

Saudi Banking Sector – September 2026

Credit Momentum Holds Despite Funding and Rate Pressures

Sector Weighting:
MARKET WEIGHT

Top Picks and Rating Changes

The Saudi banking sector enters 3Q26 with credit demand remaining resilient, supported by continued investment activity, government-led projects and the ongoing expansion of the non-oil economy. Bank credit increased 4.0% YTD to SAR 3.16 Tn by July 2026, while private-sector claims including securities rose 3.7% YTD to SAR 3.27 Tn. Credit demand remains underpinned by Vision 2030-linked investment across infrastructure, real estate, manufacturing, logistics and tourism, alongside rising private-sector participation in these sectors. At the same time, banks are becoming more selective in deploying capital, with greater emphasis on pricing discipline, risk-adjusted returns and capital efficiency rather than pursuing loan growth purely for volume. However, recent disruptions to Saudi Arabia's oil-export infrastructure and weaker economic indicators introduce a degree of downside risk to the otherwise constructive backdrop. The temporary shutdown of the East-West pipeline, a key alternative route for crude exports, highlighted the potential for supply-chain disruptions to affect economic activity, although operations have since resumed at reduced capacity.

Liquidity and funding conditions have remained supportive, with liquidity measures helping ease funding pressures across the banking system. Total bank deposits stood at SAR 3.11 Tn in July 2026, up 8.6% YOY, while broad money supply (M3) stood at SAR 3.36 Tn. Importantly, the composition of deposits continues to shift towards higher-cost funding, with time and savings deposits increasing 24.6% YOY to SAR 1.40 Tn, while demand deposits declined 0.5% YOY to SAR 1.44 Tn. This points to continued competition for funding despite the improvement in overall liquidity, making CASA generation and funding-cost management key differentiators for sector margins. Several banks, including Al Rajhi, SNB, SAIB, ANB, Alinma and BSF, benefited from stronger demand-deposit inflows during 1H26, while Al Rajhi and SNB retain the largest shares of industry demand deposits. Lower liquidity premiums have also supported cost of funds as the Saibor-SOFR spread narrowed, although the spread remains above more normalised levels and could remain volatile as banks increase funding requirements to finance large projects. Bank deposits grew 4.4% YTD to SAR 3.11 Tn by July 2026, broadly keeping pace with 4.0% YTD credit growth to SAR 3.16 Tn, indicating that liquidity remains supportive despite continued balance-sheet expansion.

Non-funded income should remain important earnings offset, although the contribution is likely to vary across banks. Continued credit activity and economic momentum should support transaction banking, payments, trade finance, FX and wealth-related fees, while cross-selling opportunities should expand alongside balance-sheet growth. However, regulatory changes and softer activity in certain fee-generating businesses could constrain fee growth, leaving trading and investment income as additional but less predictable sources of support. Against this backdrop, stronger 2H26 margins will remain important for earnings, particularly as banks seek to offset potentially higher credit costs and build greater provisioning capacity.

Asset quality should remain broadly supportive of sector earnings through 3Q26, with low NPL ratios and strong coverage providing a substantial buffer against deterioration. Most banks did not recognise material provision overlays in 1H26 citing the mitigating effect of higher oil-price assumptions despite a greater weighting assigned to downside scenarios. With revenue and margins improving, banks

have scope to strengthen Stage 1 provision buffers, which could provide additional protection against potential asset-quality pressure from supply-chain disruptions, project delays and higher cancellation rates across KSA's awarded-project pipeline. Accordingly, while current trends do not point to a material deterioration in borrower quality, selected project exposures and Stage 2 migration warrant continued monitoring. Capital-market activity should remain supportive of funding and capital management, although debt issuance growth could moderate as asset growth slows from the elevated levels seen in prior periods. Banks have reduced their reliance on certificates of deposit, with CDs accounting for around 18% of wholesale funding in June 2026 versus 21% in December 2025, as lenders increasingly utilise local deposits amid improved riyal liquidity. However, banks are likely to remain active in the sukuk market to diversify funding sources and reinforce capital buffers. AT1 issuance should also remain an important tool for managing capital headroom and mitigating the impact of potential rate increases on capital ratios. Banks with relatively limited room for additional AT1 issuance, including Aljazira, SIB, Alinma and Al Rajhi, could face greater constraints as AT1 instruments approach the applicable share of capital recognised for regulatory purposes. SAMA's capital framework explicitly recognises qualifying AT1 instruments as part of Tier 1 capital, providing banks with an additional source of loss-absorbing capital.

Against this backdrop, the 3Q26 sector outlook remains supported by resilient credit demand, healthy liquidity, strong capitalisation and contained asset-quality risks, although macro and funding risks have become more relevant. The recent shift in market expectations towards higher rather than lower rates would be less supportive for banks if accompanied by faster deposit repricing and higher funding costs. The 25bps rate hike therefore highlights the varying sensitivity of bank earnings to changes in funding costs and asset yields. Banks with stronger CASA franchises and greater exposure to assets that can reprice relatively quickly should be better positioned to retain the benefit of higher asset yields, while banks with greater reliance on rate-sensitive funding could see a faster increase in funding costs. At the same time, stronger 2H26 margins should provide greater earnings resilience, helping offset any potential increase in provisioning charges arising from a deterioration in asset quality. As banks continue to deploy capital across corporate, project, SME and retail segments, maintaining pricing discipline, optimising funding costs and preserving capital flexibility should remain important for protecting returns. Overall, the sector enters the remainder of 2026 with a constructive credit backdrop, but earnings differentiation is likely to increasingly reflect differences in balance-sheet structure, funding mix, liquidity access, provisioning stance and rate sensitivity.

Our top picks:

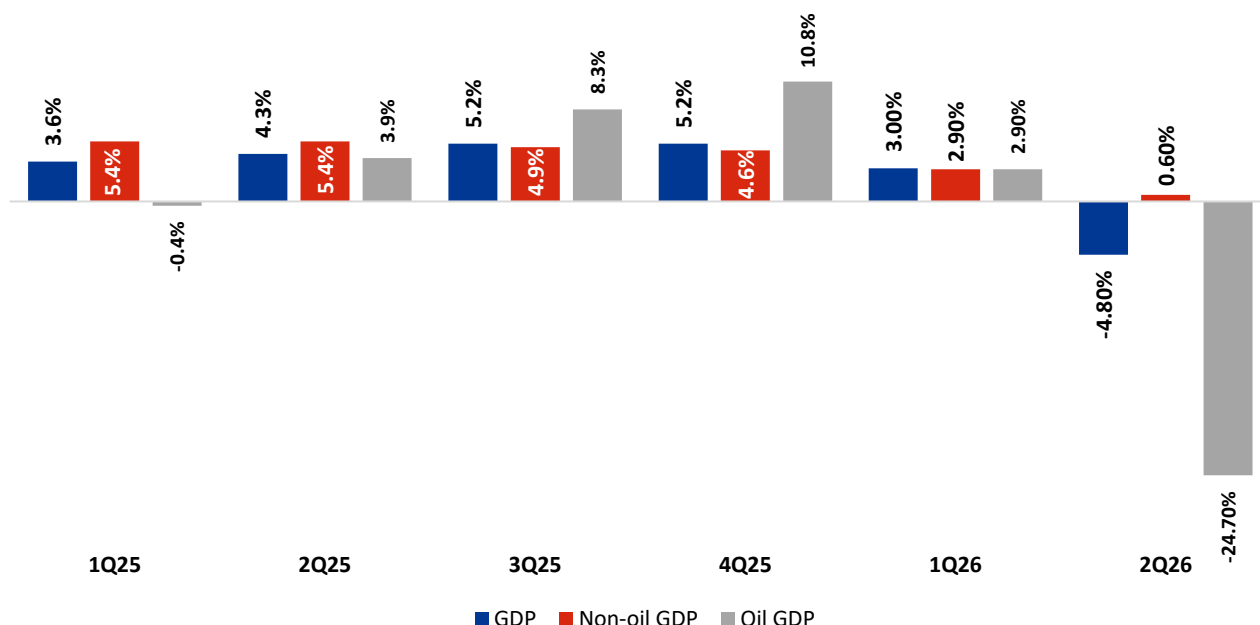
1) Al Rajhi: Al Rajhi Bank's earnings strength is supported by its robust funding franchise and strong profitability. Net income rose 14.2% YOY to SAR 13.8 Bn in 1H26, while operating income increased by 13.9% to SAR 21.4 Bn, with ROE remaining elevated at 23.3%. The financing portfolio expanded to more than SAR 762 Bn, while customer deposits reached SAR 688 Bn as of 1H26, providing a solid base for continued balance-sheet growth. The Bank's strong CASA franchise and focus on higher-return lending segments should help support margins and returns as funding conditions evolve, while its SME exposure continues to provide an avenue for profitable credit expansion. Asset quality also remains supportive, with the NPL ratio at just 0.74% in 2Q26 and coverage at 153.2%. With a combination of high returns, strong funding capacity, low credit costs and continued exposure to Vision 2030-related financing demand, Al Rajhi remains well positioned to sustain earnings momentum through 3Q26.

2) SNB: SNB remains a key franchise in the KSA banking sector, supported by its scale, strong funding base and significant exposure to Vision 2030-related financing opportunities. The Bank delivered 7.2% YOY growth in net profit to SAR 13.0 Bn in 1H26, while operating income increased 5.8% YOY to SAR 20.2 Bn. Financing reached SAR 739.6 Bn, up 3.5% YOY, while customer deposits increased 6.0% YOY to SAR 698.2 Bn, strengthening the Bank's funding position. Although the CASA ratio has moderated as time deposits grew faster, CASA balances continued to increase, while the shift towards customer deposits has reduced reliance on interbank funding and supported liquidity. SNB continues to selectively expand across retail and MSME segments, with retail financing growing 2.4% and wholesale financing 0.5% during 1H26. Strong asset quality, with a reported NPL ratio of 0.67% and coverage of 152.0% in 1H26, alongside a diversified earnings base, provides further support to profitability. With its scale, funding franchise and exposure to corporate, infrastructure and government-linked financing, SNB remains well positioned to benefit from continued investment under Vision 2030 while maintaining earnings momentum through 3Q26.

Key Industry Themes

KSA banks reported strong profitability in 2Q26, supported by healthy loan growth, resilient margins, improving funding conditions and robust asset quality. Credit demand remained healthy, underpinned by resilient domestic activity and continued financing opportunities across Vision 2030-related projects, corporate, SME and retail segments. Lower funding costs and loan repricing provided an offset to pressure from the lower interest rate environment, while strong balance sheets and healthy credit pipelines support the 3Q26 outlook. However, funding mix, pricing discipline and the ability to sustain margins are becoming increasingly important earnings drivers. Against this backdrop, the global growth outlook remains stable but subdued. According to the IMF's July 2026 World Economic Outlook, global GDP growth is projected at 3.0% in 2026 and 3.4% in 2027, moderating from the 3.5% average recorded during 2024-2025. The outlook reflects weaker activity from the Middle East conflict, partly offset by stronger momentum from the global technology cycle, supported by rapid advances in AI and its adoption. Emerging market and Developing Economies (EMDE) growth is projected at 3.8% in 2026, while advanced economies are expected to grow by 1.7% in 2026 and 1.8% in 2027. Global headline inflation is forecast at 4.7% in 2026, moderating to 3.9% in 2027, although the outlook has been revised modestly higher amid increased energy and food prices. For Saudi Arabia, the IMF revised its 2026 real GDP growth forecast down to 1.7% from 3.1% in its April 2026 update, reflecting a larger than expected impact from the Middle East conflict on oil production and transportation, alongside continued OPEC+ supply management. Growth is expected to rebound to 5.5% in 2027 as oil production and transportation activity normalise. Despite softer headline GDP growth, resilient domestic activity and continued Vision 2030 investment should support bank credit demand, with earnings increasingly dependent on funding costs, loan pricing and the quality of incremental growth.

KSA GDP



Source: GASTAT

According to the General Authority for Statistics (GASTAT), Saudi Arabia's real GDP contracted 4.8% YOY in 2Q26, reflecting a 24.7% decline in oil activities, while non-oil GDP grew 0.6% YOY. On a seasonally adjusted basis, real GDP declined 4.9% QOQ, driven by a 21.5% contraction in oil activities and a 0.5% decline in non-oil activities, partly offset by a 0.2% increase in government activities. Despite the weaker headline GDP print, recent indicators point to improving momentum in the non-oil economy. The Riyadh Bank Saudi Arabia PMI rose to 53.8 in August 2026 from 53.1 in July, signalling a stronger pace of expansion in the non-oil private sector. Business activity increased at its fastest pace in seven months, while new orders expanded for a fifth consecutive month, although intense competition and excess supply continued to weigh on some companies. External demand remained a weaker spot, with new export orders declining sharply and at a faster pace than in July. Supply-chain conditions continued to improve, supported by greater local sourcing and stronger vendor responsiveness, although the pace of improvement moderated to a three-month low. Continued fiscal support and the pipeline of development projects remain important supports for private-sector activity, while improving business confidence is translating into higher investment and employment. Overall, the August PMI points to a firmer trajectory for the non-oil private sector, with resilient domestic demand and project-related activity providing a constructive backdrop for economic activity through the remainder of 2026.

KSA banking's total assets rose 7.3% YOY to SAR 5.2 Tn in July 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 and fixed assets which more than offset the decline in claims on non-monetary financial institutions and decline in claim on banks. Fixed assets rose 10.2% YOY to SAR 58.8 Bn in July 2026, while advances to private sector increased 5.6% YOY to SAR 3.3 Tn during the same period. Government advances rose 9.8% YOY to SAR 944.7 Bn. Strong government and private-sector investments in the region contributed positively to credit growth in 2Q26. Advances in

the KSA banking system grew 6.8% YOY to SAR 3.4 Tn in July 2026. 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 5.8% YOY to SAR 3.2 Tn in July 2026. All banks under our coverage recorded solid growth in advances in 2Q26 on YOY basis, with Al Rajhi, SNB and Riyadh Bank recording the highest growth.

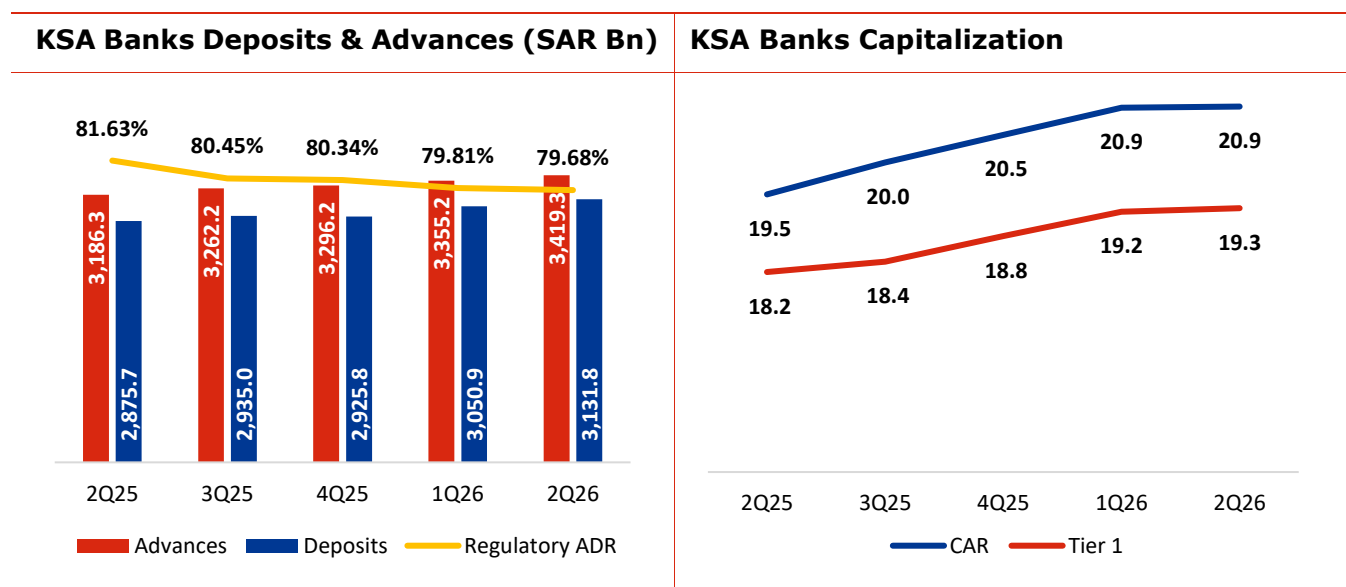
KSA banks are entering 3Q26 with credit demand remaining resilient, supported by corporate activity, project finance, SMEs, retail lending and the continued execution of Vision 2030-related projects. However, the focus is increasingly shifting towards more selective balance sheet deployment, with greater emphasis on pricing discipline, risk-adjusted returns and the profitability of incremental lending rather than loan growth driven purely by volume. SNB has moderated its 2026 financing growth guidance to mid-single digits, while continuing to highlight a healthy wholesale pipeline across large corporates, major projects, MSMEs and retail. MSME financing increased 17% YTD, or around SAR 14 Bn, reinforcing the segment's growing contribution to credit growth. Other banks continue to point to solid lending momentum. Alinma delivered 6% YTD financing growth and maintained its 2026 low-teens growth target, implying a stronger 2H26 contribution from corporate and project finance, SMEs and retail mortgages and consumer finance. BSF continues to target high single digit loan growth, supported by broad-based commercial lending and a healthy corporate pipeline, while SAIB expects mid to high single digit loan growth, with corporate and private banking remaining key contributors. The combination of resilient domestic demand and sizeable corporate and project pipelines should continue to underpin sector credit growth through the remainder of 2026. Nevertheless, loan growth is likely to remain increasingly selective, particularly across corporate and project finance, as banks balance expansion with pricing discipline, capital efficiency and asset quality considerations. SNB has explicitly adopted a value over volume approach, while Alinma expects its 2H26 growth to be driven by opportunities across corporate, project finance, SMEs and retail.

