other general & administrative expenses are forecasted to grow 10.8% YOY to SAR 322 Mn in 2Q26. Thus, the Bank's operating expenses are likely to grow 4.9% YOY to SAR 916 Mn in 2Q26. The Bank's cost-to-income ratio is expected to rise from 32.6% in 2Q25 to 33.9% in 2Q26. As a result, pre-provision profit is expected to decline 1.2% YOY to SAR 1,784 Mn in 2Q26. The Bank's impairment charges are expected to increase 9.1% YOY to SAR 257 Mn in 2Q26. Zakat expenses are also expected to decline 4.5% YOY to SAR 159 Mn in 2Q26.

2026 forecast

Banque Saudi Fransi's net profit is projected to grow 4.5% YOY to SAR 5,592 Mn in 2026, mainly driven by forecasted growth in net funded income, and non-funded income, partially offset by anticipated rise in salaries & employee related expenses, rent and premises related expenses, other general and administrative expenses, impairment charges and tax expenses. The Bank's funded income is expected to increase 4.9% YOY to SAR 18,412 Mn in 2026, primarily driven by expected growth in loans and advances, and net investment, partially offset by projected decline in asset yield. The funded expenses are expected to increase 4.6% YOY to SAR 9,278 Mn in 2026, primarily due to forecasted increase in customer deposits and due from bank and financial institutions, partially offset by projected decline in cost of funds. Thus, net funded income is expected to increase 5.1% YOY to SAR 9,134 Mn in 2026. On the non-funded side, fees and commission income is expected to decrease 1.5% YOY to SAR 942 Mn in 2026. Net exchange income is projected to decrease 10.0% YOY to SAR 437 Mn in 2026. Trading income is expected to grow 30.0% YOY to SAR 293 Mn in 2026. Dividend income is likely to rise substantially from SAR 23 Mn in 2025 to SAR 60 Mn in 2026. The gains on non-trading investments are expected to decline 3.0% YOY to SAR 114 Mn in 2026. Other operating income is forecasted to increase 20.0% YOY to SAR 44 Mn in 2026. Thus, total non-funded income

is likely to grow 2.5% YOY to SAR 1,891 Mn in 2026. As a result, total operating income is anticipated to increase 4.6% YOY to SAR 11,025 Mn in 2026. Salaries and employee related expenses are anticipated to grow 4.0% YOY to SAR 1,951 Mn in 2026. Rent & premises related expenses are forecasted to expand 3.0% YOY to SAR 73 Mn in 2026. Depreciation & amortization expenses are expected to remain broadly stable at SAR 332 Mn in 2026 compared to 2025. Other general & administrative expenses are expected to expand 2.0% YOY to SAR 1,306 Mn in 2026. The operating expenses are expected to increase 2.9% YOY to SAR 3,662 Mn in 2026. As a result, pre-provision profit is expected to increase 5.5% YOY to SAR 7,362 Mn in 2026. The impairment charges are expected to rise 13.4% YOY to SAR 1,121 Mn in 2026. Zakat expenses are expected to increase 2.1% YOY to SAR 649 Mn in 2026.

1Q26 outturn

BSF's funded income increased 5.6% YOY to SAR 4,433 Mn in 1Q26, supported by strong lending growth across commercial and consumer lending, partially offset by decline in asset yield. Funded expenses also rose 6.6% YOY to SAR 2,216 Mn in 1Q26, driven by rise in customer deposits, and rise in cost of funds on debt securities. Consequently, net funded income increased 4.6% YOY to SAR 2,217 Mn in 1Q26. Fee and commission income declined 16.9% YOY to SAR 218 Mn in 1Q26, mainly driven by weaker brokerage and asset management fees amid subdued market activity, as well as lower card-related fee income due to ongoing promotional campaigns. Exchange income, net declined 11.0% YOY to SAR 108 Mn in 1Q26. Trading income increased 3.2% YOY to SAR 72 Mn in 1Q26. Whereas dividend income rose substantially from SAR 9 Mn in 1Q25 to SAR 29 Mn in 1Q26. Gains on non-trading investments, net expanded 22.3% YOY to SAR 65 Mn in 1Q26. Consequently, Bank's non-funded income declined 5.5% YOY to SAR 491 Mn in 1Q26. Salaries & employee related expenses increased 5.3% YOY to SAR 496 Mn in 1Q26, primarily driven by annual salary increments and modest headcount growth. Rent & premises related expenses rose 32.1% YOY to SAR 26 Mn in 1Q26. Depreciation and amortization expenses expanded 24.3% YOY to SAR 84 Mn in 1Q26, primarily driven by higher depreciation following the implementation of several technology projects. Other general and administrative expenses increased 2.6% YOY to SAR 315 Mn in 1Q26. As a result, operating expenses increased 6.4% YOY to SAR 922 Mn in 1Q26. Therefore, cost-to-income ratio increased from 32.8% in 1Q25 to 34.1% in 1Q26. Pre-provision profit edged up 0.8% YOY to SAR 1,786 Mn in 1Q26. Impairment charges declined 12.1% YOY to SAR 246 Mn in 1Q26, primarily due to lower commercial impairments and reversals in investment and other impairment provisions, partly offset by higher consumer impairment charges. BSF's zakat expenses increased 3.2% YOY to SAR 159 Mn in 1Q26, in line with the rise in net profit.

Target price and recommendation

We revise our rating from HOLD to BUY on BSF with an unchanged target price of SAR 22.50. Banque Saudi Fransi reported a 3.2% YOY increase in net profit in 1Q26, primarily driven by higher net funded income, supported by growth in loans and advances and the investment portfolio, along with lower impairment charges. The bank's loans and advances increased 6.2% YOY and 3.3% QOQ to SAR 221.9 Bn in 1Q26, driven by growth across both commercial and consumer lending segments. Commercial lending growth was primarily driven by higher exposures to the commerce and services sectors, further supported by growth in the manufacturing and agriculture sectors, partly offset by lower balances in the utilities sector. Meanwhile, consumer lending growth was primarily driven by higher mortgage financing, with additional support from auto finance through the J-B platform. The broad-based expansion across both lending segments underscores resilient credit demand despite ongoing geopolitical uncertainties, supporting revenue growth and demonstrating the Bank's resilient operating performance. Total deposit expanded 4.6% YOY and 2.2% QOQ to SAR 199.6 Bn in 1Q26, driven by higher non-interest-bearing deposits, with the CASA ratio rising to 43.9% in 1Q26 from 42.5% in 4Q25, reflecting the Bank's disciplined funding strategy to decline its cost of funds. Management expects the deposit mix to remain broadly stable, supported by new-to-bank customer acquisition, the launch of its Business Banking franchise, and continued focus on deposit mobilization. The Bank's NIM declined to 3.0% in 1Q26 from 3.2% in 1Q25, primarily due to lower asset yields.

Management reiterated its guidance to maintain the NIM at around 3.0% for 2026. The NPL ratio increased modestly from 0.97% in 4Q25 to 1.01% in 1Q26, reflecting normal portfolio seasoning. Meanwhile, the provision coverage ratio stood at 175.8% in 1Q26 compared with 178.4% in 4Q25, while the cost of risk improved from 0.53% in 1Q25 to 0.44% in 1Q26, while management continued building provisions against one corporate exposure on the watchlist, with no deterioration in asset quality observed from ongoing geopolitical developments. Impairment charges declined 12.1% YOY to SAR 246 Mn, driven by lower commercial impairments and reversals in investment and other impairment provisions. Capitalization and liquidity remained strong and comfortably above regulatory requirements. CET1 ratio stood at 15.9%, while Tier 1 and total capital adequacy ratios were reported at 18.8% and 21.0%, respectively in 1Q26, indicating a robust capital position that provides ample capacity to support future balance sheet growth. Liquidity metrics remained robust with LCR of 186% and NSFR of 124% in 1Q26, reflecting ample liquidity buffers to support future balance sheet growth. The Bank's calculated ROE improved to 12.1% in 1Q26 from 11.6% in 1Q25. The Bank targets an ROE above 15% under its Strategy 2030. The Bank targets an 8%–10% market share of sector net income and over 75% straight-through processing by 2030, supported by initiatives to expand fee income, strengthen cross-selling, grow low-cost deposits, and accelerate digital transformation. Furthermore, for 2026, the Bank expects to deliver high single-digit loan growth while maintaining the cost of risk within 45–55 bps, achieving a cost-to-income ratio below 33%, generating an ROE of 12%–13%, and maintaining a CET1 ratio above 15%. The Bank approved a 2H25 cash dividend of SAR 0.52 per share (SAR 1.3 Bn), bringing the total 2025 dividend to SAR 1.07 per share (SAR 2.7 Bn), equivalent to 10.7% of the share's nominal value. Thus, based on the above-mentioned factors, we revise our rating to BUY on the stock.

BSF – Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	14.87	14.38	12.01	11.22	9.76	9.45
PB	1.43	1.47	1.37	1.30	1.16	1.10
BVPS	15.874	15.534	16.612	16.888	20.325	21.258
EPS	1.296	1.340	1.604	1.718	1.974	2.039
DPS	0.719	0.792	0.935	1.013	1.068	1.155
Dividend Yield	3.7%	4.1%	4.8%	5.2%	5.5%	6.0%

FABS Estimates & Co Data
BSF – P&L

SAR Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Special commission income	4,324	4,433	4,571	5.7%	3.1%	17,559	18,412	4.9%
Special commission expense	2,128	2,216	2,319	9.0%	4.6%	8,867	9,278	4.6%
Net Special Commission Inc	2,196	2,217	2,252	2.5%	1.6%	8,692	9,134	5.1%
Fee and commission income	281	218	229	-18.5%	5.0%	956	942	-1.5%
Exchange income, net	128	108	106	-17.8%	-2.0%	486	437	-10.0%
Trading income, net	23	72	73	NM	1.0%	226	293	30.0%
Dividend Income	6	29	11	76.8%	-63.5%	23	60	NM
Gains on non-trading investments	15	65	17	9.7%	-74.6%	118	114	-3.0%
Other operating income	29	0	15	-49.6%	NM	36	44	20.0%
Non-funded income	482	491	448	-7.1%	-8.7%	1,845	1,891	2.5%
Operating income	2,678	2,708	2,700	0.8%	-0.3%	10,537	11,025	4.6%
Salaries & employee-related exp.	475	496	494	3.9%	-0.5%	1,876	1,951	4.0%
Rent & premises related exp.	17	26	18	5.9%	-33.0%	71	73	3.0%
Depreciation and amortization	91	84	83	-8.8%	-1.5%	332	332	0.1%
Other G&A expenses	290	315	322	10.8%	2.0%	1,280	1,306	2.0%
Total operating Expenses	873	922	916	4.9%	-0.7%	3,559	3,662	2.9%
Pre-provision profit	1,805	1,786	1,784	-1.2%	-0.1%	6,978	7,362	5.5%
Impairment	236	246	257	9.1%	4.5%	989	1,121	13.4%
PBT	1,569	1,540	1,527	-2.7%	-0.8%	5,989	6,241	4.2%
Zakat	166	159	159	-4.5%	0.0%	636	649	2.1%
Net profit attributable	1,403	1,381	1,368	-2.5%	-0.9%	5,353	5,592	4.5%