Funding dynamics are becoming an increasingly important earnings differentiator for KSA banks in the lower rate environment. Deposit growth remains healthy, but funding composition is gaining importance as interest bearing deposits continue to grow faster than CASA at some banks. Overall funding conditions remain manageable, supported by deposits growing ahead of financing and comfortable liquidity positions. SNB's customer deposits increased by SAR 64 Bn YOY, more than six times the increase in financing, enabling the bank to replace interbank funding with domestic customer deposits. Although time deposits grew faster than CASA, CASA balances continued to increase. Alinma similarly reported 8% YTD deposit growth versus 6% financing growth, with CASA up 6%, while SAIB continues to focus on replacing higher cost funding and strengthening its CASA base, supported by strong liquidity buffers. The improved funding backdrop has helped contain margin pressure, although trends remain uneven. BSF's 2Q26 NIM rose 4 bps QOQ to 3.06%, as lower funding costs more than offset weaker asset yields, while SNB's reported NIM also remained close to 3%. By contrast, SAIB's 1H26 NIM stood at 2.18%, with the full-year outcome expected towards the lower end of its 2.10–2.25% guidance range. Overall, 3Q26 earnings will increasingly depend on banks ability to optimise funding costs, grow CASA and preserve loan pricing, rather than benchmark-rate movements alone.

Non-funded income should remain an important offset to NII pressure in 3Q26, although the recovery is likely to remain uneven across banks. SNB reported 11% YOY growth in 2Q26 operating income, supported by both net special commission income and fee and other income, with continued MSME expansion providing further opportunities across transaction banking, payments, FX and cross-selling. SAIB also recorded strong fee and other income growth, driven by trade finance, trading and

fund management activities. However, fee income remains under pressure at some banks. Alinma continued to face headwinds from regulatory changes affecting cards, remittances and upfront management fees, alongside weaker international spending and trade finance activity. BSF also noted that fee income remained below expectations in 1H26, partly due to regulatory and seasonal factors, with investment and trading income providing some offset. Overall, transaction banking, payments, wealth management and cross-selling should provide structural support to non-funded income, while trading and investment income are likely to remain more volatile.

Asset quality remains supportive of sector earnings entering 3Q26, with NPL formation contained across major banks and no material deterioration despite the regional geopolitical backdrop. SNB's NPL ratio remains below 1%, with 2026 COR guidance of 10–20 bps reflecting strong recoveries and resilient underlying credit quality. Alinma's NPL ratio stood at 96 bps, with 175.9% coverage in 2Q26, while SAIB reported an NPL ratio of 91 bps and 201.8% coverage in 2Q26, with 1H26 cost of risk at 22 bps. Alinma also indicated that new NPL formation has remained broadly stable. Provisioning is likely to remain prudent given uncertainty around selected project exposures and the potential lag between project delays and credit migration. Alinma raised its 2026 COR guidance to 45–55 bps following a provision related to a suspended/cancelled project, while BSF narrowed its guidance to 45–50 bps following 1H26 credit losses. However, overall asset quality remains well managed, with low NPL ratios and strong coverage providing a sizeable buffer. The key risk therefore remains concentrated in isolated project exposures and potential management overlays rather than a broad-based deterioration in borrower quality.

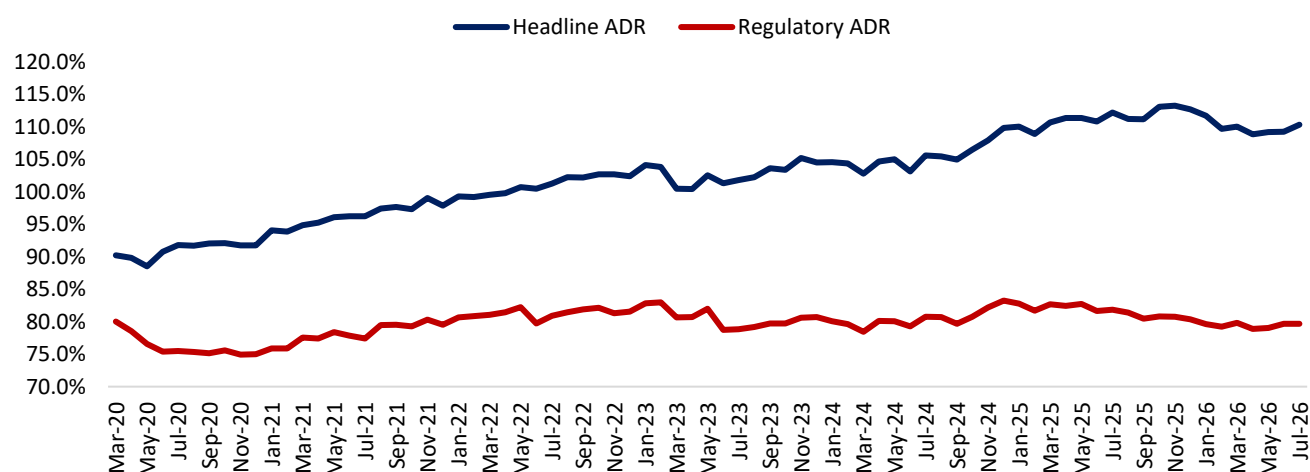


Source: SAMA, Bloomberg ¹Calculated based on 10 listed KSA Banks

KSA Banking Liquidity

Deposit growth in the KSA banking system rose 8.6% YOY but declined marginally 0.6% MOM to SAR 3.1 Tn in July 2026, while credit growth remained comparatively slower on a YOY basis. KSA banking system advances rose 6.8% YOY and 0.4% MOM to SAR 3.4 Tn in July 2026. As a result, the headline loan-to-deposit ratio (ADR) decreased 185 bps YOY but increased 111 bps MOM to 110.3% in July 2026. All the banks under our coverage witnessed healthy growth in advances during 2Q26 on a YOY basis, of which Al Bilad Bank recorded the highest annual net credit growth of 15.3% YOY and 2.8% QOQ to SAR 133.4 Bn in 2Q26, followed by Alinma Bank with advances growth of 11.6% YOY and 2.3% QOQ to SAR 243.9 Bn during the same period of 2Q26. In terms of deposits, Saudi Investment Bank recorded the highest deposit growth of 21.3% YOY but declined 1.1% QOQ to SAR 121.6 Bn in 2Q26, followed by Al Bilad with an increase of 18.8% YOY and 4.9% QOQ to SAR 147.2 Bn in 2Q26. The broader (M3) money supply rose 8.2% YOY but declined 0.6% MOM to SAR 3.4 Tn in July 2026. Real Estate Loans in the KSA banking sector grew 5.3% YOY to SAR 979.7 Bn in 2Q26. According to the Ministry of Municipalities and Housing, the homeownership rate among Saudi citizens reached 66.24% by end-2025, exceeding the 65% target set for 2025 and moving closer to the Vision 2030 target of 70%. Furthermore, real estate loans extended to individuals increased by 3.7% YOY to SAR 743.0 Bn in 2Q26. 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 217 bps YOY and remained flat MOM to 79.7% in July 2026. Improving liquidity conditions should continue to support Saudi banks, with healthy deposit growth and easing funding pressures providing greater capacity to accommodate credit expansion. Lower loan-to-deposit ratios and continued growth in money supply should further ease funding constraints and support greater stability in funding costs. This should help preserve margin resilience and provide a supportive operating backdrop for the sector through the remainder of 2026.

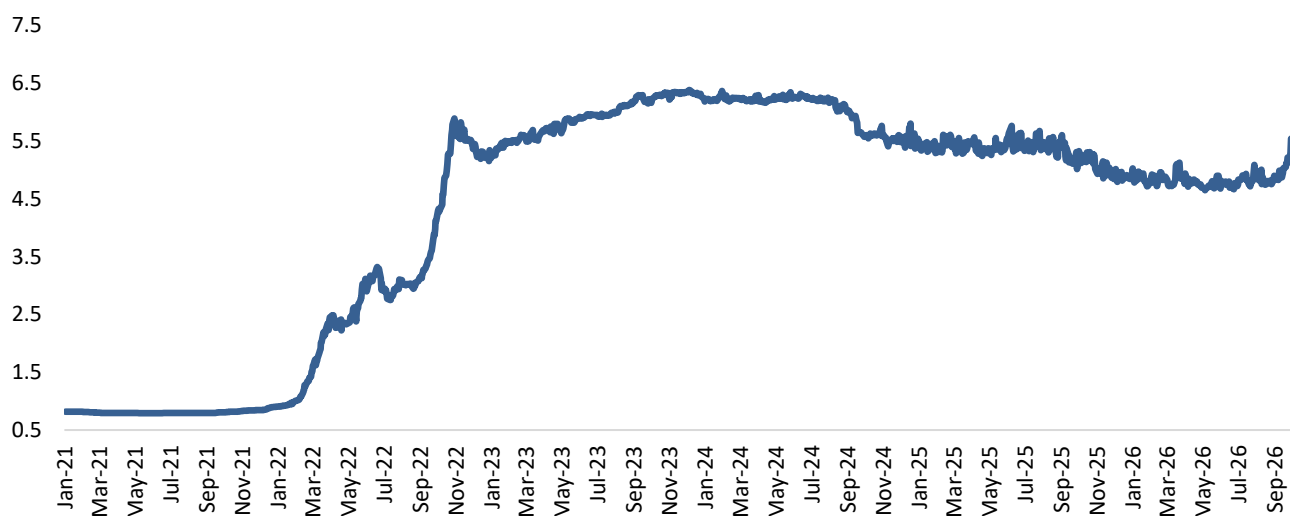
KSA banking system Headline and Regulatory Loan to Deposit Ratio



Source: SAMA data

The 3-Month SAIBOR rate increased from 4.72% on 30 June 2026 to 5.54% on 30 September 2026 following the recent rate hike of 25 bps. The rate averaged 5.03% in September 2026 compared to 4.83% in August 2026. SAMA raised its repo and reverse repo rates by 25bps to 4.50% and 4.00%, respectively, in September 2026. The spread between 3M SAIBOR and the repo rate widened from 47 bps in June 2026 to 104 bps in September 2026, indicating tighter liquidity conditions across the banking system. The KSA banking system's regulated LDR increased from 79.68% in June 2026 to 80.68% in July 2026, indicating a modest tightening in liquidity headroom.

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



Source: Bloomberg

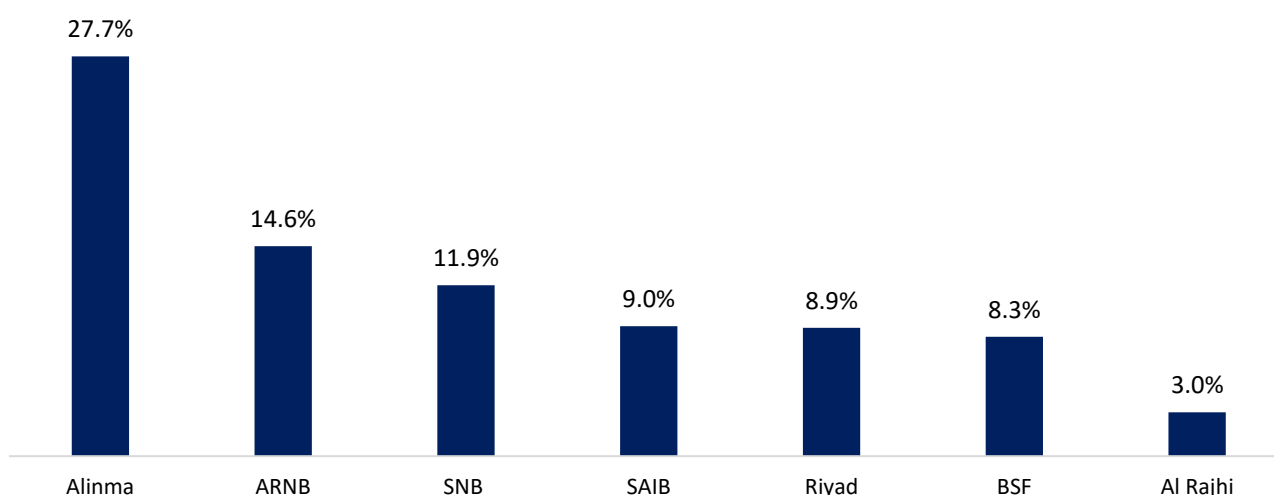
Interest Rate Sensitivities (IRS) Gap

An interest rate gap measures a bank's exposure to interest rate risk and reflects the difference between rate-sensitive assets and liabilities that reprice over specified time periods. A positive gap indicates that a larger proportion of assets than liabilities are subject to repricing, which can support NIMs in a rising-rate environment as asset yields adjust ahead of funding costs. Conversely, a negative gap implies greater sensitivity to higher funding costs as liabilities reprice faster than assets. Following the rate-easing cycle that began in September 2024, the US Federal Reserve raised its benchmark rate by 25bps to 3.75–4.00% in September 2026. Given the SAR's peg to the US dollar, the Saudi Central Bank (SAMA) also increased its policy rates by 25bps, marking a shift towards a higher-rate environment. The impact on Saudi banks is likely to remain differentiated, depending on the timing of asset and liability repricing and the composition of their funding bases.

The rate hike should support NIMs for banks with positive interest rate sensitivity gaps, particularly those with a higher share of variable-rate financing subject to near-term repricing. However, the benefit will depend on the pace of deposit repricing and funding competition. Banks with stronger CASA franchises and higher non-interest-bearing deposits should be better positioned to retain the uplift in asset yields, while those reliant on time deposits could see faster funding-cost increases. Based on 2025 annual report disclosures, Alinma and ARNB appear best positioned to benefit from the higher-rate environment. Banks with assets repricing within shorter periods could see a more immediate NIM benefit, while those with repricing concentrated in the 3–12-month or longer buckets may see the impact with a lag. Overall, the NIM impact will depend on financing mix, deposit composition, CASA levels and repricing dynamics.

The analysis is based on the interest rate risk positions disclosed in banks annual reports and is intended to provide a directional assessment of NIM sensitivity. It does not factor in subsequent changes in balance-sheet composition, loan growth, deposit mobilisation, funding mix, utilisation of derivatives or changes in interest rate risk management strategies. Accordingly, the actual impact of the rate hike on individual banks NIMs may differ from that implied by their reported repricing gaps.

Sensitivity Gap 3-12 months as % of total Assets



Source: FABS

Contents:

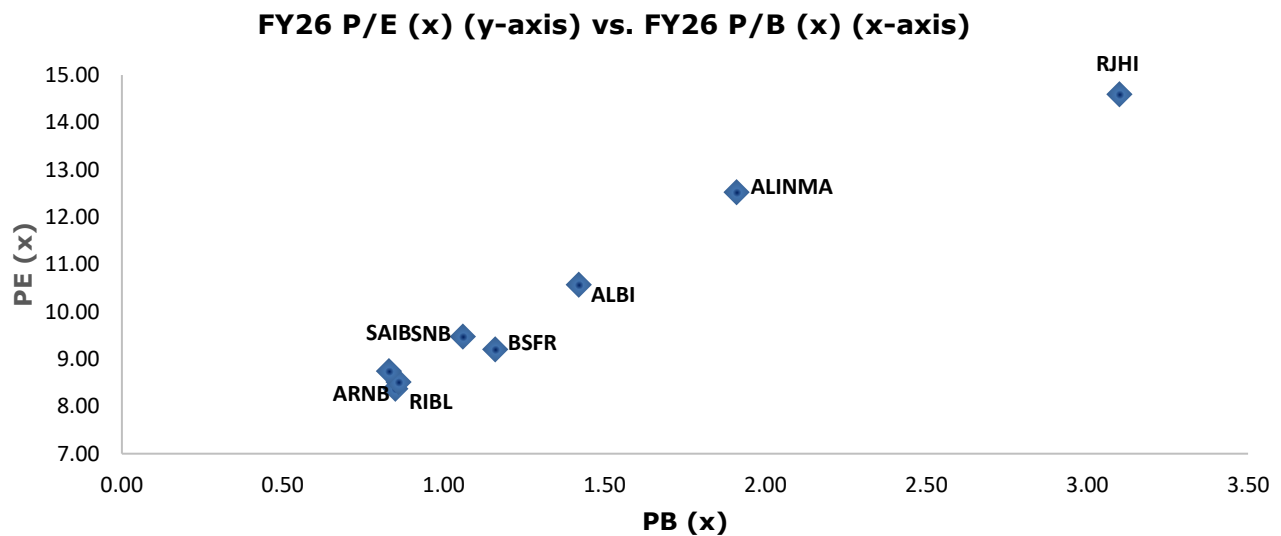
Top Picks and Rating Changes	1
Key Industry Themes	3
KSA Banking Liquidity	7
Interest Rate Sensitivities (IRS) Gap	9
Relative valuation and rating	11
Banking indicators	13
Banking Stock performance	20
3Q26 preview: Saudi National Bank	21
3Q26 preview: Banque Saudi Fransi.....	25
3Q26 preview: Riyadh Bank.....	29
3Q26 preview: Arab National Bank	32
3Q26 preview: Alinma Bank	36
3Q26 preview: Bank Albilad	39
3Q26 preview: Al Rajhi Bank.....	42
3Q26 preview: Saudi Investment Bank.....	45
FAB Securities Contacts:	

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 1.40x and P/E of 10.25x based on 2026 estimated financials. SAIB is the cheapest on a P/B basis at 0.83x, followed by Riyad Bank at 0.85x. On a P/E basis, Al Rajhi remains the most attractive at 14.59x, while Riyad Bank also trades at a relatively low multiple of 8.37x. Al Rajhi Bank trades at the expensive valuation, with a P/B of 3.10x and P/E of 14.59x.

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



Source: FABS estimate

Market Weight

- We maintain a Market Weight stance on the KSA banking sector, with 7 BUY and 1 HOLD recommendations across our 8 covered banks.
- We have downgraded our ratings on ARNB (BUY to HOLD) while keeping their target prices unchanged.
- We continue to maintain BUY ratings on SNB, RIBL, ALINMA, ALBI, ALRAJHI, BSF and SAIB.

Target price and rating

Companies Name	Target Price (SAR)	Current Market Price (SAR)	Potential Change	Rating
RJHI	78.00	63.75	+22.4%	BUY
ALBI	30.00	23.59	+27.2%	BUY
RIBL	27.00	19.71	+37.0%	BUY
ALINMA	29.50	24.70	+19.4%	BUY
SNB	50.00	39.02	+28.1%	BUY
ARNB	25.00	23.00	+8.7%	HOLD
BSF	24.00	20.20	+18.8%	BUY
SAIB	17.80	11.97	+48.7%	BUY

FABS Estimate

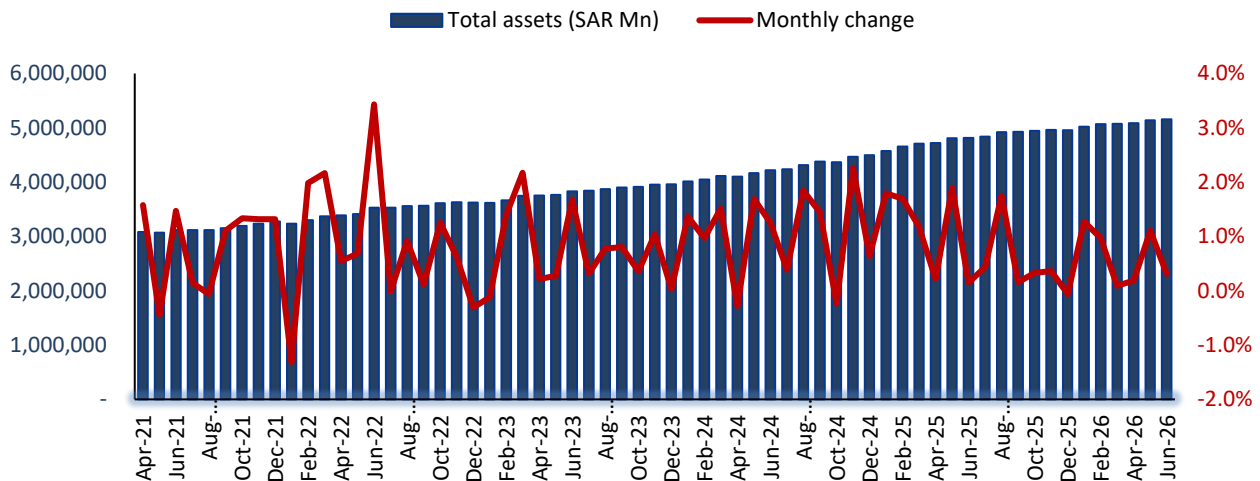
Banking indicators

1. Assets

Total banking assets rose 7.1% YOY in June 2026

KSA's total banking assets increased 7.1% YOY and 0.3% MOM to SAR 5,156.1 Bn in June 2026.

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



Source: SAMA data

Total assets across Saudi banks increased on a YOY basis in 2Q26, reflecting broad-based balance sheet expansion

All banks under our coverage witnessed total asset expansion on a YOY basis in 2Q26. Bank Al Bilad delivered the strongest increase at 15.2% YOY to SAR 186.5 Bn in 2Q26, followed by Alinma Bank with 10.8% YOY growth and Saudi Investment Bank with a 10.0% YOY rise in 2Q26. Al Rajhi recorded the lowest annual increase at 1.8% YOY to SAR 1,054.8 Bn in 2Q26. On a QOQ basis, Arab National Bank recorded the highest growth at 3.7%, followed by Bank Al Bilad at 3.6% and Saudi Investment Bank at 2.1%, while Riyadh Bank posted a 0.6% QOQ decline to SAR 533.6 Bn in 2Q26. Moreover, the overall KSA banking system expanded 7.1% YOY and 1.6% QOQ to SAR 5,156.1 Bn in 2Q26, with all banks under our coverage reporting positive YOY growth, while Riyadh Bank was the only bank to record a QOQ decline.

Total assets (SAR Mn)	2Q25	3Q25	4Q25	1Q26	2Q26	YOY%	QOQ%
Al Rajhi	1,035,852	1,059,240	1,043,268	1,051,268	1,054,772	1.8%	0.3%
Bank Al Bilad	161,902	167,929	172,972	179,959	186,478	15.2%	3.6%
Riyadh Bank	490,816	507,566	519,481	537,083	533,637	8.7%	-0.6%
Alinma Bank	297,216	307,214	311,067	324,291	329,287	10.8%	1.5%
Saudi National Bank	1,200,998	1,206,607	1,210,032	1,228,496	1,244,688	3.6%	1.3%
Arab National Bank	268,983	280,486	281,383	284,891	295,516	9.9%	3.7%
Banque Saudi Fransi	301,490	314,946	309,006	324,810	327,983	8.8%	1.0%
Saudi Investment Bank	167,292	174,912	172,720	180,284	184,021	10.0%	2.1%
KSA banking system	4,814,086	4,927,309	4,958,105	5,074,440	5,156,054	7.1%	1.6%

Bank data and SAMA

Bank Al Bilad recorded the highest YOY growth in assets market share in 2Q26

Bank Al Bilad recorded the strongest gain in asset market share, increasing by 25 bps YOY to 3.6% in 2Q26, followed by Alinma Bank with a 21 bps YOY increase to 6.4%, Riyadh Bank with a 15 bps YOY gain to 10.3%, and Arab National Bank with a 14 bps YOY increase to 5.7% in 2Q26. Banque Saudi Fransi and Saudi Investment Bank also reported increases of 10 bps YOY and 9 bps YOY, respectively, with market shares of 6.4% and 3.6% respectively, in 2Q26. In contrast, Al Rajhi and Saudi National Bank saw declines in market share on a YOY basis. Al Rajhi registered the largest drop of 106 bps YOY to 20.5% in 2Q26, while Saudi National Bank recorded 81 bps YOY decline to 24.1% in 2Q26. Despite the decline, Saudi National Bank continued to hold the highest asset market share at 24.1%, followed by Al Rajhi Bank and Riyadh Bank in 2Q26.

Asset market share							
	2Q25	3Q25	4Q25	1Q26	2Q26	YOY (bps)	QOQ (bps)
Al Rajhi	21.5%	21.5%	21.0%	20.7%	20.5%	-106	-26
Bank Al Bilad	3.4%	3.4%	3.5%	3.5%	3.6%	25	7
Riyadh Bank	10.2%	10.3%	10.5%	10.6%	10.3%	15	-23
Alinma Bank	6.2%	6.2%	6.3%	6.4%	6.4%	21	0
Saudi National Bank	24.9%	24.5%	24.4%	24.2%	24.1%	-81	-7
Arab National Bank	5.6%	5.7%	5.7%	5.6%	5.7%	14	12
Banque Saudi Fransi	6.3%	6.4%	6.2%	6.4%	6.4%	10	-4
Saudi Investment Bank	3.5%	3.5%	3.5%	3.6%	3.6%	9	2

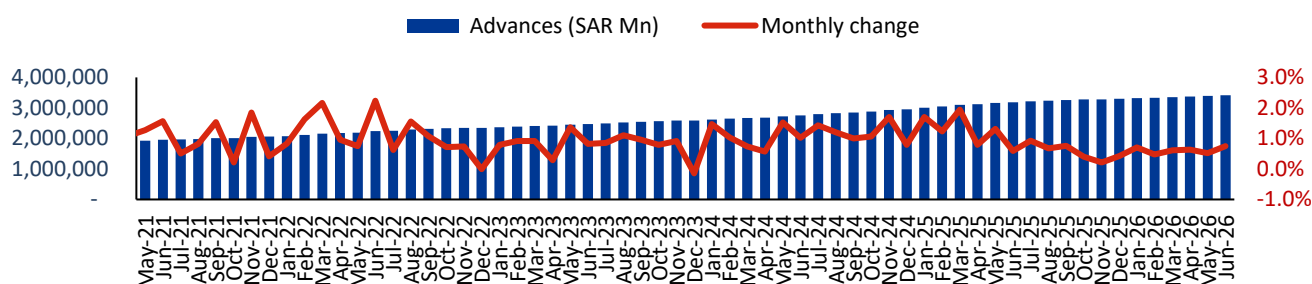
Bank data

2. Advances

KSA banking system Net advances grew 7.3% YOY in June 2026

KSA banking system net advances increased 7.3% YOY and 0.8% MOM to SAR 3,419.3 Bn in June 2026.

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



Source: SAMA data

All Banks under our coverage recorded growth in advances during 2Q26

All the banks under our coverage reported growth in net advances on both a YOY and QOQ basis in 2Q26. Bank Al Bilad recorded the highest growth of 15.3% YOY to SAR 133.4 Bn in 2Q26, followed by Alinma Bank with 11.6% YOY growth to SAR 243.9 Bn in 2Q26. Arab National Bank also reported 10.4% YOY increase in advances to SAR 205.8 Bn in 2Q26. However, Al Rajhi Bank recorded the lowest growth in net advances, with an increase of 2.7% YOY to SAR 762.1 Bn in 2Q26.

Net advances

(SAR Mn)	2Q25	3Q25	4Q25	1Q26	2Q26	YOY%	QOQ%
Al Rajhi	741,715	755,985	752,760	753,730	762,096	2.7%	1.1%
Bank Al Bilad	115,689	119,135	122,188	129,803	133,418	15.3%	2.8%
Riyad Bank	354,550	368,554	373,305	377,047	377,629	6.5%	0.2%
Alinma Bank	218,596	225,684	229,747	238,325	243,911	11.6%	2.3%
Saudi National Bank	714,839	725,090	729,311	732,658	739,563	3.5%	0.9%
Arab National Bank	186,476	191,356	195,299	198,639	205,782	10.4%	3.6%
Banque Saudi Fransi	209,881	215,592	214,891	221,929	224,241	6.8%	1.0%
Saudi Investment Bank	108,423	110,581	112,070	115,608	117,320	8.2%	1.5%
KSA banking system	3,186,271	3,262,152	3,296,176	3,355,206	3,419,326	7.3%	1.9%

Bank data

Al Rajhi recorded the highest advances in market share in 2Q26

Al Rajhi maintained the largest advances market share at 22.3% in 2Q26, followed by Saudi National Bank at 21.6% and Riyad Bank at 11.0% in 2Q26. Among all banks under our coverage, four banks recorded growth in advances market share on a YOY basis in 2Q26. Alinma Bank and Bank Al Bilad posted the highest improvement, with an increase of 27 bps YOY in 2Q26, followed by Arab National Bank with a 17 bps YOY rise, and Saudi Investment Bank with a 3 bps YOY increase in 2Q26. However, Al Rajhi Bank witnessed the largest decline in advances market share of 99 bps YOY and 18 bps QOQ to 22.3% during 2Q26, followed by Saudi National Bank with 81 bps YOY decline and 21 bps QOQ decline to 21.6%. Riyad Bank recorded a decline of 8 bps YOY and 19 bps QOQ to 11.0% in 2Q26, while Banque Saudi Fransi posted a 3 bps YOY and 6 bps QOQ decline to 6.6% in 2Q26.

Advances market share

	2Q25	3Q25	4Q25	1Q26	2Q26	YOY (bps)	QOQ (bps)
Al Rajhi	23.3%	23.2%	22.8%	22.5%	22.3%	-99	-18
Bank Al Bilad	3.6%	3.7%	3.7%	3.9%	3.9%	27	3
Riyad Bank	11.1%	11.3%	11.3%	11.2%	11.0%	-8	-19
Alinma Bank	6.9%	6.9%	7.0%	7.1%	7.1%	27	3
Saudi National Bank	22.4%	22.2%	22.1%	21.8%	21.6%	-81	-21
Arab National Bank	5.9%	5.9%	5.9%	5.9%	6.0%	17	10
Banque Saudi Fransi	6.6%	6.6%	6.5%	6.6%	6.6%	-3	-6
Saudi Investment Bank	3.4%	3.4%	3.4%	3.4%	3.4%	3	-1

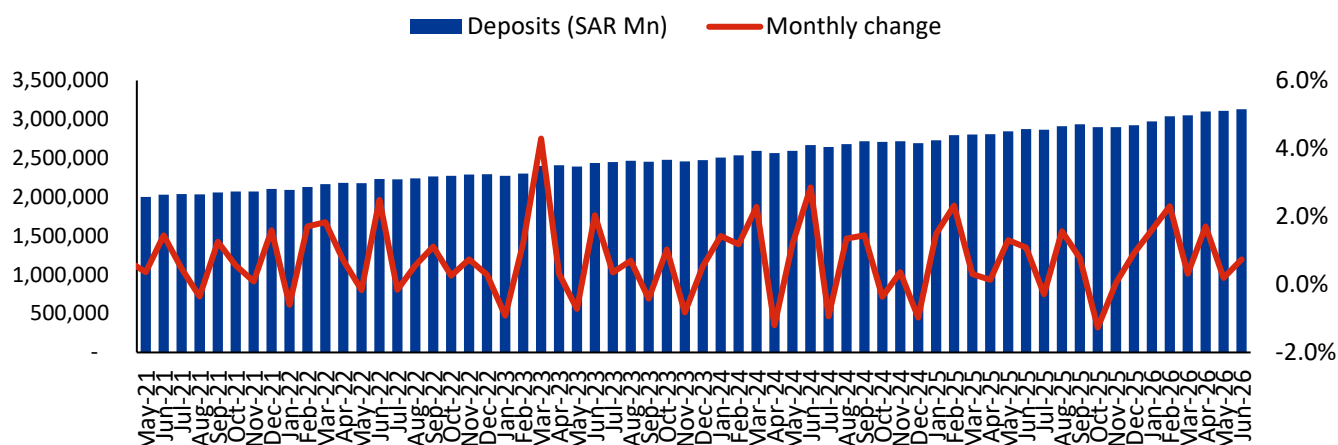
Bank data

3. Customer Deposits

KSA banking system customer deposits grew 8.9% YOY in June 2026

KSA banking system customer deposits reported a growth of 8.9% YOY and 0.7% MOM to SAR 3,131.8 Bn in June 2026.

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



Source: SAMA data

All Banks under our coverage recorded growth in deposits on a YOY basis in 2Q26

All banks under our coverage experienced growth in deposits on a YOY basis in 2Q26. Saudi Investment Bank posted the highest increase of 21.3% YOY to SAR 121.6 Bn in 2Q26, followed by Bank Al Bilad with 18.8% YOY rise to SAR 147.2 Bn and Banque Saudi Fransi with 12.0% YOY growth to SAR 204.6 Bn in 2Q26. Al Rajhi Bank recorded the lowest deposits growth of 3.6% YOY to SAR 688.4 Bn in 2Q26. On a quarterly basis, Saudi National Bank and Bank Al Bilad recorded the strongest QOQ growth of 4.9% each in deposits during 2Q26, followed by Arab National Bank with 4.7% QOQ growth. Meanwhile, Riyadh Bank and Saudi Investment Bank posted declines of 1.2% QOQ and 1.1% QOQ, respectively, in deposits during 2Q26.

Deposits (SAR Mn)	2Q25	3Q25	4Q25	1Q26	2Q26	YOY%	QOQ%
Al Rajhi	664,687	670,180	667,288	678,734	688,359	3.6%	1.4%
Bank Al Bilad	123,929	129,023	132,879	140,294	147,188	18.8%	4.9%
Riyad Bank	316,811	325,413	331,721	352,567	348,271	9.9%	-1.2%
Alinma Bank	229,944	234,623	227,374	239,604	245,254	6.7%	2.4%
Saudi National Bank	658,675	639,488	636,094	665,462	698,170	6.0%	4.9%
Arab National Bank	201,739	210,697	209,287	208,021	217,751	7.9%	4.7%
Banque Saudi Fransi	182,690	185,868	195,219	199,583	204,588	12.0%	2.5%
Saudi Investment Bank	100,236	105,152	109,619	122,935	121,559	21.3%	-1.1%
KSA banking system	2,875,706	2,935,011	2,925,812	3,050,923	3,131,835	8.9%	2.7%

Bank data and SAMA

Saudi National Bank recorded the largest deposit market share in 2Q26

Saudi National Bank holds the largest deposit market share at 22.3% in 2Q26, followed by Al Rajhi Bank at 22.0% and Riyad Bank at 11.1% in 2Q26. Among all banks under our coverage, four banks recorded an increase in deposit market share on a YOY basis in 2Q26. Saudi Investment Bank posted the largest increase of 40 bps YOY to 3.9% in 2Q26, followed by Bank Al Bilad with a 39 bps YOY rise to 4.7% and Banque Saudi Fransi with 18 bps YOY increase to 6.5% in 2Q26 while Riyad Bank increased 10 bps YOY. Meanwhile, Al Rajhi reported the highest decline of 113 bps YOY to 22.0% in 2Q26.