FABS Estimates & Co Data

BSF - P&L KPI

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026	Change
Net FI/OI	82.0%	81.9%	83.4%	141	154	82.5%	82.9%	36
NIMs – Trailing 12M	3.0%	3.00%	3.0%	-7	-4	3.08%	3.00%	-8
NIMs - Annualized	3.2%	3.0%	3.0%	-17	-1	3.08%	3.00%	-8
NIS	1.9%	1.7%	1.6%	-31	-6	1.9%	1.7%	-14
Fees & comms/OI	10.5%	8.0%	8.5%	-201	43	9.1%	8.5%	-53
Trading/OI	0.9%	2.7%	2.7%	182	3	2.1%	2.7%	52
Cost to income	32.6%	34.1%	33.9%	132	-13	33.8%	33.2%	-56
Impairment/PPP	13.1%	13.8%	14.4%	135	63	14.2%	15.2%	106
NP/OI	52.4%	51.0%	50.7%	-171	-33	50.8%	50.7%	-8
Cost of risk	0.4%	0.44%	0.5%	1	1	0.46%	0.50%	4
Loan-to-deposit	114.9%	111.2%	108.3%	-663	-295	110.1%	106.1%	-402
NPL calculated	1.0%	1.0%	1.0%	3	-1	1.0%	1.0%	3
Coverage excluding collateral	183.1%	175.8%	159.0%	NM	NM	178.4%	180.0%	159
Tier 1	20.1%	18.8%	18.8%	-133	-8	19.2%	18.3%	-87
Capital Adequacy	20.9%	21.0%	20.9%	-3	-16	21.4%	20.3%	-107
ROAE	11.9%	12.1%	11.6%	-32	-49	12.3%	12.0%	-33
ROAA	1.7%	1.7%	1.7%	-1	-3	1.8%	1.7%	-5

FABS estimate & Co Data

BSF- Key BS Items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	209,881	215,592	214,891	221,929	227,240	8.3%
QOQ Change	0.4%	2.7%	-0.3%	3.3%	2.4%	
Total assets	301,490	314,946	309,006	324,810	333,791	10.7%
QOQ Change	-0.7%	4.5%	-1.9%	5.1%	2.8%	
Customer deposits	182,690	185,868	195,219	199,583	209,920	14.9%
QOQ Change	-4.2%	1.7%	5.0%	2.2%	5.2%	
Total equity	51,314	52,075	50,659	51,517	51,591	0.5%
QOQ Change	4.7%	1.5%	-2.7%	1.7%	0.1%	

FABS estimate & Co Data

2Q26 preview: Riyadh Bank

Strong loan growth momentum to support profit

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 19.91	SAR 27.00	+35.6%	BUY

2Q26 forecast

Riyadh Bank's (RIBL/the Bank) net profit is expected to increase 1.9% YOY to SAR 2,647 Mn in 2Q26, due to anticipated growth in net funded income, and share in earnings of associates, net partially offset by forecasted decline in non-funded income, rise in operating expenses, impairment charges, and tax expenses. The Bank's funded income is expected to grow 5.7% YOY to SAR 6,940 Mn in 2Q26, supported by anticipated growth in average interest-earning assets, partially offset by lower forecast asset yields. The funded expenses are projected to increase 4.0% YOY to SAR 3,504 Mn, due to projected increase in average interest-bearing liabilities, partially offset by forecasted decrease in cost of funds. Consequently, net funded income is expected to increase 7.4% YOY to SAR 3,436 Mn in 2Q26. Fees and commission income are expected to decline 8.3% to SAR 785 Mn in 2Q26. Trading income is projected to rise 14.5% YOY to SAR 265 Mn in 2Q26. Meanwhile, other operating income is expected to decline 10.1% YOY to SAR 210 Mn in 2Q26. As a result, total non-funded income is likely to decline 4.6% YOY to SAR 1,260 Mn in 2Q26. Thus, RIBL's operating income is expected to rise 3.9% YOY to SAR 4,695 Mn in 2Q26. The operating expenses are projected to increase 5.1% YOY to SAR 1,393 Mn in 2Q26, largely due to anticipated increase in salaries & employee-related expenses, rent and premises-related expenses, and depreciation of property and equipment, partially offset by projected decrease in other general and administrative expenses. Consequently, pre-provision profit is expected to increase 3.4% YOY to SAR 3,302 Mn in 2Q26. The Bank's cost-to-income ratio is expected to edge up from 29.3% in 2Q25 to 29.7% in 2Q26. Bank's impairment charges are expected to increase 18.4% YOY to SAR 366 Mn in 2Q26. Shares in earnings of associates are expected to rise 48.1% YOY to SAR 15 Mn in 2Q26, supporting profit before tax, which is expected to increase 1.9% YOY to SAR 2,951 Mn in 2Q26. Tax expense is projected to increase 1.8% YOY to SAR 304 Mn in 2Q26.

2026 forecast

Riyadh Bank's net profit is anticipated to increase 2.8% YOY to SAR 10,706 Mn in 2026, mainly driven by forecasted growth in net funded income, non-funded income and share in earnings of associates, net, partially offset by anticipated increase in operating expenses, impairment charges and zakat expenses. The Bank's funded income is expected to increase 3.3% YOY to SAR 27,967 Mn in 2026, driven by anticipated rise in average interest-earning assets, partially offset by forecasted decline in asset yield. The funded expenses are expected to increase 2.2% YOY to SAR 14,317 Mn in 2026, due to projected increase in average interest-bearing, partially offset by projected decline in cost of funds. The net funded income is projected to rise 4.4% YOY to SAR 13,649 Mn in 2026. Fees and commission income are expected to increase 3.0% YOY to SAR 3,583 Mn in 2026. While net trading income is expected to increase 3.8% YOY to SAR 1,011 Mn in 2026. The other operating income is expected to increase 5.3% YOY to SAR 903 Mn in 2026. As a result, the non-funded income is expected to grow 3.5% YOY to SAR 5,496 Mn in 2026. Thus, total operating income is anticipated to rise 4.2% YOY to SAR 19,146 Mn in 2026. The operating expenses are projected to increase 5.9% YOY to SAR 5,754 Mn in 2026. Consequently, pre-provision profit is expected to increase 3.4% YOY to SAR 13,392 Mn in 2026. The Bank's cost-to-income ratio is expected to increase from 29.6% in 2025 to 30.1% in 2026. The impairment charges are expected to increase 9.1% YOY to SAR 1,500 Mn in 2026. Also, the shares in earnings of associates are expected to rise 30.0% YOY to SAR 44 Mn in 2026. Consequently, profit before tax to increase 2.8% YOY to SAR 11,935 Mn in 2026. Zakat expenses are expected to increase 2.7% YOY to SAR 1,229 Mn in 2026.

1Q26 outturn

Riyad Bank's funded income rose 7.2% YOY to SAR 6,807 Mn in 1Q26, supported by growth in loans and advances and investments, partially offset by decline in asset yield. Funded expenses rose 11.6% YOY to SAR 3,423 Mn in 1Q26, driven by an increase in deposits, partially offset by decline in cost of funds. As a result, the net funded income rose 3.1% YOY to SAR 3,385 Mn in 1Q26. Fee and commission income, net declined 12.0% YOY to SAR 714 Mn in 1Q26, primarily driven by lower income from card products, brokerage, and fund management activities. Net trading income increased 49.5% YOY to SAR 323 Mn in 1Q26. Other Operating Income fell marginally 0.6% YOY to SAR 193 Mn in 1Q26. Thus, Bank's non-funded income increased marginally 0.7% YOY to SAR 1,230 Mn in 1Q26. As a result, Riyad Bank's total operating income grew 2.5% YOY to SAR 4,614 Mn in 1Q26. The Bank's operating expenses declined marginally 0.5% YOY to SAR 1,372 Mn in 1Q26, due to decrease in rent charges, premises-related expenses, general and administrative expenses, and other operating expenses, partially offset by an increase in depreciation of right of use assets, depreciation on PPE, and salaries & employee-related expenses. Thus, the Bank's cost-to-income ratio improved from 30.6% in 1Q25 to 29.7% in 1Q26. Impairment charges declined 23.9% YOY to SAR 275 Mn in 1Q26, driven by decrease in impairment charge for credit losses and other financial assets, partially offset by a rise in impairment charge for investments. Share in earnings of associates grew 16.5% YOY to SAR 10 Mn in 1Q26. The Bank's tax charges expanded 27.3% YOY to SAR 364 Mn in 1Q26.

Target price and recommendation

We maintain our BUY rating on Riyad Bank with a target price of SAR 27.00 per share. Riyad Bank continues to demonstrate steady balance sheet expansion, supported by strong loan and investment growth despite ongoing geopolitical uncertainties. The Bank's profitability increased 5.1% YOY to SAR 2,614 Mn in 1Q26, driven by growth in net funded income supported by higher net investment and loans and advances, along with lower impairment charges due to reduced provisions on credit losses, partially offset by higher investment-related impairments. The net advances rose 11.2% YOY and 1.0% QOQ to SAR 377.0 Bn in 1Q26, driven by broad-based growth across key segments, underpinned by Saudi Arabia's economic momentum and Vision 2030 initiatives, indicating sustained credit demand and business activity. The Bank's customer deposits rose 15.9% YOY and 6.3% QOQ to SAR 352.6 Bn in 1Q26, reflecting a strong funding base. The Bank's loan-to-deposit ratio declined from 112.5% in 4Q25 to 106.9% in 1Q26, reflecting improved funding and balance sheet liquidity. Net investments expanded 24.6% YOY and 9.2% QOQ to SAR 86.8 Bn in 1Q26, reflecting the Bank's continued focus on strengthening its investment portfolio and supporting income diversification. Moreover, with a significant portion of its investment portfolio allocated to fixed-rate securities, the Bank is well positioned to mitigate the impact of declining interest rates and support margin stability. Furthermore, Riyad Bank's Kafalah exposure stood at c. SAR 11 Bn in 2025, representing around 12% of the total MSME portfolio, and continues to perform well. Kafalah is a Saudi government-backed guarantee program that covers a portion of SME loans, thereby reducing credit risk for banks. The Bank's MSME strategy remains focused on the middle and upper segments, with gradual expansion into the micro segment through digital platforms. This approach reinforces prudent risk management, as Kafalah-backed exposures provide credit protection while supporting sustainable MSME growth. NPL ratio increased from 0.79% in 4Q25 to 0.84% in 1Q26, reflecting normal portfolio seasoning. Meanwhile, the coverage ratio improved to 151.4% in 1Q26 from 150.1% in 4Q25, indicating a strengthened buffer against potential loan losses. Furthermore, the Bank's Tier 1 and capital adequacy ratios stood at 16.7% and 19.4% in 1Q26, respectively, providing comfortable buffers above regulatory requirements. The Bank's ROAA remained stable at 2.1% over the past three quarters, reflecting consistent profitability and efficient asset utilization. Riyad Bank continues to execute its Strategy 2030 transformation plan, focused on scaling digital retail, strengthening wholesale banking, and expanding fee income, while embedding AI and enhancing infrastructure through a cloud-native platform. The Bank is emphasizing a shift from volume-driven growth toward value-accretive expansion and optimized asset allocation to enhance returns. Management reaffirmed its 2026 guidance, expecting high single-digit loan and net special commission income growth,

supported by resilient credit demand, asset repricing, and a positive economic outlook. The Bank also targets a cost-to-income ratio below 30%, cost of credit risk of 30–40 bps, ROAE above 16%, and a Tier 1 capital ratio above 15%, underpinned by disciplined cost management and strong capitalization. Thus, based on the points mentioned above, we maintain our BUY rating on the stock.

RIBL - Relative valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	13.32	11.54	10.37	8.90	8.14	7.76
P/B (x)	1.76	1.95	1.12	1.02	0.94	0.85
BVPS	11.420	11.913	17.928	19.702	21.458	23.507
EPS	1.510	1.739	1.935	2.254	2.467	2.585
DPS (Post Bonus Shares)	0.780	0.863	1.049	1.274	1.049	1.243
DPS (Pre Bonus Shares)	1.040	1.150	1.398	1.700	1.400	1.733
Dividend Yield	3.9%	4.3%	5.3%	6.4%	5.3%	6.2%

FABS Estimates & Co Data

RIBL - P&L

SAR Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Special commission income	6,568	6,807	6,940	5.7%	2.0%	27,083	27,967	3.3%
Special commission expense	-3,368	-3,423	-3,504	4.0%	2.4%	-14,011	-14,317	2.2%
Net special commission income	3,200	3,385	3,436	7.4%	1.5%	13,072	13,649	4.4%
Fees and commissions	856	714	785	-8.3%	10.0%	3,479	3,583	3.0%
Trading income, net	231	323	265	14.5%	-18.0%	974	1,011	3.8%
Other Operating Income	233	193	210	-10.1%	8.8%	858	903	5.3%
Total other operating income	1,320	1,230	1,260	-4.6%	2.5%	5,310	5,496	3.5%
Operating income	4,520	4,614	4,695	3.9%	1.8%	18,381	19,146	4.2%
Operating expenses	-1,326	-1,372	-1,393	5.1%	1.6%	-5,433	-5,754	5.9%
Pre-provision profit	3,194	3,242	3,302	3.4%	1.8%	12,948	13,392	3.4%
Impairment	-309	-275	-366	18.4%	33.2%	-1,374	-1,500	9.1%
Share in earnings of associates, net	10	10	15	48.1%	50.0%	34	44	30.0%
Profit Before Tax	2,895	2,977	2,951	1.9%	-0.9%	11,608	11,935	2.8%
Zakat	-298	-364	-304	1.8%	-16.5%	-1,197	-1,229	2.7%
Net profit attributable	2,597	2,614	2,647	1.9%	1.3%	10,411	10,706	2.8%

FABS estimate & Co Data

RIBL - KPI

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	70.8%	73.4%	73.2%	238	-18	71.1%	71.3%	18
NIMs – Trailing 12M	3.2%	2.9%	2.9%	-38	-8	3.0%	2.8%	-20
NIMs - Annualized	3.1%	3.0%	0.0%	-314	-302	3.0%	0.0%	-296
NIS	2.5%	2.5%	2.6%	7	6	2.5%	2.4%	-15
Fees & comms/OI	18.9%	15.5%	16.7%	-221	125	18.9%	18.7%	-21
Trading/OI	5.1%	7.0%	5.6%	52	-136	5.3%	5.3%	-2
Cost to income	29.3%	29.7%	29.7%	34	-5	29.6%	30.1%	50
Impairment/PPP	9.7%	8.5%	11.1%	141	261	10.6%	11.2%	59
NP/OI	57.4%	56.6%	56.4%	-107	-27	56.6%	55.9%	-72
Cost of risk	0.34%	0.29%	0.38%	4	9	0.36%	0.38%	2
Loan-to-deposit	111.9%	106.9%	108.0%	-391	106	112.5%	111.5%	-104
NPL (calculated)	1.13%	0.84%	0.84%	-29	0	0.79%	0.80%	1
NPL Coverage	135.4%	151.4%	151.4%	1,598	0	150.1%	160.0%	993
Tier 1	15.9%	16.7%	16.7%	84	0	16.0%	16.7%	74
Capital Adequacy	16.9%	19.4%	19.4%	249	-3	18.4%	19.0%	66
ROAE	16.4%	16.1%	15.5%	-85	-54	16.0%	15.3%	-65
ROAA	2.2%	2.1%	2.0%	-18	-5	2.1%	1.9%	-21

FABS estimate & Co Data

RIBL - Key B/S items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	354,550	368,554	373,305	377,047	384,479	8.4%
<i>QOQ change</i>	4.6%	3.9%	1.3%	1.0%	2.0%	
Total assets	490,816	507,566	519,481	537,083	543,249	10.7%
<i>QOQ change</i>	5.2%	3.4%	2.3%	3.4%	1.1%	
Customer deposits	316,811	325,413	331,721	352,567	355,999	12.4%
<i>QOQ change</i>	4.2%	2.7%	1.9%	6.3%	1.0%	
Total equity	60,963	61,570	64,105	66,348	67,160	10.2%
<i>QOQ change</i>	-1.0%	1.0%	4.1%	3.5%	1.2%	

FABS estimate & Co Data

2Q26 preview: Arab National Bank

Strong credit growth and improving CASA mix support growth outlook

Current Price SAR 20.74	12-m Target Price SAR 25.00	Upside/Downside (%) +20.5%	Rating BUY
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2Q26 Forecast

Arab National Bank's (ARNB/the Bank) net profit is expected to increase marginally by 0.1% YOY to SAR 1,338 Mn in 2Q26, primarily driven by growth in funded and non-funded income, partially offset by increase in funded expenses and rise in operating expenses. The Bank's funded income is expected to grow 4.4% YOY to SAR 4,073 Mn in 2Q26, supported by expected increase in interest earnings asset. Funded expenses are expected to increase at 10.4% YOY to SAR 1,908 Mn in 2Q26, largely due to anticipated rise in customer deposits. Thus, net funded income is anticipated to decline by 0.4% YOY to SAR 2,165 Mn in 2Q26. Accordingly, we project the calculated NIMs to contract 39 bps YOY to 3.24% in 2Q26. On the side of non-funded income, fees and commission income is expected to fall by 1.7% YOY to SAR 245 Mn in 2Q26, while the exchange income is expected to decrease by 3.4% YOY to SAR 84 Mn in 2Q26. Dividend income is projected to decrease at SAR 84 Mn in 2Q26, compared to SAR 101 Mn in 2Q25. Also, the trading income is expected to decline 21.4% YOY to SAR 21 Mn in 2Q26. Other non-funded income is projected to rise by 10.4% to SAR 189 Mn in 2Q26. Resultantly, total non-funded income is expected to grow 3.3% YOY to SAR 434 Mn in 2Q26. Thus, total operating income is projected to increase marginally by 0.2% YOY to SAR 2,599 Mn in 2Q26. The Bank's operating expenses are expected to increase by 3.7% YOY to SAR 862 Mn in 2Q26. Thus, the Bank's cost-to-income ratio is projected to increase by 113 bps to 33.2% in 2Q26 from 32.0% in 2Q25. Impairment charges are expected to decline by 16.2% YOY to SAR 181 Mn in 2Q26. Shares of results of associates is anticipated to decline 11.8% YOY to SAR 7 Mn in 2Q26. Zakat and tax expenses are projected to increase by 2.4% YOY to SAR 223 Mn in 2Q26.

2026 Forecast

ARNB's net profit is expected to increase by 3.0% YOY to SAR 5,269 Mn in 2026, largely driven by growth in net funded income, partially offset by lower non-funded income, coupled with increase in operating expenses and higher impairment charges. The Bank's funded income is expected to increase 8.5% YOY to SAR 16,497 Mn in 2026, primarily driven by expected growth in investments, and loans and advances. Funded expenses are expected to increase 8.7% YOY to SAR 7,727 Mn in 2026, mainly due to increase in average interest-bearing liabilities. As a result, the net funded income is expected to increase 8.3% YOY to SAR 8,771 Mn in 2026. The Bank's calculated NIMs is projected to decline marginally 9 bps YOY to 3.3% in 2026. On the non-funded side, fees and commission income is expected to increase by 13.0% YOY to SAR 993 Mn, while net exchange income is anticipated to increase by 7.9% YOY to SAR 379 Mn in 2026. Other non-funded income is expected to decline by 13.3% YOY to SAR 787 Mn in 2026. Thus, the Bank's total non-funded income is projected to decline by 0.3% YOY to SAR 1,780 Mn in 2026. As a result, total operating income is expected to increase by 6.8% YOY to SAR 10,551 Mn in 2026. Operating expenses are expected to increase by 4.6% YOY to SAR 3,491 Mn in 2026. However, we expect the cost-to-income to decline 68 bps YOY to 33.1% in 2026. Impairment charge is expected to increase from SAR 593 Mn in 2025 to SAR 908 Mn in 2026. Zakat expenses are expected to increase by 3.7% YOY to SAR 902 Mn in 2026.

1Q26 Outturn

ARNB's funded income rose 12.1% YOY to SAR 3,983 Mn in 1Q26, mainly due to an increase in the net loans and advances portfolio by 10.9% and growth in the net investment's portfolio by 16.4%. However, the Bank's funded expenses grew 17.0% YOY to SAR 1,871 Mn in 1Q26, primarily due to higher cost of funding, alongside deposit growth. Consequently, net funded income increased 8.1% YOY to SAR 2,112 Mn in 1Q26. Non-funded income decreased by 14.6% YOY to SAR 476 Mn in 1Q26 mainly due to decline in fees and commission income, exchange income and other non-funded

income, partially offset by an increase in dividend, other operating income, and gain on sale of non-trading investments. Thus, total operating income increased 3.1% YOY to SAR 2,589 Mn in 1Q26. Operating expenses grew 9.6% YOY to SAR 862 Mn in 1Q26, resulting in an increase in cost-to-income ratio from 31.3% in 1Q25 to 33.3% in 1Q26. Impairment charges declined by 34.1% YOY to SAR 135 Mn in 1Q26, due to improving credit quality of the portfolio. Share of profit from associates increased from SAR 6 Mn in 1Q25 to SAR 8 Mn in 1Q26. Profit before zakat and income tax rose 4.9% YOY to SAR 1,600 Mn in 1Q26. Zakat and income tax grew 2.4% YOY to SAR 240 Mn in 2Q26. Additionally, the Bank recorded loss from discontinued operation of SAR 1 Mn in 1Q26, compared to income of SAR 4 Mn in 1Q25.