Deposits market share

	2Q25	3Q25	4Q25	1Q26	2Q26	YOY (bps)	QOQ (bps)
Al Rajhi	23.1%	22.8%	22.8%	22.2%	22.0%	-113	-27
Bank Al Bilad	4.3%	4.4%	4.5%	4.6%	4.7%	39	10
Riyad Bank	11.0%	11.1%	11.3%	11.6%	11.1%	10	-44
Alinma Bank	8.0%	8.0%	7.8%	7.9%	7.8%	-17	-2
Saudi National Bank	22.9%	21.8%	21.7%	21.8%	22.3%	-61	48
Arab National Bank	7.0%	7.2%	7.2%	6.8%	7.0%	-6	13
Banque Saudi Fransi	6.4%	6.3%	6.7%	6.5%	6.5%	18	-1
Saudi Investment Bank	3.5%	3.6%	3.7%	4.0%	3.9%	40	-15

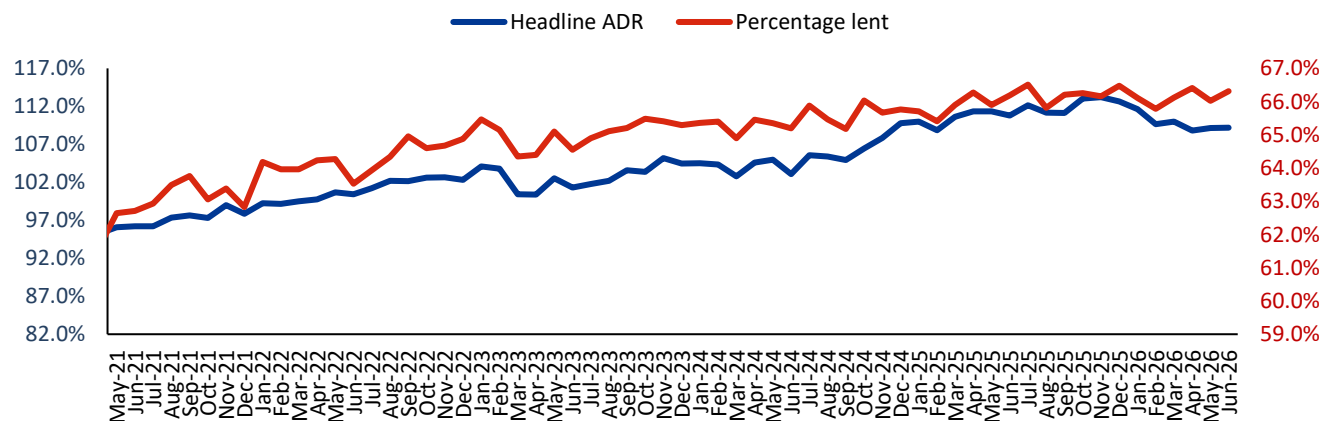
Bank data

4. Liquidity

KSA banking system's liquidity remained under pressure in June 2026

KSA's banking system's headline ADR ratio remained stable at 109.2% in June 2026, unchanged from May 2026. The lending percentage to total assets increased 29 bps MOM to 66.3% in June 2026.

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



Source: SAMA data

Alinma Bank recorded the highest ADR growth on a YOY basis in 2Q26

In 2Q26, all listed banks posted ADR levels above 90%. Al Rajhi Bank reported the highest ADR at 110.7% in 2Q26, followed by Banque Saudi Fransi at 109.6% and Riyad Bank at 108.4%. Bank Al Bilad recorded the lowest ADR at 90.6% in 2Q26. Among all banks under our coverage, only two recorded an improvement in ADR on a YOY basis in 2Q26. Alinma Bank delivered the highest increase

of 439 bps YOY to 99.5% in 2Q26, followed by Arab National Bank with a 207 bps YOY rise to 94.5% in 2Q26. Meanwhile, Saudi Investment Bank recorded the largest decline from 108.2% in 2Q25 to 96.5% in 2Q26, followed by Banque Saudi Fransi with a 528 bps YOY decline to 109.6% and Riyadh Bank with a 348 bps YOY decline to 108.4% in 2Q26.

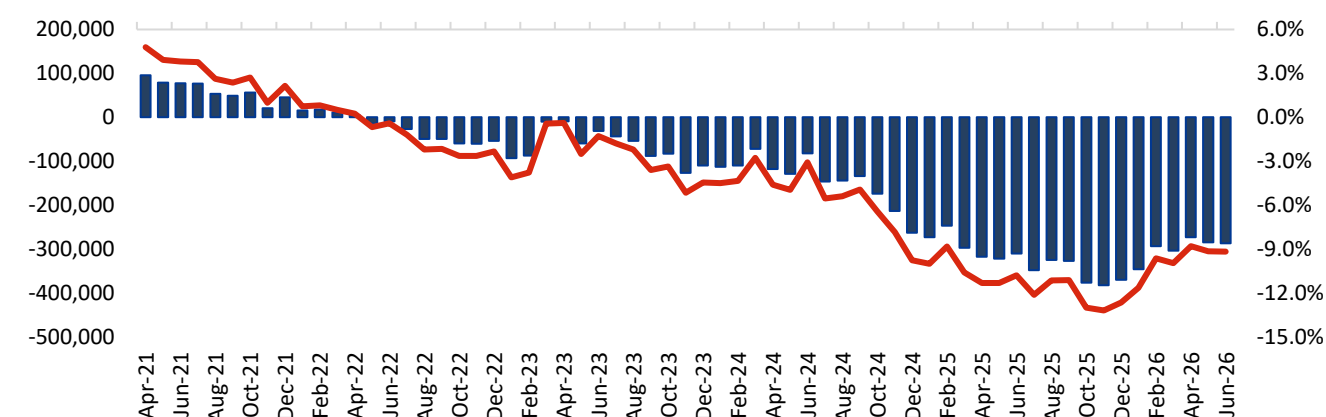
ADR	2Q25	3Q25	4Q25	1Q26	2Q26	YOY (bps)	QOQ (bps)
Al Rajhi	111.6%	112.8%	112.8%	111.0%	110.7%	-88	-34
Bank Al Bilad	93.4%	92.3%	92.0%	92.5%	90.6%	-271	-188
Riyad Bank	111.9%	113.3%	112.5%	106.9%	108.4%	-348	149
Alinma Bank	95.1%	96.2%	101.0%	99.5%	99.5%	439	-1
Saudi National Bank	108.5%	113.4%	114.7%	110.1%	105.9%	-260	-417
Arab National Bank	92.4%	90.8%	93.3%	95.5%	94.5%	207	-99
Banque Saudi Fransi	114.9%	116.0%	110.1%	111.2%	109.6%	-528	-159
Saudi Investment Bank	108.2%	105.2%	102.2%	94.0%	96.5%	-1,165	247

Bank data

KSA banking system deposits less advances increased in June 2026

KSA banking deposits less advances widened from negative SAR 284.9 Bn in May 2026 to negative SAR 287.5 Bn in June 2026.

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



Source: SAMA data

Bank Al Bilad recorded the highest deposit surplus in 2Q26

Four out of eight banks under our coverage recorded a deposit surplus in 2Q26. Bank Al Bilad posted the highest deposit surplus of SAR 13.8 Bn in 2Q26, followed by Arab National Bank with a deposit surplus of SAR 12.0 Bn and Saudi Investment Bank with a deposit surplus of 4.2 Bn in 2Q26 followed by Alinma Bank with a deposit surplus of 1.3 Bn. Meanwhile, Al Rajhi Bank recorded the largest deposit deficit of SAR 73.7 Bn during 2Q26, followed by Saudi National Bank with a deposit deficit of SAR 41.4 Bn and Riyadh Bank with a deposit deficit of SAR 29.4 Bn in 2Q26.

Deposit surplus/-deficit

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26	YOY%	QOQ%
Al Rajhi	-77,028	-85,805	-85,472	-74,996	-73,737	-4.3%	-1.7%
Bank Al Bilad	8,240	9,888	10,691	10,491	13,769	67.1%	31.2%
Riyadh Bank	-37,739	-43,141	-41,584	-24,480	-29,358	-22.2%	19.9%
Alinma Bank	11,348	8,939	-2,373	1,280	1,343	-88.2%	5.0%
Saudi National Bank	-56,163	-85,602	-93,217	-67,196	-41,393	-26.3%	-38.4%
Arab National Bank	15,263	19,341	13,987	9,382	11,970	-21.6%	27.6%
Banque Saudi Fransi	-27,191	-29,724	-19,672	-22,346	-19,653	-27.7%	-12.0%
Saudi Investment Bank	-8,186	-5,429	-2,451	7,327	4,239	-151.8%	-42.1%

Bank 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 September 2026. ALINMA recorded highest gains of 20.3% YTD among KSA banks followed by, BSF (18.1%), SAIB (9.5%), and ARNB (3.8%). Bank Albilad (ALBI) recorded highest decline of 5.4% YTD followed by RIBL (4.0%) and RJHI (2.6%).

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

		UAE	KSA	Qatar	Egypt	Ranking
QIBK	-14.6%			-14.6%		28
MARK	-15.0%			-15.0%		31
CBD	6.7%	6.7%				14
MASQ	28.9%	28.9%				1
QNBK	-14.8%			-14.8%		29
UAB	2.3%	2.3%				19
SIB	4.2%	4.2%				15
CBQK	-4.7%			-4.7%		25
DSM	-13.7%					27
RJHI	-2.6%		-2.6%			23
TASI	0.0%					21
ADI	0.2%					20
ALINMA	20.3%		20.3%			5
ALBI	-5.4%		-5.4%			26
BSF	18.1%		18.1%			7
RAKBANK	19.3%	19.3%				6
DHBK	-14.9%			-14.9%		30
COMI	22.4%				22.4%	4
FAB	11.2%	11.2%				10
EGX30	28.0%					2
BOS	22.6%	22.6%				3
NCB	2.4%					18
DFM	-2.3%					22
ARNB	3.8%		3.8%			16
RIBL	-4.0%		-4.0%			24
CBI	3.5%	3.5%				17
ENBD	10.7%	10.7%				11
ADIB	11.7%	11.7%				9
DIB	-21.8%	-21.8%				32
AJMANBANK	9.8%	9.8%				12
ADCB	14.4%	14.4%				8
SAIB	9.5%		9.5%			13
AVERAGE		9.5%	5.7%	-12.8%	22.4%	

3Q26 preview: **Saudi National Bank (SNB)**

Lower credit costs and stronger financing momentum expected to support earnings

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 39.02	SAR 50.00	+28.1%	BUY

3Q26 Forecast

Saudi National Bank's (SNB/the Bank) net profit attributable to equity shareholders is projected to increase 4.6% YOY to SAR 6,764 Mn in 3Q26, primarily driven by an expected increase in net special commission income, coupled with decline in other non-operating expenses and zakat charges, partially offset by lower non-funded income along with sharp rise in impairment charges. The Bank's commission income is expected to decline marginally by 0.4% YOY to SAR 15,745 Mn in 3Q26. Commission expense is expected to fall by 9.9% YOY to SAR 7,668 Mn in 3Q26. As a result, net special commission income is expected to rise 10.5% YOY to SAR 8,077 Mn in 3Q26. SNB's non-funded income is expected to decline 2.1% YOY to SAR 2,778 Mn in 3Q26, due to a forecasted decline in income from FVIS investments, gains on non FVIS financial instruments, dividend income and trading income, partially offset by increase in fees and commission income, exchange income and decline in other operating expenses. As a result, operating income is anticipated to increase 7.0% YOY to SAR 10,855 Mn in 3Q26. The Bank's total operating expenses are expected to increase by 12.5% YOY to SAR 2,804 Mn in 3Q26, due to projected increase in salaries and employees related expense and other general and administrative expenses, partially offset by decline in rent and premises related expenses, depreciation and amortisation charges. Thus, we expect the cost to income to grow 140 bps YOY to 23.9% in 3Q26. SNB's other non-operating expenses are expected to decline 25.0% YOY to SAR 109 Mn in 3Q26. The Bank's impairment charges is expected to increase from SAR 231 Mn in 3Q25 to SAR 377 Mn in 3Q26. Zakat expenses are expected to decline by 1.2% YOY to SAR 794 Mn in 3Q26. The Bank is expected to report a profit attributable to non-controlling interests of SAR 7 Mn in 3Q26, compared to SAR 4 Mn in 3Q25.

2026 forecast

SNB's net profit is anticipated to grow 3.8% YOY to SAR 25,961 Mn in 2026, largely driven by expected growth in net funded and non-funded income coupled with lower impairments charges, partially offset by an expected increase in operating expenses and other non-operating expenses. Commission income is expected to increase 1.4% YOY to SAR 61,785 Mn in 2026, driven by expected growth in investments and loans portfolio. Commission expense is anticipated to decline 3.1% YOY to SAR 30,816 Mn in 2026. Resultantly, net funded income is projected to increase 6.2% YOY to SAR 30,970 Mn in 2026. We expect the NIMs to decline 4 bps YOY to 2.8% in 2026. SNB's non-funded income is expected to increase 4.3% YOY to SAR 10,469 Mn in 2026, mainly due to expected increase in fees and commissions income, exchange income, income from FVIS investments, gains on non-FVIS financial instruments, and dividend income partially offset by lower trading income. Total operating income is expected to rise by 5.7% YOY to SAR 41,439 Mn in 2026. Total operating expenses are expected to grow by 12.4% YOY to SAR 11,096 Mn in 2026, mainly due to an expected increase in salaries & employee-related expenses, depreciation of property & equipment, and other general & administrative expenses, partially offset by a decrease in rent & premises-related expenses and amortisation expense. Thus, we expect the cost-to-income to increase 170 bps YOY to 24.8% 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 decline from SAR 1,034 Mn in 2025 to SAR 908 Mn in 2026. Meanwhile, zakat expenses are expected to rise 4.9% YOY to SAR 3,049 Mn in 2026. The Bank is expected to report a profit attributable to non-controlling interests of SAR 26 Mn in 2026, compared to a loss of SAR 22 Mn in 2025.

2Q26 Outturn

SNB's funded income rose 1.6% YOY to SAR 15,404 Mn in 2Q26, driven by an increase in loan book and other interest earnings assets. Funded expenses declined 7.0% YOY to SAR 7,510 Mn in 2Q26. Thus, net funded income grew 11.4% YOY to SAR 7,894 Mn in 2Q26. The Bank's calculated NIMs increased 12 bps YOY to 2.9% in 2Q26. Total non-funded income increased 10.8% YOY to SAR 2,689 Mn in 2Q26, mainly due to higher income from FVIS investment and net exchange income coupled with increase in other operating expenses, partially offset by decline in fees and commission income, gains on non-FVIS financial instrument, net trading income and dividend income. Fees and commission income declined marginally 0.1% YOY to SAR 1,243 Mn in 2Q26. Exchange income grew 3.3% YOY to SAR 612 Mn in 2Q26. In addition, income from FVIS financial instrument grew from SAR 468 Mn in 2Q25 to SAR 960 Mn in 2Q26. SNB further recorded a decline in gains on non-FVIS financial instrument from SAR 172 Mn in 2Q25 to SAR 130 Mn in 2Q26. Other operating expenses increased from SAR 372 Mn in 2Q25 to SAR 455 Mn in 2Q26. Trading and dividend income also declined 51.2% YOY and 24.5% YOY to SAR 81 Mn and SAR 118 Mn, respectively during 2Q26. Thus, total operating income rose 11.3% YOY to SAR 10,583 Mn in 2Q26. Total operating expenses increased marginally by 0.9% YOY to SAR 2,790 Mn in 2Q26, driven by higher salaries and employee related expenses, depreciation of property and equipment, partially offset by lower rent and premises related expenses and other general and admin costs. Salaries and employee related expense increased 3.5% YOY to SAR 1,270 Mn in 2Q26. Whereas, rent and related expenses declined 6.7% YOY to SAR 112 Mn in 2Q26. Depreciation charges increased 2.5% YOY to SAR 422 Mn in 2Q26. While, amortization charges remained flat at SAR 205 Mn in 2Q26. Other general and administrative expenses declined 2.5% YOY to SAR 781 Mn in 2Q26. Resultantly, the Bank's cost-to-income improved 249 bps YOY to 24.4% in 2Q26. Furthermore, SNB's other non-operating expenses increased from SAR 51 Mn in 2Q25 to SAR 111 Mn in 2Q26. The Bank recorded impairment charges of SAR 258 Mn in 2Q26, compared to impairment reversal of SAR 170 Mn in 2Q25. Zakat charges increased 9.7% YOY to SAR 809 Mn in 2Q26. In addition, the share of profit attributable to non-controlling interest holders stood at positive SAR 9 Mn in 2Q26, compared to a negative of SAR 10 Mn in 2Q25.