Target Price and Recommendation

We revise our rating from ACCUMULATE to BUY on Arab National Bank, with an unchanged target price of SAR 25.00. ARNB's net loans and advances increased 10.9% YOY and 1.7% QOQ to SAR 198.6 Bn in 2Q26, driven by an increase in both consumer and retail lending. As of 1Q26, the Bank's loan portfolio consists 74.0% of corporate loans and 26% of retail loans. The Bank's retail lending increased from SAR 50.3 Bn in 4Q25 to SAR 51.9 Bn in 1Q26. Whereas, corporate loan grew from SAR 145.0 Bn in 4Q25 to SAR 146.7 Bn in 1Q26. Driven by strong momentum, the Bank expects the loan book to grow by mid-to-high single digit in 2026. Customer deposits expanded 6.3% YOY and declined 0.6% QOQ to SAR 208.0 Bn in 1Q26, leading to a higher loan-to-deposit ratio of 95.5% compared to 93.3% in 4Q25. However, the Bank's CASA ratio improved to 50.4% in 1Q26 from 49.2% in 4Q25, supporting funding stability and partially mitigating funding cost pressures. The Bank's calculated NIMs moderated to 3.4% in 1Q26, down 21 bps YOY and 4 bps QOQ. However, the Bank expects NIMs to remain above 3.0% throughout 2026. Asset quality remained healthy, with the NPL ratio stable at 0.94% and the provision coverage ratio strengthening to 174% in 1Q26, reflecting prudent risk management and reinforcing the Bank's resilient credit profile. Liquidity remained healthy during the quarter, with an LCR of 141.6% and an NSFR of 110.8%, both comfortably exceeding regulatory requirements. Looking ahead to 2026, ARNB is well-positioned to deliver steady growth, supported by its strong balance sheet, diversified revenue streams, and continued expansion in lending and investment portfolios aligned with Vision 2030. Thus, based on our analysis, we revise our rating to BUY on the stock.

ARNB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	19.42	13.77	10.39	8.51	8.22	7.99
P/B (x)	1.39	1.34	1.18	1.09	0.85	0.81
BVPS	15.226	15.754	17.889	19.326	20.962	22.175
EPS	1.088	1.535	2.035	2.483	2.490	2.402
DPS	1.150	1.100	1.350	1.300	1.300	1.300
Dividend yield	5.5%	5.3%	6.5%	6.3%	6.3%	6.3%

FABS Estimates & Co Data

ARNB- P&L

SAR Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	3,901	3,983	4,073	4.4%	2.3%	15,205	16,497	8.5%
Funded expense	-1,728	-1,871	-1,908	10.4%	2.0%	-7,108	-7,727	8.7%
Net funded income	2,173	2,112	2,165	-0.4%	2.5%	8,097	8,771	8.3%
Fees and commissions	249	240	245	-1.7%	2.0%	878	993	13.0%
Exchange income, net	87	78	84	-3.4%	7.5%	351	379	7.9%
Unrealised gain on FVIS invt, net	7	34	0	NM	NM	231	34	NM
Trading Income	27	34	21	-21.4%	-38.0%	81	101	25.0%
Dividend income	101	82	84	-17.0%	2.0%	270	283	5.0%
Other operating income	7	6	1	NM	NM	-6	-12	NM
Gain on sale of non-trading invts.	-56	2	0	NM	NM	-19	2	NM
Other non-funded income	171	236	189	10.4%	-19.8%	908	787	-13.3%
Non-funded income	421	476	434	3.3%	-8.8%	1,786	1,780	-0.3%
Operating income	2,594	2,589	2,599	0.2%	0.4%	9,883	10,551	6.8%
Operating expenses	-831	-862	-862	3.7%	0.0%	-3,337	-3,491	4.6%
Pre-provision profit	1,763	1,727	1,738	-1.5%	0.6%	6,546	7,060	7.9%
Impairment	-216	-135	-181	-16.2%	33.8%	-593	-908	NM
Share of results of associates	8	8	7	-11.8%	-18.3%	27	27	0.0%
PBT	1,555	1,600	1,563	0.5%	-2.3%	5,981	6,179	3.3%
Tax	-218	-240	-223	2.4%	-6.9%	-870	-902	3.7%
Profit after tax	1,337	1,360	1,340	0.2%	-1.5%	5,117	5,277	3.1%
(Loss)/ income for the period from discontinued operations	NM	-1	0	NM	NM	0	-1	NM
Net Income	1,337	1,359	1,340	0.2%	-1.4%	5,117	5,275	3.1%
Non-controlling int.	-1	0	-2	NM	NM	-1	-8	NM
Net profit attributable	1,336	1,359	1,338	0.1%	-1.5%	5,116	5,267	3.0%

FABS estimate & Co Data

ARNB - KPI

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	83.8%	81.6%	83.3%	-49	169	81.9%	83.1%	120
NIMs - Trailing 12M	3.63%	3.37%	3.24%	-39	-13	3.41%	3.32%	-9
NIMs - Annualized	3.91%	3.46%	3.42%	-49	-4	3.41%	3.32%	-9
NIS	3.1%	2.7%	2.7%	-46	-4	2.8%	2.7%	-9
Fees & comms/OI	9.6%	9.3%	9.4%	-18	15	8.9%	9.4%	52
Impairment/PPP	12.3%	7.8%	10.4%	-184	259	9.1%	12.9%	381
Cost to income	32.02%	33.29%	33.15%	113	-14	33.8%	33.1%	-68
NP/OI	51.5%	52.5%	51.5%	-4	-102	51.8%	49.9%	-184
Cost of risk - calculated	0.5%	0.27%	0.35%	-11	8	0.37%	0.42%	5
Loan-to-deposit calculated	92.4%	95.5%	92.9%	44	-261	93.3%	91.5%	-180
NPL calculated	1.2%	0.9%	1.3%	12	36	0.9%	1.0%	1
NPL coverage calculated	141.0%	174.1%	174.3%	NM	20	168.7%	170.0%	133
Tier 1	17.9%	19.6%	20.1%	219	46	19.5%	19.4%	-15
Capital adequacy	19.6%	20.0%	20.5%	88	46	20.0%	19.8%	-18
ROAE	13.4%	12.9%	12.6%	-88	-31	12.7%	12.3%	-46
ROAA	2.0%	1.9%	1.9%	-18	-2	1.9%	1.8%	-14

FABS estimate & Co data

ARNB - Key B/S items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	186,476	191,356	195,299	198,639	202,273	8.5%
QOQ change	4.1%	2.6%	2.1%	1.7%	1.8%	
Total assets	268,983	280,486	281,383	284,891	287,860	7.0%
QOQ change	1.4%	4.3%	0.3%	1.2%	1.0%	
Customer deposits	201,739	210,697	209,287	208,021	217,790	8.0%
QOQ change	3.1%	4.4%	-0.7%	-0.6%	4.7%	
Total equity	43,028	47,152	49,483	49,255	50,593	17.6%
QOQ change	1.5%	9.6%	4.9%	-0.5%	2.7%	

FABS estimate & Co data

2Q26 preview: Alinma Bank

Resilient earnings supported by retail financing momentum

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 24.44	SAR 29.50	+20.7%	BUY

2Q26 forecast

Alinma Bank (ALINMA/the Bank) is expected to report an 8.1% YOY increase in net profit to SAR 1,700 Mn in 2Q26, primarily driven by anticipated growth in net funded income, partially offset by decline in non-funded income, increase in operating expenses and higher impairment charges. Funded income is expected to grow 10.0% YOY to SAR 4,679 Mn in 2Q26, supported by increased investment and loan book. Funded expenses are expected to increase at 5.5% YOY to SAR 2,092 Mn in 2Q26, due to increase in average interest-bearing liabilities. As a result, the net funded income is expected to grow by 13.9% YOY to SAR 2,587 Mn in 2Q26. Accordingly, we expect NIMs to decline by 9bps YOY while remaining broadly stable on a sequential basis at 3.4% in 2Q26. Meanwhile, within non-funded income, fees and commission income is expected to decline by 9.5% YOY to SAR 422 Mn, while the exchange income is expected to reduce by 13.9% YOY from SAR 98 Mn in 2Q25. Other non-funded income is projected to decline by 8.4% YOY to SAR 102 Mn in 2Q26. As a result, total non-funded income is expected to decline 9.9% YOY to SAR 608 Mn in 2Q26. Thus, total operating income is projected to increase 8.4% YOY to SAR 3,194 Mn in 2Q26. Operating expenses are anticipated to grow 8.1% YOY to SAR 992 Mn in 2Q26. However, we expect the cost-to-income ratio to decrease to 31.0% in 2Q26, compared to 31.1% in 2Q25. The Bank's impairment charges are expected to rise 12.1% YOY to SAR 307 Mn in 2Q26. Zakat expenses are also expected to increase by 12.0% YOY to SAR 195 Mn in 2Q26.

2026 forecast

ALINMA's net profit is expected to increase by 8.7% YOY to SAR 6,954 Mn in 2026, mainly driven by growth in net funded and non-funded income, partially offset by increase in operating expenses and higher impairment charges. The Bank's funded income is expected to increase 7.9% YOY to SAR 18,742 Mn in 2026, primarily driven by expected growth in average interest-earning assets. Whereas, funded expenses are expected to increase 7.8% YOY to SAR 8,619 Mn in 2026, primarily due to increase in customer deposits. Thus, net funded income is expected to increase by 8.0% YOY to SAR 10,123 Mn in 2026. On the non-funded side, fees and commission income is expected to increase by 2.0% YOY to SAR 1,767 Mn in 2026. Exchange income is projected to decline by 8.0% YOY to SAR 336 Mn, while the other non-funded income is expected to decline marginally by 0.2% YOY to SAR 430 Mn in 2026. Resultantly, the total non-funded income is forecasted to increase 0.2% YOY to SAR 2,533 Mn in 2026. Total operating income is expected to rise by 6.3% YOY to SAR 12,656 Mn in 2026. Operating expenses are expected to increase by 3.5% YOY to SAR 3,846 Mn in 2026. Impairment charges are projected to grow by 2.6% YOY to SAR 1,057 Mn in 2026. Zakat expenses are expected to increase by 9.6% YOY to SAR 799 Mn in 2026.