Target price and recommendation

We maintain our BUY rating on SNB with a target price of SAR 50.00. SNB reported resilient performance in 2Q26, supported by continued growth in net funded income, stable asset quality and disciplined cost management. The Bank's net funded growth accelerated to 11.4% YOY in 2Q26, supported by asset repricing, active balance-sheet management and disciplined funding-cost management, lifting reported NIMs to 3.02%, up 17 bps QOQ. SNB expects NIMs to remain above the 1Q26 level through 2H26, although some moderation is likely as the Bank continues to balance loan volumes with returns. SNB is also maintaining its mid-single-digit net funded growth guidance for 2026, despite revising financing-growth guidance to mid-single digit, reflecting its focus on value-accretive growth rather than balance-sheet expansion alone. SNB's loan book grew 3.5% YOY and 0.9% QOQ to SAR 739.6 Bn in 2Q26. The investment portfolio grew 2.1% YOY to SAR 322.2 Bn, despite a modest 0.3% QOQ decline in 2Q26, as the Bank continued to actively manage its portfolio across liquid and risk-adjusted return opportunities. Customer deposits increased 6.0% YOY and 4.9% QOQ to SAR 698.2 Bn during 2Q26, further strengthening the funding base and supporting future financing expansion. Financing mix continued to improve, with MSME financing rising 17.0% YTD, while FI exposure declined 26.0%. The Bank also highlighted that the expanding MSME franchise is supporting cross-selling opportunities across deposits, payments, FX and transaction banking, providing additional support to both financing income and fee generation. Asset quality remained strong, with the reported NPL ratio excluding POCI remaining stable at 0.67% in 2Q26, compared to 1Q26. Non-performing financing rose marginally to SAR 5,014 Mn in 2Q26, from SAR 4,942 Mn in 1Q26, while Stage 2 coverage improved to 7.9% from 6.5% during the same period. Stage 3 coverage also remained robust at 76.7% in 2Q26. The Bank's cost of risk stood at 14 bps during 2Q26, normalizing from the negative level recorded in 1H26. SNB further upgraded its 2026 cost-of-risk guidance to 10-20 bps, supported by strong credit-risk management and recoveries. SNB also

noted that exposures to delayed or reprioritized projects remain immaterial relative to the wholesale and overall financing book, with existing provision coverage considered sufficient and no future adverse amounts expected from these exposures. Operating efficiency also remained healthy, with operating expenses increasing only 2.0% YOY in 1H26, resulting in a Bank's cost-to-income ratio of 25.6%. SNB continues to target further efficiency gains, with the ratio expected to move below 25% by year-end. Capital and liquidity remained strong, providing sufficient capacity for balance-sheet expansion and shareholder distributions. The total capital adequacy ratio increased to 22.0% in 2Q26, from 21.9% in 1Q26, while CET1 rose to 18.0% and Tier 1 remained at 20.6% during the same period. LCR moderated to 244.0%, while NSFR improved to 119.0%, with both ratios maintaining substantial regulatory buffers. SNB also announced an interim dividend of SAR 1.15 per share, equivalent to SAR 6.9 Bn for 1H26, while the Bank reiterated its intention to maintain a payout ratio above 50%. Thus, based on above mentioned factors, 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	26.361	27.662	29.317	32.094	34.273	36.892
EPS	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%	5.5%	5.7%

FABS Estimates & Co Data

SNB - P&L

SAR Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Commission income	15,815	15,404	15,745	-0.4%	2.2%	60,962	61,785	1.4%
Commission expense	8,508	7,510	7,668	-9.9%	2.1%	31,806	30,816	-3.1%
Net special commission income	7,308	7,894	8,077	10.5%	2.3%	29,155	30,970	6.2%
Fees and commissions	1,260	1,243	1,310	4.0%	5.4%	4,931	5,252	6.5%
Exchange income, net	593	612	605	2.0%	-1.1%	2,302	2,537	10.2%
Income from FVIS investment	1,095	960	963	-12.0%	0.3%	2,820	3,158	12.0%
Gains/Loss on non-trading invest	171	130	128	-25.0%	-1.3%	559	570	2.0%
Other Operating Income / Exp	-547	-455	-448	-18.0%	-1.4%	-1,649	-1,748	6.0%
Trading income, net	122	81	98	NM	NM	614	215	NM
Dividend income	144	118	123	-15.0%	4.3%	463	486	5.0%
Non-funded income	2,838	2,689	2,778	-2.1%	3.3%	10,039	10,469	4.3%
Operating income	10,145	10,583	10,855	7.0%	2.6%	39,195	41,439	5.7%
Salaries and emp-related exps	1,213	1,270	1,262	4.0%	-0.6%	4,911	5,106	4.0%
Rent and premises-related exps	125	112	119	-5.0%	6.4%	486	462	-5.0%
Dep of property and equipment	314	422	489	NM	15.9%	1,484	1,712	15.4%
Amort of intangible assets	205	205	205	-0.2%	-0.2%	820	819	-0.1%
Other G&A expenses	634	781	729	15.0%	-6.7%	2,171	2,996	38.0%
Total operating Expenses	2,492	2,790	2,804	12.5%	0.5%	9,872	11,096	12.4%
Other non-operating inc (exp), net	-145	-111	-109	-25.0%	-1.5%	-391	-399	2.0%
Pre-provision profit	7,508	7,682	7,942	5.8%	3.4%	28,931	29,944	3.5%
Impairment	231	258	377	NM	NM	1,034	908	-12.2%
PBT	7,277	7,424	7,565	4.0%	1.9%	27,897	29,035	4.1%
Zakat	804	809	794	-1.2%	-1.8%	2,905	3,049	4.9%
Profit after tax	6,473	6,615	6,771	4.6%	2.4%	24,992	25,987	4.0%
Non-controlling interest	4	9	7	NM	NM	-22	26	NM
Net Profit attri. to equity	6,469	6,606	6,764	4.6%	2.4%	25,013	25,961	3.8%

FABS estimate & Co Data

SNB - P&L KPI

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	72.0%	74.6%	74.4%	238	-19	74.4%	74.7%	35
NIMs – Trailing 12M	2.8%	2.8%	2.8%	5	2	2.8%	2.8%	-4
NIMs – Annualized	2.8%	2.9%	2.9%	11	2	2.8%	2.8%	-4
NIS	2.4%	2.6%	2.6%	25	3	2.4%	2.4%	1
Fees & comns/OI	12.4%	11.7%	12.1%	-35	33	12.7%	12.7%	0
Trading/OI	5.8%	5.8%	5.6%	-27	-21	6.1%	6.1%	0
Cost to income	22.5%	24.4%	23.9%	140	-48	23.1%	24.8%	170
Impairment/PPP	3.1%	3.4%	4.7%	167	139	3.6%	3.0%	-54
NP/OI	63.8%	62.4%	62.3%	-144	-11	63.8%	62.6%	-117
Cost of risk - Calculated	0.0%	0.14%	0.20%	20	6	0.15%	0.12%	-3
Loan-to-deposit (Headline)	113.4%	105.9%	106.0%	-743	2	114.7%	106.2%	-846
NPL - Calculated	0.8%	0.7%	0.7%	-17	-2	0.7%	0.7%	-8
NPL Coverage - Calculated	139.8%	143.8%	144.0%	423	20	137.5%	144.5%	700
Tier 1	19.5%	20.6%	20.9%	130	23	19.8%	20.1%	36
Capital adequacy	20.8%	22.0%	22.2%	140	19	21.2%	21.4%	26
ROAE	13.3%	12.6%	12.5%	-83	-5	13.4%	12.9%	-55
ROAA	2.1%	2.1%	2.1%	4	0	2.2%	2.1%	-8

FABS estimate & Co Data

SNB- Key BS Items

SAR Mn	3Q25	4Q25	1Q26	2Q26	3Q26F	YOY Ch
Net advances	7,25,090	7,29,311	7,32,658	7,39,563	7,53,657	3.9%
QOQ Change	1.4%	0.6%	0.5%	0.9%	1.9%	
Total assets	12,06,607	12,10,032	12,28,496	12,44,688	12,68,426	5.1%
QOQ Change	0.5%	0.3%	1.5%	1.3%	1.9%	
Customer deposits	6,39,488	6,36,094	6,65,462	6,98,170	7,11,318	11.2%
QOQ Change	-2.9%	-0.5%	4.6%	4.9%	1.9%	
Total equity	1,97,041	2,03,827	2,14,658	2,14,860	2,21,625	12.5%
QOQ Change	-0.1%	3.4%	5.3%	0.1%	3.1%	

FABS estimate & Co Data

3Q26 preview: Banque Saudi Fransi (BSF)

Lower funding costs and efficiency gains to drive profits

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 20.20	SAR 24.00	+18.8%	BUY

3Q26 forecast

Banque Saudi Fransi's (BSF/the Bank) net profit is expected to increase 13.1% YOY to SAR 1,530 Mn in 3Q26, driven by higher net special commission income and non-funded income, partially offset by increase in salaries & employee related expenses, rent & premises related expenses, depreciation & amortization, other general & administrative expenses, impairment charges and zakat expenses. The Bank's special commission income is expected to grow 2.7% YOY to SAR 4,638 Mn in 3Q26, supported by expected increase in loans & advances and investments, partially offset by anticipated decline in asset yield. The special commission expenses are expected to decline 6.6% YOY to SAR 2,200 Mn in 3Q26, primarily due to anticipated decline in cost of funds, partially offset by growth in customer deposits. Resultantly, the net special commission income is likely to increase 12.8% YOY to SAR 2,439 Mn in 3Q26. Meanwhile, the non-funded income is projected to rise 14.7% YOY to SAR 502 Mn in 3Q26, supported by forecasted increase in fees & commission income, net exchange income, net trading income and dividend income, partially offset by expected decline in gains on non-trading investments and other operating income. Fees & commission income is anticipated to increase 22.5% YOY to SAR 260 Mn in 3Q26, while net exchange income is projected to increase 4.2% YOY to SAR 126 Mn in 3Q26. Similarly, the trading income is expected to increase from SAR 47 Mn in 3Q25 to SAR 71 Mn in 3Q26. Dividend income is expected to increase from SAR 4 Mn in 3Q25 to SAR 28 Mn in 3Q26. Gains on non-trading investments are expected to decline from SAR 50 Mn in 3Q25 to SAR 16 Mn in 3Q26. Other operating income is anticipated to be nil in 3Q26 compared to SAR 2 Mn in 3Q25. As a result, total operating income is likely to increase 13.1% YOY to SAR 2,940 Mn in 3Q26. Salaries & employee related expenses are forecasted to grow 4.9% YOY to SAR 484 Mn in 3Q26. Rent & premises related expenses are anticipated to increase 20.0% YOY to SAR 25 Mn in 3Q26. Depreciation & amortization are expected to increase 19.0% YOY to SAR 100 Mn in 3Q26. Other general & administrative expenses are forecasted to grow 15.5% YOY to SAR 332 Mn in 3Q26. Thus, the Bank's operating expenses are likely to grow 10.2% YOY to SAR 941 Mn in 3Q26. However, the Bank's calculated cost-to-income ratio is expected to improve 84 bps YOY to 32.0% in 3Q26. As a result, pre-provision profit is expected to increase 14.5% YOY to SAR 1,999 Mn in 3Q26. The Bank's impairment charges are expected to increase 21.2% YOY to SAR 287 Mn in 3Q26. Thus, profit before zakat is expected to increase 13.5% YOY to SAR 1,712 Mn in 3Q26. Zakat expenses are also expected to increase 16.7% YOY to SAR 181 Mn in 3Q26.

2026 forecast

Banque Saudi Fransi's net profit is projected to grow 10.3% YOY to SAR 5,903 Mn in 2026, mainly driven by forecasted growth in net special commission income and non-funded income, partially offset by anticipated rise in salaries & employee related expenses, rent & premises related expenses, depreciation & amortization, other general & administrative expenses, impairment charges and zakat expenses. The Bank's special commission income is expected to increase 4.8% YOY to SAR 18,404 Mn in 2026, primarily driven by expected growth in loans and advances and investment portfolio, partially offset by projected decline in asset yield. The special commission expenses are expected to increase 0.9% YOY to SAR 8,945 Mn in 2026, primarily due to forecasted increase in customer deposits and due to banks & financial institutions, partially offset by projected decline in cost of funds. Thus, net funded income is expected to increase 8.8% YOY to SAR 9,459 Mn in 2026. On the non-funded side, fees and commission income is expected to increase 2.5% YOY to SAR 980 Mn in 2026. Net exchange income is projected to increase 4.0% YOY to SAR 505 Mn in 2026. Trading income is expected to grow 35.0% YOY to SAR 305 Mn in 2026. Dividend income is expected to rise from SAR 23 Mn in 2025 to SAR 112 Mn in 2026. The gains on non-trading investments are expected to increase

3.0% YOY to SAR 122 Mn in 2026. Thus, total non-funded income is likely to grow 9.6% YOY to SAR 2,023 Mn in 2026. As a result, total operating income is anticipated to increase 9.0% YOY to SAR 11,482 Mn in 2026. Salaries & 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 18.0% YOY to SAR 84 Mn in 2026. Depreciation & amortization expenses are expected to increase 15.9% YOY to SAR 385 Mn in 2026. Other general & administrative expenses are expected to expand 5.0% YOY to SAR 1,344 Mn in 2026. The operating expenses are expected to increase 5.7% YOY to SAR 3,764 Mn in 2026. The Bank's cost-to-income ratio is expected to improve from 33.8% in 2025 to 32.8% in 2026. As a result, pre-provision profit is expected to increase 10.6% YOY to SAR 7,719 Mn in 2026. The impairment charges are expected to rise 12.9% YOY to SAR 1,116 Mn in 2026. Thus, profit before zakat is expected to increase 10.2% YOY to SAR 6,603 Mn in 2026. Zakat expenses are expected to increase 10.1% YOY to SAR 700 Mn in 2026.

2Q26 outturn

BSF's funded income increased 5.8% YOY to SAR 4,577 Mn in 2Q26, supported by higher returns from financing and investments, along with growth in net advances. Funded expenses rose 5.0% YOY to SAR 2,233 Mn in 2Q26. Consequently, net funded income increased 6.7% YOY to SAR 2,343 Mn in 2Q26. Fee and commission income declined 11.8% YOY to SAR 247 Mn in 2Q26. Exchange income declined 3.6% YOY to SAR 124 Mn in 2Q26. Trading income increased from SAR 23 Mn in 2Q25 to SAR 84 Mn in 2Q26. Dividend income rose from SAR 6 Mn in 2Q25 to SAR 27 Mn in 2Q26. Gains on non-trading investments increased from SAR 15 Mn in 2Q25 to SAR 24 Mn in 2Q26, while the other operating income declined substantially to SAR 0.02 Mn in 2Q26 from SAR 29 Mn in 2Q25. Consequently, Bank's non-funded income increased 4.9% YOY to SAR 506 Mn in 2Q26. Thus, total operating income increased 6.4% YOY to SAR 2,849 Mn in 2Q26. Salaries & employee related expenses increased 5.0% YOY to SAR 499 Mn in 2Q26. Rent & premises related expenses declined 2.2% YOY to SAR 16 Mn in 2Q26. Depreciation and amortization expenses expanded 9.3% YOY to SAR 100 Mn in 2Q26. Other general and administrative expenses increased 6.9% YOY to SAR 310 Mn in 2Q26. As a result, operating expenses increased 5.9% YOY to SAR 925 Mn in 2Q26. Therefore, cost-to-income ratio improved 13 bps YOY to 32.5% in 2Q26. Pre-provision profit increased 6.6% YOY to SAR 1,924 Mn in 2Q26. Impairment charges increased 13.4% YOY to SAR 267 Mn in 2Q26, mainly due to a higher impairment charge for other financial assets, partially offset by a lower impairment charge for expected credit losses on loans and advances. BSF's zakat expenses increased 2.1% YOY to SAR 170 Mn in 2Q26. Thus, the net profit increased 6.0% YOY to SAR 1,487 Mn in 2Q26.

Target price and recommendation

We revise our rating from ACCUMULATE to BUY on BSF with a revised target price of SAR 24.00. Banque Saudi Fransi (BSF) reported a steady performance in 2Q26, with net profit increasing 6.0% YOY to SAR 1.49 Bn, supported by growth in core operating income. BSF's total assets increased 8.6% YOY and 1.0% QOQ to SAR 328.0 Bn in 2Q26, supported by continued growth in loans and advances and the investment portfolio. Net loans and advances rose 6.8% YOY and 1.0% QOQ to SAR 224.2 Bn in 2Q26, reflecting continued expansion across both commercial and consumer lending. While 2Q26 loan growth was softer than in 1Q26 on a QOQ basis, the underlying corporate financing pipeline remained healthy, with growth expected to remain in the high-single-digit range for 2026. The investment portfolio increased 17.3% YOY and 3.6% QOQ to SAR 74.2 Bn. The continued loan growth alongside higher investments supported overall balance sheet expansion, with loans remaining the key driver of asset growth. Customer deposits grew 12.0% YOY and 2.5% QOQ to SAR 204.6 Bn, supported by increases in both interest-bearing and non-interest-bearing deposits. The NIBD ratio stood at 43.0% in 2Q26 compared to 43.9% in 1Q26 and 47.0% in 2Q25, indicating a modest sequential shift toward interest-bearing funding. Despite the lower NIBD mix, the strong growth in total deposits should support funding flexibility going forward. Asset quality remained healthy in 2Q26, with the reported NPL ratio improving to 0.97% from 1.01% in 1Q26, while the NPL coverage ratio declined to 159.3% in 2Q26 from 175.8% in 1Q26. The NPL ratio improved following the write-off of two corporate accounts, while the lower coverage ratio reflected newly downgraded

NPLs with lower reserve coverage. Stage 3 coverage also declined to 56.9% in 2Q26 from 68.9% in 1Q26, while Stage 2 coverage moderated to 8.0% in 2Q26 compared to 8.4% in 1Q26. Meanwhile, impairment charges increased 13.4% YOY and 8.7% QOQ to SAR 267 Mn in 2Q26, although the reported cost of risk improved to 0.44% in 1H26 from 0.50% in 1H25, supported by continued balance sheet growth. The higher 2Q26 impairment charge was mainly due to provisions on investments and other exposures, while credit-loss impairments declined QOQ, supported by recoveries. BSF also narrowed its 2026 cost-of-risk guidance to 45-50bps from 45-55bps, reflecting a more measured normalization of the commercial book, alongside growth in its consumer finance subsidiary, JB, and prudent forecasting of recoveries. Liquidity remained comfortable despite some moderation in liquidity buffers. LCR declined to 168.9% in 2Q26 from 186.0% in 1Q26, while NSFR moderated to 125.0% in 2Q26, compared to 126.0% in 4Q25. The SAMA regulatory loan-to-deposit ratio increased to 77.8% in 2Q26 from 76.3% in 1Q26, while the headline ratio moderated to 109.6% in 2Q26 from 111.2% in 1Q26. Capitalization remained strong, although the total capital adequacy ratio moderated marginally to 20.8% in 2Q26 from 21.0% in 1Q26, while the Tier 1 and CET1 ratios were stable at 18.8% and 15.9% in 2Q26 compared to 1Q26. Risk-weighted assets increased 4.0% YTD to SAR 273.8 Bn in 1H26, while total regulatory capital rose marginally YTD to SAR 57.1 Bn, supported by retained earnings and partly offset by dividends and OCI. The stable CET1 ratio provides sufficient capital headroom to support further balance sheet expansion. The Bank targets an ROE above 15% under its Strategy 2030. Looking ahead, BSF 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 NIM of c. 3.00%, a cost-to-income ratio below 33%, an ROE of 12%–13% and a CET1 ratio above 15%. The Bank distributed a cash dividend of SAR 1.42 Bn for 1H26, equivalent to SAR 0.57 per share, reinforcing its commitment to a progressive dividend policy. Thus, 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	3.6%	3.9%	4.6%	5.0%	5.3%	5.7%

FABS Estimates & Co Data
BSF – P&L

SAR Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Special commission income	4,517	4,577	4,638	2.7%	1.4%	17,559	18,404	4.8%
Special commission expense	2,355	2,233	2,200	-6.6%	-1.5%	8,867	8,945	0.9%
Net Special Commission Inc	2,162	2,343	2,439	12.8%	4.1%	8,692	9,459	8.8%
Fee and commission income	212	247	260	22.5%	5.0%	956	980	2.5%
Exchange income, net	121	124	126	4.2%	2.0%	486	505	4.0%
Trading income, net	47	84	71	50.2%	-15.0%	226	305	35.0%
Dividend Income	4	27	28	565.7%	6.0%	23	112	NM
Gains on non-trading investments	50	24	16	-67.8%	-34.2%	118	122	3.0%
Other operating income	2	0	0	-100.0%	-100.0%	36	0	-99.4%
Non-funded income	437	506	502	14.7%	-0.9%	1,845	2,023	9.6%
Operating income	2,599	2,849	2,940	13.1%	3.2%	10,537	11,482	9.0%
Salaries & employee-related exp.	461	499	484	4.9%	-3.0%	1,876	1,951	4.0%
Rent & premises related exp.	21	16	25	20.0%	53.0%	71	84	18.0%
Depreciation and amortization	84	100	100	19.0%	0.7%	332	385	15.9%
Other G&A expenses	288	310	332	15.5%	7.0%	1,280	1,344	5.0%
Total operating Expenses	854	925	941	10.2%	1.7%	3,559	3,764	5.7%
Pre-provision profit	1,745	1,924	1,999	14.5%	3.9%	6,978	7,719	10.6%
Impairment	237	267	287	21.2%	7.3%	989	1,116	12.9%
PBT	1,508	1,656	1,712	13.5%	3.3%	5,989	6,603	10.2%
Zakat	156	170	181	16.7%	6.8%	636	700	10.1%
Net profit attributable	1,353	1,487	1,530	13.1%	2.9%	5,353	5,903	10.3%

FABS Estimates & Co Data

BSF - P&L KPI

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	83.2%	82.2%	82.9%	-24	70	82.5%	82.4%	-11
NIMs – Trailing 12M	3.0%	3.0%	3.0%	0	1	3.08%	3.07%	-1
NIMs - Annualized	3.1%	3.2%	3.2%	13	4	3.08%	3.07%	-1
NIS	1.9%	1.8%	2.0%	4	20	1.9%	1.9%	0
Fees & comms/OI	8.2%	8.7%	8.8%	68	15	9.1%	8.5%	-54
Trading/OI	1.8%	2.9%	2.4%	60	-52	2.1%	2.7%	51
Cost to income	32.9%	32.5%	32.0%	-84	-46	33.8%	32.8%	-100
Impairment/PPP	13.6%	13.9%	14.4%	79	46	14.2%	14.5%	29
NP/OI	52.1%	52.2%	52.1%	0	-13	50.8%	51.4%	60
Cost of risk	0.4%	0.47%	0.50%	6	3	0.46%	0.48%	2
Loan-to-deposit	116.0%	109.6%	106.3%	-971	-332	110.1%	105.7%	-439
NPL calculated	1.0%	1.0%	1.0%	1	3	1.0%	1.3%	33
Coverage excluding collateral	174.5%	159.3%	159.0%	NM	-32	178.4%	165.0%	NM
Tier 1	19.6%	18.8%	18.6%	-99	-20	19.2%	18.6%	-57
Capital Adequacy	21.9%	20.8%	20.6%	-130	-29	21.4%	20.6%	-79
ROAE	11.9%	11.7%	11.8%	-10	11	12.3%	12.8%	43
ROAA	1.7%	1.7%	1.7%	2	0	1.8%	1.8%	3

FABS estimate & Co Data
BSF- Key BS Items

SAR Mn	3Q25	4Q25	1Q26	2Q26	3Q26F	YOY Ch
Net advances	2,15,592	2,14,891	2,21,929	2,24,241	2,27,506	5.5%
QOQ Change	2.7%	-0.3%	3.3%	1.0%	1.5%	
Total assets	3,14,946	3,09,006	3,24,810	3,27,983	3,33,611	5.9%
QOQ Change	4.3%	-1.9%	5.1%	1.0%	1.7%	
Customer deposits	1,85,868	1,95,219	1,99,583	2,04,588	2,14,057	15.2%
QOQ Change	1.7%	5.0%	2.2%	2.5%	4.6%	
Total equity	52,075	50,659	51,517	51,394	52,925	1.6%
QOQ Change	0.6%	-2.7%	1.7%	-0.2%	3.0%	

FABS estimate & Co Data

3Q26 preview: **Riyad Bank (RIBL)**

Lower non funded income to weigh on earnings

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 19.71	SAR 27.00	+37.0%	BUY

3Q26 forecast

Riyad Bank's (RIBL/the Bank) net profit is expected to decline 2.9% YOY to SAR 2,608 Mn in 3Q26, mainly driven by lower other operating income, higher operating expenses couples with higher impairment, partially offset by higher special commission income, higher share of earnings from associates and lower tax expenses. The Bank's special commission income is expected to decline 1.0% YOY to SAR 6,975 Mn in 3Q26, due to anticipated decline in asset yield, partially offset by increase in average interest earning assets. The special commission expense is projected to decline 5.9% YOY to SAR 3,630 Mn in 3Q26, due to projected decline in cost of funds. Consequently, net funded income is expected to increase 5.0% YOY to SAR 3,345 Mn in 3Q26. Fees and commission income are expected to decline 21.7% YOY to SAR 790 Mn in 3Q26. Trading income is projected to rise 26.2% YOY to SAR 322 Mn in 3Q26. Meanwhile, other operating income is expected to decline 5.6% YOY to SAR 231 Mn in 3Q26. As a result, total non-funded income is likely to decline 11.0% YOY to SAR 1,344 Mn in 3Q26. Thus, RIBL's operating income is expected to decline marginally by 0.1% YOY to SAR 4,689 Mn in 3Q26. The operating expenses are projected to increase 2.7% YOY to SAR 1,404 Mn in 3Q26, largely due to anticipated increase in salaries & employee-related expenses, rent & premises-related expenses, depreciation of property & equipment and other operating expenses. Consequently, pre-provision profit is expected to decline 1.3% YOY to SAR 3,284 Mn in 3Q26. The Bank's calculated cost-to-income ratio is expected to increase from 29.1% in 3Q25 to 30.0% in 3Q26. Bank's impairment charges are expected to increase 15.0% YOY to SAR 386 Mn in 3Q26. Shares in earnings of associates are expected to increase from SAR 6 Mn in 3Q25 to SAR 10 Mn in 3Q26. Profit before tax is anticipated to decline 2.9% YOY to SAR 2,908 Mn in 3Q26. Tax expense is projected to decline 3.0% YOY to SAR 300 Mn in 3Q26.

2026 forecast

Riyad Bank's net profit is anticipated to increase 1.0% YOY to SAR 10,516 Mn in 2026, mainly driven by forecasted growth in net special commission income, non-funded income and share in earnings of associates, partially offset by anticipated increase in operating expenses, impairment charges and zakat expenses. The Bank's special commission income is expected to increase 3.2% YOY to SAR 27,944 Mn in 2026, driven by anticipated rise in average interest earning assets, partially offset by forecasted decline in asset yield. The special commission expense are expected to increase 3.4% YOY to SAR 14,491 Mn in 2026, due to projected increase in average interest-bearing liabilities, partially offset by projected decline in cost of funds. The net funded income is projected to rise 2.9% YOY to SAR 13,453 Mn in 2026. Fees and commission income are expected to decline 10.0% YOY to SAR 3,131 Mn in 2026. While net trading income is expected to increase 40.0% YOY to SAR 1,363 Mn in 2026. The other operating income is expected to increase 0.9% YOY to SAR 865 Mn in 2026. As a result, the non-funded income is expected to grow 0.9% YOY to SAR 5,359 Mn in 2026. Thus, total operating income is anticipated to rise 2.3% YOY to SAR 18,812 Mn in 2026. The operating expenses are projected to increase 2.5% YOY to SAR 5,568 Mn in 2026. Consequently, pre-provision profit is expected to increase 2.3% YOY to SAR 13,244 Mn in 2026. The Bank's calculated cost-to-income ratio is expected to remain stable at 29.6% in 2026 as compared to 2025. The impairment charges are expected to increase 13.8% YOY to SAR 1,564 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 is anticipated to increase by 1.0% YOY to SAR 11,724 Mn in 2026. Tax expenses are expected to increase 0.9% YOY to SAR 1,208 Mn in 2026.

2Q26 outturn

Riyad Bank's funded income grew by 5.6% YOY to SAR 6,939 Mn in 2Q26, primarily due to growth in loans and advances and investments. Funded expenses rose 5.8% YOY to SAR 3,563 Mn in 2Q26, largely due to increase in interest bearing liabilities. Consequently, the net funded income rose 5.5% YOY to SAR 3,376 Mn in 2Q26. Fee and commission income, net declined 14.5% YOY to SAR 732 Mn in 2Q26. Net trading income increased from SAR 231 Mn in 2Q25 to SAR 461 Mn in 2Q26. Other Operating Income fell 28.4% YOY to SAR 167 Mn in 2Q26. Thus, the Bank's non-funded income increased 3.0% YOY to SAR 1,360 Mn in 2Q26. As a result, Riyad Bank's total operating income grew 4.8% YOY to SAR 4,736 Mn in 2Q26. The Bank's operating expenses increased 2.7% YOY to SAR 1,362 Mn in 2Q26, mainly due to higher depreciation on property equipment & right of use assets, coupled with increase in salaries & employee-related expenses, partially offset by decrease in rent & premises-related expenses, other general & administrative expenses and other operating expenses. As a result, the Bank's calculated cost-to-income ratio improved from 29.3% in 2Q25 to 28.8% in 2Q26. Consequently, pre-provision profit increased 5.6% YOY to SAR 3,374 Mn in 2Q26. Impairment charges increased by 29.2% YOY to SAR 400 Mn in 2Q26, due to an increase in impairment charge for investments and impairment charge for credit losses. Share in earnings of associates declined 18.1% YOY to SAR 8 Mn in 2Q26. As a result, profit before tax rose 3.0% YOY to SAR 2,983 Mn in 2Q26. The tax expenses increased 11.7% YOY to SAR 333 Mn in 2Q26. Thus, the net profit grew 2.0% YOY to SAR 2,649 Mn in 2Q26.

Target price and recommendation

We maintain our BUY rating on Riyad Bank with a target price of SAR 27.0 per share. Riyad Bank delivered a resilient earnings performance in 2Q26, supported by disciplined loan expansion and continued expansion of its investment portfolio, despite marginal moderation in the Bank's total assets in 2Q26. RIBL's net profit increased 2.0% YOY in 2Q26, driven by growth in net funded income along with increase in non-funded income, partially offset by higher operating expenses, impairment charges for investments and expected credit losses and higher tax expenses coupled with lower share of profit from associates. The net advances rose 6.5% YOY and 0.2% QOQ to SAR 377.6 Bn in 2Q26, driven by financing activities. RIBL's investments grew by 26.5% YOY and 6.5% QOQ to SAR 92.5 Bn in 2Q26, reflecting continued deployment into investment securities to capitalize on market opportunities and support growth in funded income while maintaining a disciplined lending strategy. The Bank's customer deposits rose 9.9% YOY but declined 1.2% QOQ to SAR 348.3 Bn in 2Q26. As a result, the Bank's loan-to-deposit ratio increased from 106.9% in 1Q26 to 108.4% in 2Q26, as loan growth was relatively higher than deposits growth. The calculated cost-to-income ratio improved from 29.3% in 2Q25 to 28.8% in 2Q26, reflecting effective cost management, thereby improving operational efficiency. The reported NPL ratio increased modestly to 0.88% in 2Q26 from 0.84% in 1Q26, reflecting continued portfolio growth and seasoning, while remaining at a healthy level. The NPL coverage ratio stood at 149.2% in 2Q26, compared with 151.4% in 1Q26, maintaining a strong provision buffer despite the slight decline in coverage. Asset quality remained well controlled, with the cost of credit risk at 40 bps in 1H26, within the Bank's targeted range, supported by proactive risk management and recoveries. The Bank's Tier 1 and total capital adequacy ratios remained robust at 16.7% and 19.4% in 2Q26, respectively, providing comfortable capital headroom to support balance sheet expansion. Meanwhile, reported ROAA improved to 2.00% in 1H26 compared to 1.98% in 1Q26, while ROAE remained stable at 16.0% in 1H26 compared to 1Q26, indicating resilient profitability despite ongoing investments in people, infrastructure and digital capabilities. The Bank also maintained a healthy liquidity position, with LCR and NSFR at 138.7% and 112.0% in 2Q26, respectively. The Bank has revised its 2026 guidance to mid-to-high single-digit growth in both loans and net funded income, reflecting continued demand for credit, selective growth and the benefit of asset repricing. The Bank continues to target a cost-to-income ratio below 30%, with disciplined expense management helping maintain the ratio at 29.2% in 1H26. ROAE is guided above 15.75%, cost of credit risk in range of 35-45 bps and a Tier 1 capital ratio of above 17.5%. Overall, the 2Q26 performance reflects resilient earnings quality, asset base and strong capitalization, with improving operating efficiency providing support to profitability as the Bank continues to pursue measured

balance sheet growth. 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	5.3%	5.8%	7.1%	8.6%	7.1%	8.8%

FABS Estimates & Co Data

RIBL - P&L

SAR Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Special commission income	7,043	6,939	6,975	-1.0%	0.5%	27,083	27,944	3.2%
Special commission expense	-3,859	-3,563	-3,630	-5.9%	1.9%	-14,011	-14,491	3.4%
Net special commission income	3,184	3,376	3,345	5.0%	-0.9%	13,072	13,453	2.9%
Fees and commissions	1,009	732	790	-21.7%	8.0%	3,479	3,131	-10.0%
Trading income, net	255	461	322	26.2%	-30.0%	974	1,363	40.0%
Other Operating Income	244	167	231	-5.6%	38.0%	858	865	0.9%
Total other operating income	1,509	1,360	1,344	-11.0%	-1.2%	5,310	5,359	0.9%
Operating income	4,693	4,736	4,689	-0.1%	-1.0%	18,381	18,812	2.3%
Operating expenses	-1,367	-1,362	-1,404	2.7%	3.1%	-5,433	-5,568	2.5%
Pre-provision profit	3,326	3,374	3,284	-1.3%	-2.7%	12,948	13,244	2.3%
Impairment	-336	-400	-386	15.0%	-3.3%	-1,374	-1,564	13.8%
Share in earnings of associates, net	6	8	10	60.5%	20.0%	34	44	30.0%
Profit Before Tax	2,996	2,983	2,908	-2.9%	-2.5%	11,608	11,724	1.0%
Zakat	-309	-333	-300	-3.0%	-10.2%	-1,197	-1,208	0.9%
Net profit attributable	2,687	2,649	2,608	-2.9%	-1.5%	10,411	10,516	1.0%

FABS estimate & Co Data

RIBL - KPI

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	67.9%	71.3%	71.3%	349	5	71.1%	71.5%	40
NIMs - Trailing 12M	3.0%	2.9%	2.8%	-25	-9	3.0%	2.7%	-21
NIMs - Annualized	2.9%	2.9%	2.8%	-12	-8	3.0%	2.7%	-21
NIS	2.3%	2.5%	2.4%	8	-9	2.5%	2.4%	-18
Fees & comms/OI	21.5%	15.5%	16.9%	-464	140	18.9%	16.6%	-228
Trading/OI	5.4%	9.7%	6.9%	143	-285	5.3%	7.2%	195
Cost to income	29.1%	28.8%	30.0%	82	120	29.6%	29.6%	4
Impairment/PPP	10.1%	11.8%	11.8%	167	-8	10.6%	11.8%	119
NP/OI	57.3%	55.9%	55.6%	-163	-30	56.6%	55.9%	-74
Cost of risk	0.36%	0.42%	0.4%	4	-2	0.36%	0.40%	4
Loan-to-deposit	113.3%	108.4%	111.3%	-196	287	112.5%	111.5%	-104
NPL (calculated)	0.87%	0.88%	0.9%	3	2	0.79%	0.90%	11
NPL Coverage	141.7%	149.2%	158.5%	1,683	937	150.1%	160.0%	993
Tier 1	15.8%	16.7%	16.5%	68	-22	16.0%	18.2%	219
Capital Adequacy	17.8%	19.4%	19.2%	135	-25	18.4%	20.8%	240
ROAE	16.1%	15.5%	15.3%	-87	-19	16.0%	14.1%	-194
ROAA	2.1%	2.1%	2.0%	-10	-4	2.1%	1.9%	-20

FABS estimate & Co Data

RIBL - Key B/S items

SAR Mn	3Q25	4Q25	1Q26	2Q26	3Q26F	YOY Ch
Net advances	3,68,554	3,73,305	3,77,047	3,77,629	3,85,231	4.5%
QOQ change	3.9%	1.3%	1.0%	0.2%	2.0%	
Total assets	5,07,566	5,19,481	5,37,083	5,33,637	5,29,037	4.2%
QOQ change	3.2%	2.3%	3.4%	-0.6%	-0.9%	
Customer deposits	3,25,413	3,31,721	3,52,567	3,48,271	3,46,119	6.4%
QOQ change	2.7%	1.9%	6.3%	-1.2%	-0.6%	
Total equity	61,570	64,105	66,348	67,498	67,377	9.4%
QOQ change	0.3%	4.1%	3.5%	1.7%	-0.2%	

FABS estimate & Co Data

3Q26 preview: Arab National Bank (ARNB)

Core growth to support earnings despite elevated credit cost

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 23.00	SAR 25.00	+8.7%	HOLD

3Q26 Forecast

Arab National Bank's (ARNB/the Bank) net profit attributable to equity shareholders is expected to increase marginally 0.8% YOY to SAR 1,340 Mn in 3Q26, primarily due to an expected growth in net funded and non-funded income, partially offset by an anticipated increase in operating expenses and impairments charges coupled with higher zakat charges. The Bank's funded income is expected to grow 1.0% YOY to SAR 3,944 Mn in 3Q26, supported by expected increase in interest earnings assets. Funded expenses are expected to decline 9.6% YOY to SAR 1,715 Mn in 3Q26, largely due to anticipated decline in the cost of interest-bearing deposits. Thus, net funded income is anticipated to increase by 11.0% YOY to SAR 2,229 Mn in 3Q26. Accordingly, calculated NIMs is expected to remain stable at 3.2% in 3Q26, compared to 3Q25. On the side of non-funded income, fees and commission income is expected to increase 11.9% YOY to SAR 252 Mn in 3Q26, while the exchange income is expected to increase 8.9% YOY to SAR 96 Mn in 3Q26. The Bank is anticipated to incur unrealised gain on FVIS investments of SAR 33 Mn in 3Q26, compared to loss of SAR 1 Mn in 3Q25. Dividend income is projected to increase from SAR 42 Mn in 3Q25 to SAR 67 Mn in 3Q26. Other operating income is expected to decline from SAR 17 Mn in 3Q25 to SAR 3 Mn in 3Q26. Also, the trading income is expected to increase from SAR 4 Mn in 3Q25 to SAR 7 Mn in 3Q26. Other non-funded income is projected to grow 29.9% YOY to SAR 206 Mn in 3Q26. Resultantly, total non-funded income is expected to grow 19.4% YOY to SAR 458 Mn in 3Q26. Thus, total operating income is projected to increase by 12.3% YOY to SAR 2,687 Mn in 3Q26. The Bank's operating expenses are expected to increase 7.7% YOY to SAR 888 Mn in 3Q26. Despite this we expect the Bank's cost-to-income ratio to improve by 143 bps YOY to 33.1% in 3Q26 owing to higher growth expected in operating income. Impairment charges are expected to increase from SAR 19 Mn in 3Q25 to SAR 222 Mn in 3Q26. Shares of results of associates is anticipated to decline 36.7% YOY to SAR 4 Mn in 3Q26. Zakat and tax expenses are projected to increase 6.0% YOY to SAR 239 Mn in 3Q26.