1Q26 outturn

ALINMA's funded income increased 7.3% YOY to SAR 4,419 Mn in 1Q26, driven by growth in financing and investments portfolio. Meanwhile, the Bank's funded expenses rose 5.9% YOY to SAR 1,944 Mn in 1Q26. Consequently, net funded income grew 8.4% YOY to SAR 2,475 Mn in 1Q26. The Bank's total non-funded income increased marginally 0.7% YOY to SAR 535 Mn in 1Q26, primarily due to lower fee income and exchange income, partially offset by an increase in other non-funded income. Fees and commission income declined 3.4% YOY to SAR 367 Mn in 1Q26. Exchange income decreased 10.1% YOY to SAR 83 Mn in 1Q26. However, other non-funded income grew from SAR 59 Mn in 1Q25 to SAR 85 Mn in 1Q26. As a result, operating income increased by 7.0% YOY to SAR 3,010 Mn in 1Q26. ALINMA's total operating expenses increased 8.6% YOY to SAR 982 Mn in 1Q26. Thus, the calculated cost-to-income ratio increased 48 bps YOY and 246 bps QOQ to 32.6% in 1Q26. Moreover,

net impairment charges declined 32.0% YOY to SAR 154 Mn in 1Q26, driven by the onboarding of higher-quality assets and recoveries from previously written-off accounts. Additionally, the Bank recorded a reversal of impairments on other financial asset of SAR 2 Mn in 1Q26, compared to 1Q25. Zakat expenses increased 11.3% YOY to SAR 193 Mn in 1Q26, in line with growth in profit before Zakat. Thus, the Bank's net profit increased 11.3% YOY to SAR 1,679 Mn in 1Q26.

Target price and recommendation

We maintain our BUY rating on Alinma Bank with a target price of SAR 29.50. ALINMA financing book remained robust with net financing increasing 13.8% YOY and 3.7% QOQ to SAR 238.3 Bn in 1Q26, supported by increase in retail and corporate financing. The Bank's retail financing grew 10.0% QOQ to SAR 65.1 Bn, while corporate financing increased by 1.9% QOQ to SAR 177.0 Bn in 1Q26. The Bank further reiterated its 2026 financing growth guidance of low teens growth, underpinned by healthy demand across retail, corporate, and SME segments, reflecting confidence in the sustainability of credit demand despite ongoing geopolitical uncertainties. In addition, easing pricing competition in the corporate lending market is expected to support further repricing opportunities, enabling the Bank to enhance asset yields and sustain margin resilience even in a moderating interest rate environment. The Bank continues to benefit from improving liquidity conditions and a stronger funding profile, with its CASA ratio rising to 49.5% in 1Q26, from 48.3% in 4Q25. While the improving funding mix is expected to help optimize funding costs and support margin resilience, management guides for a 5–10 bps decline in NIMs during 2026, primarily reflecting expectations of a higher cost of funds. Asset quality remained resilient during the quarter as the reported NPL ratio stood stable at 0.93% in 1Q26, compared to 4Q25. Reported provision coverage improved to 166.5% in 1Q26 from 150.3% in 4Q25, reflecting stronger provisioning buffers. The Bank reiterated its 2026 cost of risk guidance of 35-45bps, reflecting its disciplined provisioning approach and confidence in the resilience of its credit portfolio despite the unusually strong recoveries recorded in 1Q26. Capitalization and liquidity metrics remained strong and comfortably above regulatory requirements. Total CAR stood at 19.9%, while Tier 1 capital ratio remained healthy at 17.9% during 1Q26, providing sufficient capacity to support future growth. Liquidity indicators also remained robust and strong with LCR of 132% and NSFR of approximately 111% in 1Q26, well above minimum regulatory thresholds. Overall, we believe ALINMA remains well positioned to deliver sustainable earnings growth, supported by resilient credit demand, improving funding dynamics, stable asset quality, and continued execution of its growth strategy. Thus, based on our analysis, we maintain our BUY rating on the stock.

Alinma - Relative valuation						
(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	28.23	21.34	15.84	13.34	12.47	11.72
P/B (x)	2.95	2.84	2.51	2.25	1.52	1.89
BVPS	8.339	8.649	9.820	10.944	16.149	13.022
EPS	0.871	1.153	1.553	1.844	1.973	2.099
DPS (Post issue)	0.499	0.632	0.566	0.916	0.749	1.041
DPS (Pre issue)	0.597	0.756	0.677	1.100	0.900	1.250
Dividend Yield	2.0%	2.6%	2.3%	3.7%	3.1%	4.3%

FABS Estimates & Co Data

Alinma Bank- P&L

SAR Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	4,254	4,419	4,679	10.0%	5.9%	17,370	18,742	7.9%
Funded expense	-1,983	-1,944	-2,092	5.5%	7.7%	-7,993	-8,619	7.8%
Net funded income	2,272	2,475	2,587	13.9%	4.5%	9,377	10,123	8.0%
Fees and commissions	466	367	422	-9.5%	15.0%	1,732	1,767	2.0%
Exchange income	98	83	84	-13.9%	1.7%	365	336	-8.0%
Other non-funded income	111	85	102	-8.4%	19.6%	431	430	-0.2%
Non-funded income	675	535	608	-9.9%	13.7%	2,529	2,533	0.2%
Operating income	2,947	3,010	3,194	8.4%	6.1%	11,905	12,656	6.3%
Operating expenses	-917	-982	-992	8.1%	0.9%	-3,715	-3,846	3.5%
Pre-provision profit	2,029	2,027	2,203	8.5%	8.7%	8,191	8,810	7.6%
Impairment	-274	-154	-307	12.1%	NM	1,030	1,057	2.6%
Impair on other financial assets	7	2	0	NM	NM	30	0	NM
Share of profit of associates	-1	0	0	NM	NM	-5	0	NM
Net profit before zakat	1,747	1,871	1,895	8.5%	1.3%	7,126	7,753	8.8%
Zakat	-174	-193	-195	12.0%	1.2%	-729	-799	9.6%
Net profit attributable	1,573	1,679	1,700	8.1%	1.3%	6,397	6,954	8.7%

FABS estimate & Co Data

Alinma Bank - KPI

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	77.1%	82.2%	81.0%	388	-126	78.8%	80.0%	122
NIMs - Trailing 12M	3.5%	3.4%	3.4%	-9	0	3.4%	3.3%	-6
NIMs - Annualized	3.5%	3.5%	3.5%	5	4	3.4%	3.3%	-6
NIS	2.9%	2.9%	3.0%	13	6	2.9%	2.9%	0
Fees & comms/OI	15.8%	12.2%	13.2%	-261	102	14.6%	14.0%	-59
Exchange Inc/OI	3.3%	2.7%	2.6%	-68	-12	3.1%	2.7%	-41
Cost to income	31.1%	32.6%	31.0%	-8	-160	31.2%	30.4%	-81
Impairment/PPP	13.5%	7.6%	14.0%	45	638	-12.6%	-12.0%	58
NP/OI	53.4%	55.8%	53.2%	-17	-255	53.7%	54.9%	122
Cost of risk (calculated)	0.5%	0.3%	0.5%	0	24	0.5%	0.4%	-4
Loan-to-deposit	95.1%	99.5%	100.7%	560	120	102.5%	102.0%	-45
NPL (calculated)	1.2%	0.9%	0.93%	-32	0	0.9%	1.0%	8
NPL Coverage (calculated)	173.9%	166.5%	151.0%	NM	NM	150.3%	152.0%	NM
Tier 1	17.3%	17.9%	20.0%	265	204	18.3%	18.2%	-12
Capital adequacy	18.5%	19.9%	21.9%	345	198	19.9%	19.7%	-23
ROAE	17.5%	17.0%	16.5%	-102	-50	17.2%	16.8%	-42
ROAA	2.2%	2.1%	2.1%	-9	-2	2.2%	2.2%	-2

FABS estimate & Co Data

Alinma Bank - Key B/S items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	218,596	225,684	229,747	238,325	246,310	12.7%
QOQ change	4.4%	3.2%	1.8%	3.7%	3.4%	
Total assets	297,216	307,214	311,067	324,291	333,345	12.2%
QOQ change	3.5%	3.4%	1.3%	4.3%	2.8%	
Customer deposits	229,944	234,623	227,374	239,604	244,681	6.4%
QOQ change	5.1%	2.0%	-3.1%	5.4%	2.1%	
Total equity	44,775	47,468	48,241	49,603	51,132	14.2%
QOQ change	4.2%	6.0%	1.6%	2.8%	3.1%	

FABS estimate & Co Data

2Q26 preview: Bank Albilad

Strong lending momentum and balance sheet expansion to support growth

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 24.39	SAR 30.00	+23.0%	BUY

2Q26 forecast

Bank Albilad's (ALBI/the Bank) is expected to report an increase in net profit by 4.5% YOY to SAR 800 Mn in 2Q26, primarily driven by an expected increase in net funded income, partially offset by decline in non-funded income, higher general & administration expenses and impairment charges. Funded income is expected to grow 11.1% YOY to SAR 2,499 Mn in 2Q26, supported by growth in average interest-earning assets and stable asset yield. Funded expenses are projected to increase 10.0% YOY to SAR 1,179 Mn in 2Q26, mainly due to expected increase in average interest-bearing liabilities. Thus, net funded income is expected to grow 12.2% YOY to SAR 1,320 Mn in 2Q26. Meanwhile, within non-funded income, fees and commission income is expected to grow by 5.0% YOY to SAR 200 Mn in 2Q26, while the exchange income is expected to decline by 16.0% YOY to SAR 69 Mn in 2Q26. Other non-funded income is projected to decline by 48.9% to SAR 46 Mn in 2Q26. As a result, total non-funded income is expected to decline 13.2% YOY to SAR 316 Mn in 2Q26. Accordingly, total operating income is anticipated to grow 6.2% YOY to SAR 1,636 Mn in 2Q26. General and administration expenses are expected to increase 6.5% YOY to SAR 680 Mn in 2Q26. Thus, we expect the Bank's cost-to-income ratio to increase by 13 bps YOY to 41.5% in 2Q26. Impairment charges are expected to rise 31.8% YOY to SAR 64 Mn in 2Q26. Zakat expenses are expected to increase by 4.5% YOY to SAR 92 Mn in 2Q26.

2026 forecast

ALBI's net profit is expected to increase by 6.9% YOY to SAR 3,258 Mn in 2026, mainly driven by growth in funded and non-funded income, partially offset by projected increase in general and administrative expenses and higher impairment and zakat expenses. Funded income is expected to increase 9.9% YOY to SAR 10,049 Mn in 2026, primarily driven by expected growth in loan and investment portfolio. Funded expenses are expected to increase 8.7% YOY to SAR 4,775 Mn in 2026, primarily due to growth in interest-bearing liabilities. Thus, net funded income is expected to increase 11.0% YOY to SAR 5,274 Mn in 2026. On the non-funded side, fees and commission income is expected to increase by 10.0% YOY to SAR 795 Mn, while exchange income is anticipated to increase by 6.0% YOY to SAR 314 Mn in 2026. Other non-funded income is expected to decline from SAR 421 Mn in 2025 to SAR 374 Mn in 2026. As a result, total operating income is expected to rise by 9.1% YOY to SAR 6,757 Mn in 2026. General and administration expenses are anticipated to increase by 7.0% YOY to SAR 2,794 Mn in 2026. However, the calculated cost-to-income ratio is anticipated to decline 82 bps YOY to 41.4% in 2026. Impairment charge is expected to grow from SAR 181 Mn in 2025 to SAR 330 Mn in 2026. Zakat expenses are anticipated to rise 6.9% YOY to SAR 374 Mn in 2026.