2026 Forecast

ARNB's net profit attributable to equity shareholders is expected to increase by 4.9% YOY to SAR 5,366 Mn in 2026, largely driven by projected growth in net funded and non-funded income, partially offset by increase in operating expenses and higher impairment charges coupled with an increase in zakat & tax expenses. The Bank's funded income is expected to increase 4.7% YOY to SAR 15,916 Mn in 2026, primarily driven by expected growth in investments and loans portfolio. Funded expenses is expected to increase marginally 0.2% YOY to SAR 7,123 Mn in 2026, mainly due to an expected increase in average interest-bearing liabilities. As a result, the net funded income is expected to increase 8.6% YOY to SAR 8,792 Mn in 2026. We project the Bank's calculated NIMs to decline 7 bps YOY to 3.34% 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 6.0% YOY to SAR 372 Mn in 2026. Unrealised gain on FVIS investments is expected to increase from SAR 231 Mn in 2025 to SAR 245 Mn in 2026. Trading income is expected to decline 35.0% YOY to SAR 53 Mn, while the dividend income is expected to increase 5.0% YOY to SAR 283 Mn in 2026. Other non-funded income is expected to grow 6.7% YOY to SAR 968 Mn in 2026. Thus, the Bank's total non-funded income is projected to increase by 9.8% YOY to SAR 1,961 Mn in 2026. As a result, total operating income is expected to increase by 8.8% YOY to SAR 10,753 Mn in 2026. Operating expenses are expected to increase by 5.7% YOY to SAR 3,526 Mn in 2026. However, the cost-to-income is expected to decline 98 bps YOY to 32.8% in 2026. Impairment charge is expected to increase from SAR 593 Mn in 2025 to SAR 921 Mn in 2026. Shares of results of associates is anticipated to remain stable at SAR 27 Mn in 2026, compared to 2025. Zakat & tax expenses are

expected to increase 10.0% YOY to SAR 956 Mn in 2026. Profit attributable to non-controlling interest holders is expected to increase from SAR 1 Mn in 2025 to SAR 6 Mn in 2026.

2Q26 Outturn

ARNB's funded income rose 2.1% YOY to SAR 3,963 Mn in 2Q26, mainly due to an increase in the net loans and advances portfolio, partially offset by a decrease in asset yield. However, the Bank's funded expenses grew 4.1% YOY to SAR 1,797 Mn in 2Q26, primarily due to increase in deposit growth. Consequently, net funded income increased marginally 0.4% YOY to SAR 2,165 Mn in 2Q26. Non-funded income increased 37.8% YOY to SAR 577 Mn in 2Q26. This increase was primarily driven by increase in unrealised gains on FVSI financial instruments, net exchange income and net other non-funded income, partially offset by a decline in fees and commission income, trading and dividend income, and lower gain on the sale of non-trading investments. Thus, total operating income increased 6.5% YOY to SAR 2,742 Mn in 2Q26. Operating expenses increased 9.5% YOY to SAR 894 Mn in 2Q26, due to higher costs related to salaries and employee expenses, other general and administrative expenses, depreciation and amortization, and premises related expenses. As a result, cost-to-income ratio increased from 31.7% in 2Q25 to 32.6% in 2Q26. Impairment charges declined by 16.9% YOY to SAR 180 Mn in 2Q26. Share of profit from associates increased 32.7% YOY to SAR 10 Mn in 2Q26. Zakat and income tax grew 16.2% YOY to SAR 253 Mn in 2Q26. Additionally, the Bank recorded loss from discontinued operation of SAR 3 Mn in 2Q26, compared to income of SAR 5 Mn in 2Q25.

Target Price and Recommendation

We revised our rating from BUY to HOLD on Arab National Bank, with an unchanged target price of SAR 25.00. ARNB reported steady profitability in 2Q26, supported by a marginal growth in net funded income, while asset quality continued to improve. This performance was further supported by a decline in net allowance charges for ECL and other provisions, which fell 16.9% YOY, reflecting improving portfolio credit quality and effective risk management practices. Net funded income grew marginally by 0.4% YOY, supported by the expansion in the net loans and advances portfolio and an increase in investments, while non-funded income rose a robust 37.8% YOY, highlighting continued balance sheet growth and income diversification. ARNB's net loans and advances increased 10.4% YOY and 3.6% QOQ to SAR 205.8 Bn in 2Q26. Loan growth remained broad based, with corporate and retail loans increasing by around 3.5% and 3.9% QOQ, respectively during 2Q26. The Bank's CASA ratio moderated to 49.1% in 2Q26 from 50.4% in 1Q26, as time deposits grew faster than CASA, although total customer deposits increased 7.9% YOY and 4.7% QOQ to SAR 217.8 Bn in 2Q26, providing a solid funding base for balance sheet growth. Reported NIMs remained resilient at 3.3% in 2Q26, despite a 10 bps QOQ decline, as the lower asset yield was partially offset by an improvement in funding costs, while further asset repricing could provide potential support to margins in 2H26. Asset quality remained strong, with the calculated NPL ratio improving marginally to 0.93% in 2Q26 from 0.94% in 1Q26, while the calculated NPL coverage ratio strengthened to 174.6% in 2Q26 from 163.9% in 1Q26, reflecting continued prudent risk management. The loan book remained predominantly Stage 1 at 92.3%, while Stage 2 and Stage 3 exposures stood at 6.7% and 1.0% in 2Q26, indicating limited migration into weaker credit stages while the credit risks from large delayed or shelved giga projects is contained, with c. 1% exposure to such projects, reflecting robust asset quality outlook. Liquidity remained comfortable, with the LCR at 135.9% and NSFR at 112.1% in 2Q26, compared with 141.6% and 110.8% in 1Q26, both remained well above regulatory requirements. Capitalization also strengthened, with the total CAR stood at 20.8%, while the CET1 ratio at 16.8% in 2Q26, supported by organic capital generation and the additional Tier 1 Sukuk issuance during the quarter. In July 2026, ARNB also decided to distribute interim dividend of SAR 1.3 Bn for 1H26 equivalent to SAR 0.65 per share. Thus, based on our analysis, we revised our rating to HOLD 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	5.0%	4.8%	5.9%	5.7%	5.7%	5.7%

FABS Estimates & Co Data

ARNB- P&L

SAR Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	3,905	3,963	3,944	1.0%	-0.5%	15,205	15,916	4.7%
Funded expense	-1,897	-1,797	-1,715	-9.6%	-4.6%	-7,108	-7,123	0.2%
Net funded income	2,008	2,165	2,229	11.0%	2.9%	8,097	8,792	8.6%
Fees and commissions	225	247	252	11.9%	2.0%	878	993	13.0%
Exchange income, net	89	108	96	8.9%	-10.9%	351	372	6.0%
Unrealised gain on FVIS invt, net	-1	144	33	NM	-76.7%	231	245	6.0%
Trading Income	4	4	7	84.9%	85.0%	81	53	-35.0%
Dividend income	42	70	67	57.7%	-5.0%	270	283	5.0%
Other operating income	17	3	3	-83.1%	-10.0%	-6	16	NM
Gain on sale of non-trading invts.	8	1	0	NM	NM	-19	0	NM
Other non-funded income	159	330	206	29.9%	-37.5%	908	968	6.7%
Non-funded income	384	577	458	19.4%	-20.6%	1,786	1,961	9.8%
Total Operating income	2,392	2,742	2,687	12.3%	-2.0%	9,883	10,753	8.8%
Operating expenses	-825	-894	-888	7.7%	-0.6%	-3,337	-3,526	5.7%
Pre-provision profit	1,567	1,848	1,798	14.8%	-2.7%	6,546	7,227	10.4%
Impairment	-19	-180	-222	NM	23.7%	-593	-921	55.5%
Share of results of associates	7	10	4	-36.7%	NM	27	27	0.0%
PBT	1,554	1,679	1,581	1.7%	-5.9%	5,981	6,333	5.9%
Tax	-225	-253	-239	6.0%	-5.7%	-870	-956	10.0%
Reversal of deferred tax	0	0	0	NM	NM	6	0	NM
Profit after tax	1,329	1,426	1,342	1.0%	-5.9%	5,117	5,377	5.1%
(Loss)/ income for the period from discontinued operations		-3	0	NM	NM	0	-5	NM
Net Income	1,329	1,422	1,342	1.0%	-5.7%	5,117	5,372	5.0%
Non-controlling int.	0	0	-2	NM	NM	-1	-6	NM
Net profit attributable	1,329	1,423	1,340	0.8%	-5.8%	5,116	5,366	4.9%

FABS estimate & Co Data

ARNB - KPI

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	84.0%	79.0%	83.0%	-100	399	81.9%	81.8%	-16
NIMs - Trailing 12M	3.47%	3.2%	3.2%	-27	-4	3.41%	3.34%	-8
NIMs - Annualized	3.40%	3.4%	3.4%	-4	-5	3.41%	3.34%	-8
NIS	2.7%	2.7%	2.7%	-2	-5	2.8%	2.8%	-7
Fees & comms/OI	9.4%	9.0%	9.4%	-4	37	8.9%	9.2%	34
Impairment/PPP	1.2%	9.7%	12.4%	NM	264	9.1%	12.7%	369
Cost to income	34.5%	32.6%	33.1%	-143	48	33.8%	32.8%	-98
NP/OI	55.6%	51.9%	49.9%	-570	-201	51.8%	49.9%	-186
Cost of risk - calculated	0.2%	0.3%	0.4%	17	7	0.37%	0.43%	6
Loan-to-deposit calculated	90.8%	94.5%	94.5%	363	-5	93.3%	93.0%	-33
NPL calculated	0.9%	0.9%	0.9%	0	0	0.9%	0.9%	-2
NPL coverage calculated	163.9%	174.6%	175.0%	NM	39	168.7%	175.5%	683
Tier 1	18.9%	20.4%	21.0%	211	60	19.9%	19.8%	-6
Capital adequacy	20.6%	20.8%	21.4%	85	60	20.4%	20.2%	-17
ROAE	13.4%	12.6%	12.4%	-95	-23	12.7%	12.5%	-20
ROAA	2.0%	1.9%	1.8%	-17	-3	1.9%	1.8%	-9

FABS estimate & Co data

ARNB - Key B/S items

SAR Mn	3Q25	4Q25	1Q26	2Q26	3Q26F	YOY Ch
Net advances	1,91,356	1,95,299	1,98,639	2,05,782	2,08,253	8.8%
QOQ change	2.6%	2.1%	1.7%	3.6%	1.2%	
Total assets	2,80,486	2,81,383	2,84,891	2,95,516	2,96,638	5.8%
QOQ change	4.0%	0.3%	1.2%	3.7%	0.4%	
Customer deposits	2,10,697	2,09,287	2,08,021	2,17,751	2,20,486	4.6%
QOQ change	4.4%	-0.7%	-0.6%	4.7%	1.3%	
Total equity	47,152	49,483	49,255	52,436	53,776	14.0%
QOQ change	8.2%	4.9%	-0.5%	6.5%	2.6%	

FABS estimate & Co data

3Q26 preview: **Alinma Bank**

Financing momentum expected to support profit growth amid higher provisions

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 24.70	SAR 29.50	+19.4%	BUY

3Q26 forecast

Alinma Bank (ALINMA/the Bank) is expected to report a 3.2% YOY increase in net profit to SAR 1,643 Mn in 3Q26, primarily driven by anticipated growth in net funded income, partially offset by lower non-funded income, coupled with an increase in operating expenses and impairment charges. Funded income is expected to grow 4.4% YOY to SAR 4,695 Mn in 3Q26, supported by expected expansion in investment and loan book. Funded expenses are expected to decline 2.3% YOY to SAR 2,084 Mn in 3Q26. As a result, the net funded income is expected to grow by 10.4% YOY to SAR 2,611 Mn in 3Q26. Accordingly, we expect NIMs to remain broadly stable at 3.4% in 3Q26, compared to 3Q25. Meanwhile, within non-funded income, fees and commission income is expected to decline by 6.5% YOY to SAR 382 Mn, and the exchange income is expected to decrease by 8.5% YOY to SAR 81 Mn in 3Q26. Other non-funded income is projected to increase by 6.9% YOY to SAR 110 Mn in 3Q26. As a result, total non-funded income is expected to decline 4.5% YOY to SAR 573 Mn in 3Q26. Thus, total operating income is projected to increase 7.4% YOY to SAR 3,184 Mn in 3Q26. Operating expenses are anticipated to grow 4.5% YOY to SAR 974 Mn in 3Q26. However, we expect the cost-to-income ratio to decline 85 bps YOY to 30.6% in 3Q26, mainly due to higher operating income. ALINMA's impairment charges are expected to increase from SAR 247 Mn in 3Q25 to SAR 378 Mn in 3Q26. As a result, net profit before zakat is projected to increase 3.2% YOY to SAR 1,832 Mn in 3Q26. Zakat expenses are also expected to increase by 3.1% YOY to SAR 189 Mn in 3Q26.

2026 forecast

ALINMA's net profit is expected to increase by 4.5% YOY to SAR 6,688 Mn in 2026, mainly driven by expected growth in net funded income, partially offset by decline in non-funded income, coupled with increase in operating expenses and impairment charges. The Bank's funded income is expected to increase 6.3% YOY to SAR 18,466 Mn in 2026, primarily driven by expected growth in average interest earning assets, partially offset by anticipated decline in asset yield. Whereas, funded expenses is expected to increase 2.2% YOY to SAR 8,168 Mn in 2026, primarily due to an expected increase in interest bearing deposits partially offset by decline in cost of funds. Thus, net funded income is expected to increase by 9.8% YOY to SAR 10,298 Mn in 2026. On the non-funded side, fees and commission income is expected to decline by 12.0% YOY to SAR 1,524 Mn in 2026. Exchange income is projected to decline by 8.0% YOY to SAR 336 Mn, and 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 decline 9.4% YOY to SAR 2,291 Mn in 2026. Total operating income is expected to rise by 5.7% YOY to SAR 12,589 Mn in 2026. Operating expenses are expected to increase by 4.4% YOY to SAR 3,878 Mn in 2026. However, we expect the cost-to-income ratio to improve 39 bps YOY to 30.8% in 2026. Impairment charges are projected to grow by 20.4% YOY to SAR 1,240 Mn in 2026. Zakat expenses are expected to increase 5.4% YOY to SAR 768 Mn in 2026.

2Q26 outturn

ALINMA's funded income increased 7.7% YOY to SAR 4,583 Mn in 2Q26, supported by growth in financing and investments volumes. Meanwhile, the Bank's funded expenses rose 2.6% YOY to SAR 2,033 Mn in 2Q26. Consequently, net funded income increased 12.2% YOY to SAR 2,550 Mn in 2Q26. The Bank's total non-funded income declined 14.3% YOY to SAR 578 Mn in 2Q26, primarily due to lower fee and commission income and exchange income, partially offset by higher other non-funded income. Fees and commission income declined by 22.0% YOY to SAR 363 Mn in 2Q26. Exchange income decreased 7.0% YOY to SAR 91 Mn in 2Q26. However, other non-funded income increased 11.9% YOY to SAR 124 Mn in 2Q26. As a result, operating income increased by 6.2% YOY to SAR

3,128 Mn in 2Q26. ALINMA's total operating expenses increased 3.5% YOY to SAR 950 Mn in 2Q26. Thus, the calculated cost-to-income ratio improved 77 bps YOY to 30.4% in 2Q26. Thus, the Bank's pre-provision profit grew 7.4% YOY to SAR 2,179 Mn in 2Q26. Moreover, net impairment charges increased by 41.5% YOY to SAR 388 Mn in 2Q26. Additionally, the Bank recorded a reversal of impairments on other financial assets of SAR 12 Mn in 2Q26, compared to SAR 7 Mn in 2Q25. Consequently, net profit before zakat increased 1.8% YOY to SAR 1,779 Mn in 2Q26. Zakat expenses increased 5.2% YOY to SAR 183 Mn in 2Q26. Thus, the Bank's net profit increased 1.4% YOY to SAR 1,595 Mn in 2Q26.