1Q26 Outturn

ALBI's funded income increased by 9.3% YOY to SAR 2,395 Mn in 1Q26, supported by increase in net advance and investments. Funded expenses increased 10.3% YOY to SAR 1,136 Mn in 1Q26, due to increase in an average interest earning liabilities. Thus, net funded income grew by 8.3% YOY to SAR 1,259 Mn in 1Q26. The Bank's calculated NIMs fell from 3.2% in 1Q25 to 3.0% in 1Q26. The Bank's fees and commission income declined 5.9% YOY to SAR 162 Mn, while exchange income declined 32.0% YOY to SAR 58 Mn in 1Q26. Other non-funded income grew to SAR 51 Mn in 1Q26, compared to SAR 45 Mn in 1Q25. Thus, total non-funded income decreased from SAR 302 Mn in 1Q25 to SAR 270 Mn in 1Q26. As a result, total operating income grew by 4.5% YOY to SAR 1,529 Mn in 1Q26. Furthermore, general and administration expenses increased 1.2% YOY to SAR 637 Mn in 1Q26. However, cost-to-income ratio reduced from 43.0% in 1Q25 to 41.7% in 1Q26. Impairments

charges increased from SAR 53 Mn in 1Q25 to SAR 72 Mn in 1Q26. Additionally, zakat expenses increased by 5.0% YOY to SAR 84 Mn in 1Q26.

Target price and recommendation

We maintain our BUY rating on Bank Albilad with a target price of SAR 30.00. Bank Albilad reported a steady performance in 1Q26, with net profit increasing 5.1% YOY, supported by strong growth in funded income driven by robust lending momentum and financing activities, reflecting resilient core operating performance amid ongoing geopolitical uncertainty. Net advances grew 15.5% YOY and 6.2% QOQ to SAR 129.8 Bn in 1Q26, underpinned by solid expansion across key segments and sustained credit demand. The Bank expects its loan book to grow at a high single-digit rate in 2026, supported by healthy momentum across both commercial and consumer lending portfolios. Investment portfolio also increased 18.8% YOY to SAR 31.3 Bn in 1Q26, reflecting active deployment into income-generating securities. A significant portion of the portfolio remains allocated to fixed-rate instruments across domestic and international markets, which is expected to support profitability in a declining interest rate environment. Customer deposits rose 13.1% YOY and 5.6% QOQ to SAR 140.3 Bn in 1Q26, indicating strong funding momentum and stable liquidity. The loan-to-deposit ratio edged up to 92.5% in 1Q26 compared to 92.0% in 4Q25, reflecting slightly higher balance sheet utilization while remaining within comfortable levels. Calculated CASA deposits declined from 67.0% in 1Q25 to 59.1% in 1Q26, which may exert some pressure on margins due to a relatively higher cost of funds, although overall deposit growth remains supportive amid tight liquidity conditions in the Saudi banking sector. Asset quality remained almost stable, with the reported NPL ratio steady at 1.2% in 1Q26. Reported coverage ratio also remained healthy to 157.0% in 1Q26 reflecting strong buffer against bad loans. The Bank maintains a strong capital and liquidity position, with a capital adequacy ratio (CAR) of 17.4% and liquidity metrics comfortably above regulatory thresholds, including an LCR of 139.9% and NSFR of 107.6% as of 1Q26. Additionally, Bank Albilad plans to fully redeem its SAR 3.0 Bn Tier 2 Sukuk issued in 2021 on 15 April 2026, reflecting balance sheet optimization. The Bank maintained healthy profitability, generating a reported ROAE of 15.4% in 1Q26. Overall, ALBI's strong balance sheet, stable asset quality, and continued growth in core lending and investments support its resilience and ability to sustain earnings momentum going forward. Thus, based on our analysis, we assign a BUY rating on the stock.

Bank Al Bilad - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	21.52	17.44	15.23	12.86	12.17	11.07
PB	3.03	2.81	2.36	2.16	1.69	1.47
BVPS	7.987	8.599	10.233	11.196	14.323	16.483
EPS	1.124	1.388	1.589	1.882	1.988	2.185
DPS	NA	0.333	0.333	0.417	1.000	1.100
Dividend Yield	NA	1.4%	1.4%	1.7%	4.1%	4.5%

FABS Estimates & Co Data

Bank Al Bilad - P&L

SAR Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Income from invest & fin.	2,249	2,395	2,499	11.1%	4.4%	9,143	10,049	9.9%
Return on deposits & fin. liab.	-1,072	-1,136	-1,179	10.0%	3.8%	-4,392	-4,775	8.7%
Net funded income	1,177	1,259	1,320	12.2%	4.9%	4,752	5,274	11.0%
Fees and commissions	190.745	161.630	200	5.0%	23.9%	723	795	10.0%
Exchange income	82.452	57.716	69	-16.0%	20.0%	296	314	6.0%
Other non-funded income	90.777	50.975	46	-48.9%	-9.1%	421	374	-11.2%
Total non-funded income	364	270	316	-13.2%	16.9%	1,440	1,483	3.0%
Total operating income	1,541	1,529	1,636	6.2%	7.0%	6,192	6,757	9.1%
General & admin. Expenses	-638	-637	-680	6.5%	6.7%	-2,611	-2,794	7.0%
Pre provision profit	903	892	956	6.0%	7.3%	3,581	3,963	10.7%
Impairment	-49	-72	-64	31.8%	-10.0%	-181	-330	82.1%
Profit before zakat	854	820	892	4.5%	8.8%	3,400	3,633	6.9%
Zakat expenses	-88	-84	-92	4.5%	8.8%	-350	-374	6.9%
Net profit attributable	766	736	800	4.5%	8.8%	3,049	3,258	6.9%

FABS Estimates & Co Data

Bank Al Bilad - P&L KPI

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	76.4%	82.3%	80.7%	432	-163	76.7%	78.0%	131
NIMs - Trailing 12M	3.2%	3.0%	3.1%	-16	5	3.1%	3.1%	-6
NIMs - Annualized	3.3%	3.2%	3.3%	-3	11	3.1%	3.1%	-6
NIS	2.9%	2.6%	2.7%	-21	2	2.8%	2.7%	-16
Fees & comms/OI	12.4%	10.6%	12.2%	-14	167	11.7%	11.8%	9
Other Operating Inc/OI	11.2%	7.1%	7.1%	-418	-4	11.6%	10.2%	-140
Cost to income	41.4%	41.7%	41.5%	13	-14	42.2%	41.4%	-82
Impairment/PPP	5.4%	8.0%	6.7%	132	-129	5.1%	8.3%	327
NP/OI	49.7%	48.1%	48.9%	-80	79	49.2%	48.2%	-102
Cost of risk	0.2%	0.2%	0.2%	2	-4	0.2%	0.3%	9
Loan-to-deposit (headline)	93.4%	92.5%	92.0%	-139	-56	92.0%	91.7%	-30
NPL (calculated)	1.1%	1.2%	1.2%	15	3	1.0%	1.2%	22
Coverage excluding collateral	190.3%	157.0%	206.5%	NM	NM	197.9%	208.0%	NM
CET1	15.1%	14.3%	14.3%	-78	-1	14.8%	14.3%	-53
Capital Adequacy	20.7%	17.4%	31.6%	NM	NM	35.0%	32.5%	-253
ROAE	16.2%	16.3%	14.1%	-211	-219	16.0%	14.2%	-184
ROAA	1.9%	1.8%	1.8%	-13	-3	1.9%	1.8%	-7

FABS estimate & Co Data

Bank Al Bilad-Key BS Items

	2Q25	3Q25	4Q25	1Q26	2Q26F	Change
SAR Mn						
Net advances	115,689	119,135	122,188	129,803	133,778	15.6%
QOQ Change	2.9%	3.0%	2.6%	6.2%	3.1%	
Total assets	161,902	167,929	172,972	179,959	185,992	14.9%
QOQ Change	1.8%	3.7%	3.0%	4.0%	3.4%	
Customer deposits	123,929	129,023	132,879	140,294	145,469	17.4%
QOQ Change	-0.1%	4.1%	3.0%	5.6%	3.7%	
Total equity	20,756	20,910	21,356	23,657	23,564	13.5%
QOQ Change	18.0%	0.7%	2.1%	10.8%	-0.4%	

FABS estimate & Co Data

2Q26 preview: Al Rajhi Bank

Margin expansion and funding optimization expected to support earnings growth

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 65.90	SAR 78.00	+18.4%	BUY

2Q26 forecast

Al Rajhi Bank's (ALRAJHI/the Bank) net profit attributable to equity shareholders is forecasted to rise by 11.8% YOY to SAR 6,876 Mn in 2Q26, mainly due to an anticipated growth in net funded and non-funded income, partially offset by increase in operating expenses, higher impairment charges and increase in zakat expenses. ALRAJHI's funded income is expected to increase by 10.0% YOY to SAR 15,005 Mn in 2Q26, driven by expected growth in interest earning assets. The Bank's funded expense is expected to increase by 1.0% YOY to SAR 6,406 Mn in 2Q26. With growth in funded income outpacing the growth in funded expense, the net funded income is projected to rise by 17.7% YOY to SAR 8,599 Mn in 2Q26. ALRAJHI's non-funded income is expected to grow by 1.1% YOY to SAR 2,324 Mn in 2Q26, due to increase in fees from banking services and net exchange income partially offset by expected decline in other operating income. Consequently, the total operating income is projected to rise by 13.7% YOY to SAR 10,923 Mn in 2Q26. The Bank's total operating expenses are expected to increase significantly by 20.2% YOY to SAR 2,575 Mn in 2Q26, primarily due to expected increase in salaries and employee related benefits, depreciation and amortisation and other general & administrative expenses. Thus, we expect the Bank's cost to income to increase by 126 bps YOY to 23.58% in 2Q26. Impairment charges are anticipated to increase 12.6% YOY to SAR 676 Mn in 2Q26. As a result, the net profit before tax is expected to grow by 11.8% YOY to SAR 7,672 Mn in 2Q26. Also, the zakat expenses are expected to grow by 13.1% YOY to SAR 790 Mn in 2Q26 and the profit share to the non-controlling interest is expected to decline by 47.1% YOY to SAR 6 Mn in 2Q26.

2026 forecast

ALRAJHI's net profit attributable to equity shareholders is projected to increase by 10.9% YOY to SAR 27,493 Mn in 2026, largely driven by anticipated rise in net funded and non-funded income, partially offset by an expected increase in operating expenses, impairment charges and zakat charges. The Bank's funded income is expected to grow by 7.1% YOY to SAR 59,829 Mn in 2026, driven by expected rise in net advances and investment portfolio. Funded expense is expected to decrease by 1.0% YOY to SAR 25,756 Mn in 2026. This results into net funded income increasing by 14.2% YOY to SAR 34,073 Mn in 2026. The Bank's fees from banking service is expected to rise by 15.0% YOY to SAR 6,750 Mn in 2026. Net exchange income is projected to increase by 5.0% YOY to SAR 1,637 Mn, whereas the operating income is expected to decline 40.0% YOY to 1,092 Mn during 2026. Thus, the total non-funded income is anticipated to increase by 2.5% YOY to SAR 9,479 Mn in 2026. Resultantly, total operating income is expected to increase by 11.4% YOY to SAR 43,552 Mn in 2026. The Bank's total operating expenses are expected to increase by 11.1% YOY to SAR 10,140 Mn in 2026, primarily due to increase in salaries and employee related expenses, other general and administrative expenses and depreciation and amortization. Despite this, we expect the Bank's cost to income to remain stable at 23.28% in 2026, compared to 2025. Impairment charges are expected to rise by 17.7% to SAR 2,732 Mn in 2026. Zakat expenses are expected to rise by 12.0% YOY to SAR 3,160 Mn in 2026. The share of profit attributable to non-controlling interests is expected to decline from SAR 33 Mn in 2025 to SAR 28 Mn in 2026.

1Q26 outturn

ALRAJHI's funded income increased by 10.1% YOY to SAR 14,507 Mn in 1Q26, while the funded expenses increased marginally by 0.5% YOY to SAR 6,102 Mn in 1Q26. This resulted into net funded income growing to SAR 8,405 Mn in 1Q26, compared to SAR 7,097 Mn in 1Q25. The Bank's non-funded income grew 1.0% YOY to SAR 2,124 Mn in 1Q26, mainly due to higher fees from banking and exchange income partially offset by the decline in other operating income. ALRAJHI's fees from

banking services grew 16.8% YOY to SAR 1,603 Mn in 1Q26, mainly due to the progress in multiple business lines. Exchange income also grew 24.0% YOY to SAR 433 Mn in 2Q26. Other operating income declined from SAR 401 Mn in 1Q25 to SAR 112 Mn in 1Q26. Thus, the total operating income saw an increase of 14.4% YOY to SAR 10,528 Mn in 1Q26. The Bank's total operating expenses expanded by 17.7% YOY to SAR 2,457 Mn in 1Q26, largely due to increase in other general and administrative expenses and salaries and employees related benefits, partially offset by a decrease in depreciation expense. Salaries and employee related benefits expense grew 11.4% YOY to SAR 1,096 Mn in 2Q26. In addition, other general and administrative expense grew from SAR 567 Mn in 1Q25 to SAR 954 Mn in 1Q26. Depreciation and administrative expenses declined 24.2% YOY to SAR 407 Mn in 1Q26. The Bank's cost-to-income increased 64 bps YOY to 23.3% in 1Q26. Impairment charges increased 20.2% YOY to SAR 631 Mn in 1Q26. Zakat expense remained stable at SAR 677 Mn in 1Q26, compared to 1Q25. The profit share to non-controlling interest increased to SAR 11 Mn in 1Q26, compared to SAR 4 Mn in 1Q25.

Target price and recommendation

We revise our rating from ACCUMULATE to BUY with an unchanged target price of SAR 78.00. ALRAJHI delivered a strong operating performance in 1Q26, with net profit increasing by 14.3% YOY to SAR 6,752 Mn, supported by robust growth in funded income, healthy fee generation and continued balance sheet expansion. The Bank's financing book grew 4.3% YOY and 0.1% QOQ to SAR 753.7 Bn in 1Q26, however the quality of growth improved as Bank continued to actively reprice the financing portfolio and reallocate capital toward higher-yielding segments. Corporate financing increased 15.0% YOY to SAR 206.5 Bn while SME financing expanded 51.0% YOY to SAR 65.9 Bn, reflecting strong execution of the Bank's "Harmonize the Group" strategy. The Retail franchise also remains a key driver to the growth, with mortgage financing continuing to expand and supporting stable portfolio growth. The Bank's customer deposits increased 3.3% YOY and 1.7% QOQ to SAR 678.7 Bn in 1Q26 in 1Q25. CASA deposits stood strong at 67.8% of total deposits in 1Q26. Reported NIMs expanded 22 bps YOY and 5 bps QOQ to 3.56% in 1Q26, supported by sustained asset yields and lower funding costs coupled with assets repricing. Additionally, the Bank upgraded its 2026 NIMs guidance by 30-40bps, driven by ongoing asset repricing initiatives, improved financing mix, higher contribution from SME lending, and optimization of expensive liabilities. On the front of asset quality, the reported NPL ratio stood at 0.77% in 1Q26 compared with 0.74% in 1Q25, while reported provision coverage remained robust at 150.3% providing strong buffer against bad loans going forward. ALRAJHI's also maintained a robust capital position, with a Tier 1 ratio of 21.6% and total CAR of 23.0% in 1Q26. Furthermore, the successful issuance of USD 1 Bn Additional Tier 1 Sukuk during the quarter further strengthened the Bank's capital position and provides additional support future lending activities. The Bank recorded strong shareholder with reported ROE of 21.4% and ROA of 2.5% in 1Q26. Thus, based on our analysis, we revise our rating to BUY on the stock.

Al Rajhi Bank - Relative valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	26.77	15.52	24.99	21.13	16.86	15.26
P/B (x)	5.87	5.01	4.37	4.21	4.15	3.16
BVPS	11.214	13.121	15.043	15.646	15.838	20.838
EPS	2.458	4.240	2.633	3.114	3.902	4.313
DPS (Pre Bonus issue)	0.875	1.250	2.300	2.710	2.500	2.976
DPS (Post Bonus issue)	0.583	0.833	1.533	1.807	1.667	1.984
Dividend yield	0.9%	1.3%	2.3%	2.7%	2.5%	3.0%

FABS Estimates & Co Data

Al Rajhi Bank - P&L

SAR Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	13,647	14,507	15,005	10.0%	3.4%	55,850	59,829	7.1%
Funded expense	-6,342	-6,102	-6,406	1.0%	5.0%	-26,004	-25,756	-1.0%
Net Funded Income	7,305	8,405	8,599	17.7%	2.3%	29,846	34,073	14.2%
Fees from banking services	1,395	1,603	1,655	18.7%	3.3%	5,869	6,750	15.0%
Exchange income, net	344	408	433	25.6%	6.0%	1,559	1,637	5.0%
Other operating income	558	112	236	-57.8%	NM	1,820	1,092	-40.0%
Total non-funded Income	2,298	2,124	2,324	1.1%	9.4%	9,248	9,479	2.5%
Total Operating Income	9,603	10,528	10,923	13.7%	3.7%	39,094	43,552	11.4%
Salaries & employee benefits	-985	-1,096	-1,118	13.5%	2.0%	-4,026	-4,509	12.0%
Other G&A expenses	-566	-954	-764	35.0%	-19.9%	-2,732	-3,142	15.0%
Depreciation and amortization	-592	-407	-694	17.2%	70.3%	-2,369	-2,489	5.1%
Total operating Expenses	-2,143	-2,457	-2,575	20.2%	4.8%	-9,127	-10,140	11.1%
Profit before provisions	7,460	8,071	8,347	11.9%	3.4%	29,967	33,412	11.5%
Impairment charge	-600	-631	-676	12.6%	7.1%	-2,320	-2,732	17.7%
Total Operating Expenses	-2,743	-3,088	-3,251	18.5%	5.3%	-11,447	-12,872	12.4%
Net income before zakat	6,860	7,440	7,672	11.8%	3.1%	27,646	30,680	11.0%
Zakat	-699	-677	-790	13.1%	16.7%	-2,822	-3,160	12.0%
Non-controlling interest	-10	-11	-6	-47.1%	-51.9%	-33	-28	-16.0%
Net profit for the year	6,151	6,752	6,876	11.8%	1.8%	24,792	27,493	10.9%

FABS estimate & Co Data

Al Rajhi Bank - P&L KPI

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	76.1%	79.8%	78.7%	266	-110	76.3%	78.2%	189
NIMs - Trailing 12M	3.2%	3.3%	3.4%	20	6	3.2%	3.4%	27
NIMs - Annualized	3.3%	3.6%	3.6%	24	0	3.2%	3.4%	27
NIS	2.8%	3.2%	3.2%	44	3	2.8%	3.1%	25
Fees & comms/OI	14.5%	15.2%	15.2%	63	-7	15.0%	15.5%	48
Exchange Income/OI	3.6%	3.9%	4.0%	37	8	4.0%	3.8%	-23
Cost to income (calculated)	22.3%	23.3%	23.6%	126	24	23.3%	23.3%	-6
Impairment/PPP	-8.0%	-7.8%	-8.1%	-5	-28	-7.7%	-8.2%	-43
NP/OI	64.1%	64.1%	63.0%	-110	-118	63.4%	63.1%	-29
Cost of risk	0.32%	0.33%	0.35%	3	2	0.31%	0.35%	4
Loan-to-deposit (headline)	115.5%	111.0%	113.3%	-228	220	112.8%	114.0%	119
NPL (Calculated)	0.7%	0.8%	0.8%	3	0	0.75%	0.80%	5
Tier 1	19.4%	21.6%	22.2%	275	55	20.5%	21.3%	85
Capital Adequacy	20.2%	23.0%	23.5%	328	48	21.9%	22.6%	78
ROAA	2.4%	2.5%	2.5%	9	0	2.5%	2.6%	11
ROAE	21.6%	21.4%	21.3%	-28	-5	21.8%	21.6%	-25

FABS estimate & Co Data

Al Rajhi Bank - Key B/S Items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	Change
Net advances	741,715	755,985	752,760	753,730	772,627	4.2%
QOQ change	2.6%	1.9%	-0.4%	0.1%	2.5%	
Total assets	1,038,988	1,059,240	1,043,268	1,051,268	1,074,391	3.4%
QOQ change	1.8%	1.9%	-1.5%	0.8%	2.2%	
Customer deposits	641,987	693,905	667,288	678,734	682,231	6.3%
QOQ change	-2.3%	8.1%	-3.8%	1.7%	0.5%	
Total Equity	134,049	137,515	142,912	152,644	159,519	19.0%
QOQ change	0.0%	2.6%	3.9%	6.8%	4.5%	

FABS estimate & Co Data

2Q26 preview: Saudi Investment Bank

Healthy credit growth and improving funding mix support earnings outlook

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 13.42	SAR 17.80	+32.6%	BUY

2Q26 forecast

The Saudi Investment Banks's ("SAIB", "the Bank") net profit is anticipated to increase by 2.5% YOY to SAR 525 Mn in 2Q26, primarily due to by expected growth in net funded income and non-funded income coupled with marginal decline in operating expenses partially offset by higher impairments charges. Funded income is projected to increase in 2.2% YOY to SAR 2,446 Mn in 2Q26, mainly due to an expected increase in loan book and investment portfolio. Funded expenses is anticipated to increase 2.8% YOY to SAR 1,530 Mn in 2Q26, largely due to increase in interest bearing liabilities. Resultantly, net funded income is expected to increase 1.2% YOY to SAR 916 Mn in 2Q26. Fees and commission income is anticipated to fall marginally 0.9% to SAR 95 Mn in 2Q26. Net exchange income is anticipated to rise by 34.2% YOY to 76 Mn in 2Q26. Additionally, other non-funded income is projected to decline from SAR 12 Mn in 1Q25 to SAR 1 Mn in 2Q26. As a result, total non-funded income is anticipated to grow by 4.3% YOY to SAR 171 Mn in 2Q26. The Bank's total operating income is anticipated to grow 1.7% YOY to SAR 1,088 Mn in 2Q26. Operating expenses are expected to decline marginally by 0.5% YOY to SAR 435 Mn in 2Q26. Thus, we expect the cost-to-income ratio to decline 88 bps YOY to 40.0% in 2Q26. Bank's impairment charges are anticipated to rise by 29.9% YOY to SAR 83 Mn in 2Q26. Furthermore, share in earnings of associates is expected to rise 51.7% YOY to SAR 41 Mn in 2Q26. Zakat expenses are projected to increase by 2.5% YOY to SAR 86 Mn in 2Q26.

2026 forecast

SAIB's net profit is anticipated to decline by 12.2% YOY to SAR 2,135 Mn in 2026, primarily due to expected growth in net funded income and decline in operating expenses, partially offset by a decline in non-funded income and marginal increase in impairments charges. Funded income is projected to marginally increase 0.7% YOY to SAR 9,763 Mn in 2026, driven by an expected increase in average interest earnings assets. Funded expenses are expected to decline by 1.7% YOY to SAR 6,062 Mn in 2026, largely due to decrease in cost of funding. Thus, net funded income is projected to rise by 4.9% YOY to SAR 3,701 Mn in 2026. Fees and commission income is expected to decrease by 1.1% YOY to SAR 370 Mn, whereas net exchange income is expected to rise by 34.0% YOY to SAR 345 Mn in 2026. Other operating income is expected to fall significantly from SAR 635 Mn in 2025 to SAR 15 Mn in 2026, mainly due to an absence of gain received on sale of land in 2025. As a result, the non-funded income is expected to decline by 42.4% to SAR 730 Mn in 2026. Thus, total operating income is projected to decrease by 7.6% YOY to SAR 4,431 Mn in 2026. Operating expenses are expected to decline marginally by 0.3% YOY to SAR 1,719 Mn in 2026. Impairment charges are expected to increase marginally by 0.8% YOY to SAR 358 Mn in 2026. Also, the shares in earnings of associates are expected to rise by 3.2% to SAR 129 Mn in 2026. Zakat expenses are expected to decline by 15.0% YOY to SAR 348 Mn in 2026.

1Q26 outturn

SAIB's funded income increased 6.0% YOY to SAR 2,418 Mn in 1Q26, driven by higher gross financing and investment returns. Funded expenses rose 8.7% YOY to SAR 1,513 Mn in 1Q26, mainly due to growth in customer deposits. Consequently, net funded income grew 1.6% YOY to SAR 905 Mn in 1Q26. The Bank's non-funded income declined 5.1% YOY to SAR 152 Mn in 1Q26, mainly due to decline in exchange income and other non-funded income, partially offset by an increase in fees and commission income. Fees and commission income rose 2.2% YOY to SAR 86 Mn in 1Q26. Whereas, exchange income declined 1.2% YOY to SAR 64 Mn in 1Q26. Other non-funded income declined from SAR 12 Mn in 1Q25 to SAR 2 Mn in 1Q26. As a result, operating income edged up 0.6% YOY to SAR

1,057 Mn in 1Q26. Total operating expenses fell by 4.5% YOY to SAR 413 Mn in 1Q26, mainly driven by lower general and administrative costs, reduced provisions for credit and other losses, and a decline in depreciation and amortization, partly offset by higher salaries, employee-related expenses, and rent and premises costs. Thus, the Bank's cost-to-income ratio improved from 41.2% in 1Q25 to 39.1% in 1Q26, reflecting enhanced operational efficiency. Financing impairment charges declined 6.2% YOY to SAR 58 Mn in 1Q26, supported by higher recoveries, which led to lower net charges for loans and advances. Share in earnings of associates declined from SAR 29 Mn in 1Q25 to SAR 18 Mn in 1Q26. Zakat charges grew 2.5% YOY to SAR 85 Mn in 1Q26.

Target price and recommendation

We maintain our BUY rating on the Saudi Investment Bank with a target price of SAR 17.80. SAIB reaffirmed its 2026 guidance across all key financial metrics, reflecting confidence in the Bank's growth outlook despite ongoing geopolitical uncertainties. The Bank's loan book grew 11.0% YOY and 3.2% QOQ to SAR 115.6 Bn in 1Q26, supported primarily by corporate lending growth across infrastructure, construction, manufacturing, transportation and services sectors. The Bank continues to target mid-to-high single-digit loan growth, underpinned by healthy financing demand across corporate, private banking, and infrastructure-related sectors, while maintaining a selective underwriting approach focused on profitability rather than volume. Customer deposits increased 20.9% YOY and 12.1% QOQ to SAR 122.9 Bn in 1Q26, significantly outpacing loan growth during the quarter. Additionally, SAIB identified funding optimization as a key strategic priority, with continued efforts to strengthen its deposit mix through savings account growth and improved funding efficiency, which is expected to support lower funding costs and reinforce margin resilience over the medium term. Reported NIMs grew from 2.13% in 4Q25 to 2.23% in 1Q26. Following a sequential improvement in 1Q26, management expects NIMs to remain within the guided range of 2.10–2.25% during 2026, supported by disciplined lending, a more efficient funding structure, and a gradual improvement in the cost of funds. Furthermore, asset quality remained one of the key strengths during the quarter. Reported NPL ratio improved from 0.95% in 4Q25 to 0.94% in 1Q26, while the reported provision coverage ratio strengthened further to 194.1% in 1Q26. The combination of low NPL formation, strong recoveries and elevated provisioning buffers significantly reduces downside risk to earnings in coming quarters. Capitalization and liquidity remained robust during the quarter. Tier 1 ratio stood at 18.3%, while CAR was reported at 18.9% in 1Q26, comfortably above regulatory requirements. Liquidity metrics also remained strong, with LCR and NSFR at 190.8% and 112.5%, respectively during 1Q26. Furthermore, the issuance of SAR 1.85 Bn perpetual Tier 1 Sukuk in 1Q26 will strengthen the capital base and is expected to support future growth opportunities. Overall, we expect SAIB to continue improving its profitability through funding optimization, disciplined balance sheet management, and enhanced operating efficiency, while maintaining resilient asset quality and a strong capital position. Thus, on basis of our analysis, we maintain our BUY rating on the stock.

SAIB - Relative valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	17.31	12.06	10.33	9.20	7.83	9.12
P/B (x)	1.11	1.21	1.13	1.04	0.96	0.92
BVPS	11.841	10.860	11.616	12.665	13.726	14.357
EPS	0.761	1.092	1.275	1.431	1.681	1.444
DPS	0.420	0.600	0.680	0.760	0.800	0.825
Dividend yield	3.1%	4.5%	5.1%	5.7%	6.0%	6.1%

FABS Estimates & Co Data

SAIB - P&L

SAR Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Special commission income	2,394	2,418	2,446	2.2%	1.2%	9,692	9,763	0.7%
Special commission expense	-1,489	-1,513	-1,530	2.8%	1.1%	-6,164	-6,062	-1.7%
Net Special Commission Inc	905	905	916	1.2%	1.2%	3,528	3,701	4.9%
Fee and commission income	96	86	95	-0.9%	10.7%	374	370	-1.1%
Exchange income, net	57	64	76	34.2%	20.0%	257	345	34.0%
Other non-operating income	12	2	1	-95.8%	-78.9%	635	15	-97.7%
Non-funded income	164	151	171	4.3%	13.2%	1,266	730	-42.4%
Operating income	1,070	1,057	1,088	1.7%	2.9%	4,794	4,431	-7.6%
Operating expenses	-437	-413	-435	-0.5%	5.2%	-1,723	-1,719	-0.3%
Pre-provision profit	633	644	653	3.2%	1.5%	3,071	2,712	-11.7%
Financing Impairment	-64	-58	-83	29.9%	44.7%	-355	-358	0.8%
Net operating income	569	586	570	0.2%	-2.8%	2,716	2,354	-13.3%
Share in earnings of associates	27	18	41	51.7%	126.6%	125	129	3.2%
Income before Zakat	596	604	611	2.5%	1.1%	2,841	2,483	-12.6%
Zakat	-83	-85	-86	2.5%	1.1%	-409	-348	-15.0%
Net profit	512	520	525	2.5%	1.1%	2,431	2,135	-12.2%

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SAIB - KPI

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	84.6%	85.7%	84.2%	-40	-143	73.6%	83.5%	995
NIM	2.5%	2.5%	2.5%	3	3	2.3%	2.2%	-11
NIMs - Trailing 12M	2.5%	2.2%	2.2%	-34	-6	2.3%	2.2%	-11
NIMs - Annualized	2.5%	2.3%	2.2%	-28	-4	2.3%	2.2%	-11
NIS	2.0%	1.8%	1.7%	-31	-9	1.9%	1.8%	-10
Fees & commissions/OI	8.9%	8.1%	8.7%	-23	61	7.8%	8.4%	55
Exchange income/OI	5.3%	6.0%	7.0%	170	100	5.4%	7.8%	242
Cost to income (calculated)	40.8%	39.1%	40.0%	-88	87	35.9%	38.8%	285
Impairment/PPP	10.1%	9.0%	12.8%	263	382	11.6%	13.2%	163
NP/OI	47.9%	49.2%	48.3%	39	-88	50.7%	48.2%	-253
Cost of risk - calculated	0.24%	0.20%	0.28%	4	8	0.33%	0.30%	-3
Loan-to-deposit	108.2%	94.0%	98.0%	NM	396	102.2%	101.7%	-50
NPL	1.0%	0.9%	1.0%	5	7	0.9%	0.9%	-1
Provision coverage	165.7%	194.1%	157.5%	-822	NM	184.1%	175.0%	-911
CET1	13.9%	14.1%	13.8%	-1	-23	14.3%	13.8%	-48
Capital adequacy	19.1%	18.9%	18.6%	-53	-33	19.3%	18.5%	-85
ROAE	11.5%	12.7%	12.6%	107	-17	12.7%	10.3%	-245
ROAA	1.2%	1.4%	1.4%	15	-3	1.5%	1.2%	-29

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SAIB - BS Key items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	108,423	110,581	112,070	115,608	118,777	9.5%
QOQ Change	4.1%	2.0%	1.3%	3.2%	2.7%	
Total Assets	167,292	174,912	172,720	180,284	185,561	10.9%
QOQ Change	1.9%	4.6%	-1.3%	4.4%	2.9%	
Customer deposits	100,236	105,152	109,619	122,935	121,201	20.9%
QOQ Change	-1.4%	4.9%	4.2%	12.1%	-1.4%	
Total Equity	15,933	16,432	17,121	17,527	17,647	10.8%
QOQ Change	0.0%	3.1%	4.2%	2.4%	0.7%	

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