Target price and recommendation

We maintain our BUY rating on Alinma Bank with a target price of SAR 29.50. ALINMA continued to deliver earnings growth in 2Q26, with net profit rising 1.4% YOY to SAR 1,595 Mn, supported by stronger net funded income, which more than offset higher operating expenses, impairment charges and zakat, alongside weaker non-funded income. Growth in the financing and investment portfolios remained supportive of funded income, with net financing increasing 11.6% YOY and 2.3% QOQ to SAR 243.9 Bn, while the investment portfolio expanded 9.6% YOY to SAR 56.6 Bn during 2Q26. Customer deposits grew 6.7% YOY and 2.4% QOQ to SAR 245.3 Bn in 2Q26, keeping the loan-to-deposit ratio broadly unchanged at 99.5% in 2Q26, compared to 1Q26. The Bank's financing growth remained broad-based, led by retail, while SME lending continued to expand at a healthy pace. The funding mix remained under some pressure, with the CASA ratio declining 220 bps QOQ to 47.3%, despite 2.4% QOQ growth in CASA deposits in 2Q26. Accordingly, the Bank maintained its 2026 NIMs guidance of a 5-10 bps YOY decline, with 2Q26 reported NIM at 3.46%. Asset quality remained broadly strong, with the calculated NPL ratio edging up to 0.96% in 2Q26 from 0.93% in 1Q26, while provision coverage improved to 175.9% in 2Q26 from 166.5% in 1Q26. The Bank's cost of risk stood at 45 bps during 1H26, following higher provisioning in 2Q26. Importantly, the Bank attributed the elevated provisioning largely to a specific large project that was suspended/cancelled, for which the timing and quantum of potential compensation remain uncertain. Alinma highlighted that smaller project cancellations have historically had limited asset-quality implications and does not currently anticipate a material increase in NPL formation. Accordingly, the Bank raised its 2026 cost-of-risk guidance to 45-55 bps from 35-45 bps. Capital and liquidity remained comfortable, with total CAR at 19.9%, while LCR improved to 140.0% and NSFR stood at 111.3% in 2Q26. The Bank also redeemed its SAR 5.0 Bn Additional Tier 1 Sukuk at par on 1 July 2026 following regulatory approval, which should provide scope for funding-cost optimization while highlighting its strong capital position. Looking ahead, management maintained its 2026 financing-growth target in the low teens, NIMs guidance at a 5-10 bps YOY decline and cost-to-income guidance below 30.5%. However, the higher cost of risk assumption led the Bank to lower its ROE target to 18-19% from above 19%. Thus, based on the above-mentioned factors, we maintain our BUY rating on ALINMA, supported by continued balance-sheet expansion, resilient core income generation, strong capitalization and the Bank's ability to sustain attractive returns over the medium term.

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%	3.0%	4.2%

FABS Estimates & Co Data

Alinma Bank- P&L

SAR Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	4,498	4,583	4,695	4.4%	2.4%	17,370	18,466	6.3%
Funded expense	-2,134	-2,033	-2,084	-2.3%	2.5%	-7,993	-8,168	2.2%
Net funded income	2,365	2,550	2,611	10.4%	2.4%	9,377	10,298	9.8%
Fees and commissions	408	363	382	-6.5%	5.0%	1,732	1,524	-12.0%
Exchange income	89	91	81	-8.5%	-10.2%	365	336	-8.0%
Other non-funded income	103	124	110	6.9%	-11.3%	431	430	-0.2%
Non-funded income	600	578	573	-4.5%	-0.9%	2,529	2,291	-9.4%
Operating income	2,965	3,128	3,184	7.4%	1.8%	11,905	12,589	5.7%
Operating expenses	-932	-950	-974	4.5%	2.6%	-3,715	-3,878	4.4%
Pre-provision profit	2,032	2,179	2,210	8.7%	1.4%	8,191	8,710	6.3%
Impairment	-247	-388	-378	53.0%	-2.7%	1,030	1,240	20.4%
Impair on other financial assets	9	12	0	NM	NM	30	14	-52.5%
Share of profit of associates	-1	0	0	NM	NM	-5	0	NM
Net profit before zakat	1,775	1,779	1,832	3.2%	3.0%	7,126	7,456	4.6%
Zakat	-183	-183	-189	3.1%	2.9%	-729	-768	5.4%
Net profit attributable	1,592	1,595	1,643	3.2%	3.0%	6,397	6,688	4.5%

FABS estimate & Co Data

Alinma Bank - KPI

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	79.8%	81.5%	82.0%	223	48	78.8%	81.8%	304
NIMs - Trailing 12M	3.4%	3.4%	3.4%	-5	3	3.4%	3.4%	-5
NIMs - Annualized	3.5%	3.5%	3.5%	-3	2	3.4%	3.4%	-5
NIS	2.9%	2.9%	3.0%	6	1	2.9%	2.9%	-3
Fees & comms/OI	13.8%	11.6%	12.0%	-177	37	14.6%	12.1%	NM
Exchange Inc/OI	3.0%	2.9%	2.6%	-44	-34	3.1%	2.7%	-40
Cost to income	31.4%	30.4%	30.6%	-85	24	31.2%	30.8%	-39
Impairment/PPP	12.1%	17.8%	17.1%	NM	-72	-12.6%	-14.2%	-166
NP/OI	53.7%	51.0%	51.6%	-209	62	53.7%	53.1%	-61
Cost of risk (calculated)	0.4%	0.6%	0.6%	16	-3	0.5%	0.5%	3
Loan-to-deposit	96.2%	99.5%	99.5%	326	0	102.5%	102.0%	-45
NPL (calculated)	1.2%	0.96%	0.96%	-24	0	0.9%	1.0%	8
NPL Coverage (calculated)	158.2%	175.9%	160.0%	181	NM	150.3%	152.0%	170
Tier 1	18.3%	17.9%	17.9%	-36	0	18.3%	17.3%	-93
Capital adequacy	19.2%	19.9%	19.8%	59	-5	19.9%	19.2%	-65
ROAE	17.1%	16.6%	16.1%	-95	-45	17.2%	15.9%	-136
ROAA	2.2%	2.1%	2.1%	-10	-5	2.2%	2.0%	-14

FABS estimate & Co Data

Alinma Bank - Key B/S items

SAR Mn	3Q25	4Q25	1Q26	2Q26	3Q26F	YOY Ch
Net advances	2,25,684	2,29,747	2,38,325	2,43,911	2,51,618	11.5%
QOQ change	3.2%	1.8%	3.7%	2.3%	3.2%	
Total assets	3,07,214	3,11,067	3,24,291	3,29,287	3,38,506	10.2%
QOQ change	3.4%	1.3%	4.3%	1.5%	2.8%	
Customer deposits	2,34,623	2,27,374	2,39,604	2,45,254	2,53,002	7.8%
QOQ change	2.0%	-3.1%	5.4%	2.4%	3.2%	
Total equity	47,468	48,241	49,603	50,124	51,567	8.6%
QOQ change	6.0%	1.6%	2.8%	1.1%	2.9%	

FABS estimate & Co Data

3Q26 preview: Bank Albilad (ALBI)

Sustained lending momentum to support growth

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 23.59	SAR 30.00	+27.2%	BUY

3Q26 forecast

Bank Albilad's (ALBI/the Bank) net profit is expected to increase by 4.4% YOY to SAR 800 Mn in 3Q26, primarily driven by an expected increase in net funded income and non-funded income, partially offset by higher general & administration expenses, impairment charges and zakat expenses. Funded income is expected to grow 14.8% YOY to SAR 2,664 Mn in 3Q26, supported by growth in average interest earning assets and stable asset yield. Funded expenses are projected to increase 20.3% YOY to SAR 1,355 Mn in 3Q26. Thus, net funded income is expected to grow 9.6% YOY to SAR 1,310 Mn in 3Q26. Meanwhile, within total non-funded income, fees and commission income is expected to grow by 5.0% YOY to SAR 210 Mn in 3Q26, while the exchange income is expected to decline 4.9% YOY to SAR 70 Mn in 3Q26. Other non-funded income is projected to increase 19.4% YOY to SAR 79 Mn in 3Q26. As a result, total non-funded income is expected to grow 5.7% YOY to SAR 359 Mn in 3Q26. Accordingly, total operating income is anticipated to grow 8.8% YOY to SAR 1,669 Mn in 3Q26. General & administration expenses are expected to increase by 10.0% YOY to SAR 712 Mn in 3Q26. Thus, we expect the Bank's calculated cost-to-income ratio to increase 49 bps YOY to 42.7% in 3Q26. Impairment charges are expected to increase from SAR 33 Mn in 3Q25 to SAR 65 Mn in 3Q26. As a result, profit before zakat is projected to increase 4.4% YOY to SAR 892 Mn in 3Q26. Zakat expenses are expected to increase by 4.4% YOY to SAR 92 Mn in 3Q26.

2026 forecast

ALBI's net profit is expected to increase by 8.8% YOY to SAR 3,319 Mn in 2026, mainly driven by growth in net funded and non-funded income, partially offset by projected increase in general & administrative expenses, impairments and zakat expenses. Funded income is expected to increase 13.4% YOY to SAR 10,365 Mn in 2026, primarily driven by expected growth in loan and investment portfolio. Funded expenses are expected to increase 16.2% YOY to SAR 5,104 Mn in 2026, primarily due to expected increase in customer deposits. Thus, net funded income is expected to increase 10.7% YOY to SAR 5,261 Mn in 2026. Within non-funded income, fees and commission income is expected to increase by 10.0% YOY to SAR 795 Mn in 2026, 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 11.9% YOY to SAR 371 Mn in 2026. Thus, total non-funded income is expected to increase 2.8% YOY to SAR 1,480 Mn in 2026. As a result, total operating income is expected to rise by 8.9% YOY to SAR 6,741 Mn in 2026. General & administration expenses are anticipated to increase by 6.3% YOY to SAR 2,775 Mn in 2026. However, the calculated cost-to-income ratio is anticipated to decline 101 bps YOY to 41.2% in 2026. Impairment charge is expected to grow 47.0% YOY to SAR 267 Mn in 2026. As a result, profit before zakat is projected to increase 8.8% YOY to SAR 3,700 Mn in 2026. Zakat expenses are anticipated to rise 8.8% YOY to SAR 381 Mn in 2026.

2Q26 Outturn

ALBI's funded income increased by 15.4% YOY to SAR 2,594 Mn in 2Q26, driven by growth in financing and investment portfolio. Funded expenses increased 23.3% YOY to SAR 1,322 Mn in 2Q26, due to increase in the Bank's cost of funding. Thus, net funded income grew by 8.1% YOY to SAR 1,272 Mn in 2Q26. The Bank's reported Net Profit Margin decreased from 3.22% in 2Q25 to 3.01% in 2Q26. The Bank's fees and commission income declined 21.0% YOY to SAR 151 Mn in 2Q26 and exchange income declined 6.2% YOY to SAR 77 Mn in 2Q26. Other non-funded income grew 24.4% YOY to SAR 113 Mn in 2Q26. Thus, total non-funded income decreased 6.3% YOY to SAR 341 Mn in 2Q26. As a result, total operating income grew by 4.7% YOY to SAR 1,613 Mn in 2Q26. Furthermore, general & administration expenses increased 5.7% YOY to SAR 675 Mn in 2Q26, driven by higher

salaries & employee related benefits, depreciation & amortization and other G&A expenses. The calculated cost-to-income ratio deteriorated marginally from 41.4% in 2Q25 to 41.8% in 2Q26. Impairment charges increased by 14.2% YOY to SAR 56 Mn in 2Q26. Thus, the profit before zakat increased from SAR 854 Mn in 2Q25 to SAR 883 Mn in 2Q26. Additionally, zakat expenses increased by 3.4% YOY to SAR 91 Mn in 2Q26. Thus, the net profit increased 3.4% YOY to SAR 792 Mn in 2Q26.

Target price and recommendation

We maintain our BUY rating on Bank Albilad with a target price of SAR 30.00. ALBI delivered a 3.4% YOY increase in net profit during 2Q26, supported by continued growth in net funded income driven by higher financing and investment activities, partially offset by lower non-funded income and higher operating expenses. The Bank maintained healthy balance sheet expansion, with net advances increasing 15.3% YOY and 2.8% QOQ to SAR 133.4 Bn in 2Q26, supported by continued growth in financing activities. The Bank's investment portfolio grew 12.1% YOY and 2.5% QOQ to SAR 32.1 Bn in 2Q26, primarily driven by a higher allocation to domestic fixed-rate investments. Customer deposits increased 18.8% YOY and 4.9% QOQ to SAR 147.2 Bn in 2Q26, outpacing loan growth and thereby strengthening the Bank's funding profile. Consequently, the calculated loan-to-deposits ratio moderated to 90.6% in 2Q26 from 92.5% in 1Q26 largely due to strong deposits mobilization while still remaining at healthy levels. During 2Q26, the Bank established its wholly owned subsidiary, Dufaa Finance Company to further expand its consumer financing activities. Although this initiative is not expected to have an immediate financial impact on the bank, but is expected to enhance the Bank's retail financing capabilities, broaden its product portfolio and support sustainable long-term growth in financing activities. The Bank's calculated CASA ratio declined from 59.1% in 1Q26 to 57.4% in 2Q26, indicating a shift towards higher cost deposits, which could place some pressure on margins. However, the continued growth in deposits provides a strong funding base despite the tight liquidity environment in the Kingdom. ALBI's asset quality remained stable, with the reported NPL ratio of 1.1% in 2Q26 compared to 1.2% in 1Q26 and reported coverage ratio improved to 160.3% in 2Q26 from 157.0% in 1Q26, reflecting adequate provisioning against expected credit losses. The Bank continued to maintain a sound capital and liquidity position, although the capital adequacy ratio declined to 17.9% in 2Q26 from 20.7% in 1Q26, primarily reflecting a 10.5% QOQ decline in total capital to SAR 24.8 Bn, leading to RWA increasing by 3.0% QOQ to SAR 138.6 Bn in 2Q26. The decline in total capital in 2Q26 was mainly attributable to a reduction in Tier 2 capital, while Tier 1 capital remained broadly stable at 1Q26 level. On the liquidity side, the LCR moderated to 136.4% in 2Q26 from 139.9% in 1Q26, but remained comfortably above regulatory requirements, indicating that the Bank retained a strong short-term liquidity buffer. Meanwhile, the NSFR improved to 110.5% in 2Q26 from 107.6% in 1Q26, thereby strengthening the funding position. Furthermore, ALBI distributed a total cash dividend of SAR 750 Mn for 1H26, reflecting its continued commitment to delivering sustainable shareholder returns. Overall, the Bank's strong balance sheet and continued growth in financing and investment activities position the Bank well to sustain earnings in 2026. 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%	1.8%	4.2%	4.7%

FABS Estimates & Co Data

Bank Al Bilad - P&L

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
SAR Mn								
Income from invest & fin.	2,321	2,594	2,664	14.8%	2.7%	9,143	10,365	13.4%
Return on deposits & fin. liab.	-1,126	-1,322	-1,355	20.3%	2.5%	-4,392	-5,104	16.2%
Net funded income	1,195	1,272	1,310	9.6%	3.0%	4,752	5,261	10.7%
Fees and commissions	200	151	210	5.0%	39.5%	723	795	10.0%
Exchange income	73	77	70	-4.9%	-10.0%	296	314	6.0%
Other non-funded income	67	113	79	19.4%	-29.7%	421	371	-11.9%
Total non-funded income	340	341	359	5.7%	5.4%	1,440	1,480	2.8%
Total operating income	1,535	1,613	1,669	8.8%	3.5%	6,192	6,741	8.9%
General & admin. Expenses	-647	-675	-712	10.0%	5.5%	-2,611	-2,775	6.3%
Pre provision profit	887	938	957	7.8%	2.0%	3,581	3,967	10.8%
Impairment	-33	-56	-65	97.8%	17.0%	-181	-267	47.0%
Profit before zakat	855	883	892	4.4%	1.0%	3,400	3,700	8.8%
Zakat expenses	-88	-91	-92	4.4%	1.0%	-350	-381	8.8%
Net profit attributable	766	792	800	4.4%	1.0%	3,049	3,319	8.8%

FABS Estimates & Co Data
Bank Al Bilad - P&L KPI

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	77.8%	78.9%	78.5%	63	-39	76.7%	78.0%	130
NIMs - Trailing 12M	3.1%	3.0%	3.0%	-13	-3	3.1%	3.0%	-9
NIMs - Annualized	3.2%	3.1%	3.1%	-9	-1	3.1%	3.0%	-9
NIS	2.9%	2.5%	2.5%	-36	-1	2.8%	2.6%	-22
Fees & comms/OI	13.1%	9.3%	12.6%	-45	326	11.7%	11.8%	12
Other Operating Inc/OI	9.1%	11.8%	8.9%	-18	-287	11.6%	10.2%	-142
Cost to income	42.2%	41.8%	42.7%	49	83	42.2%	41.2%	-101
Impairment/PPP	3.7%	5.9%	6.8%	310	87	5.1%	6.7%	166
NP/OI	49.9%	49.1%	47.9%	-202	-115	49.2%	49.2%	-1
Cost of risk	0.1%	0.2%	0.2%	8	2	0.2%	0.2%	4
Loan-to-deposit (headline)	92.3%	90.6%	92.6%	22	191	92.0%	91.7%	-21
NPL (calculated)	1.0%	1.1%	1.2%	24	10	1.0%	1.2%	22
Coverage excluding collateral	204.7%	160.3%	180.0%	-2466	1970	197.9%	200.0%	212
CET1	14.8%	13.9%	14.1%	-71	15	14.8%	14.1%	-72
Capital Adequacy	20.3%	17.9%	14.9%	-540	-299	20.2%	17.9%	-230
ROAE	16.3%	14.0%	13.8%	-249	-15	16.6%	15.5%	-112
ROAA	1.9%	1.8%	1.7%	-13	-4	1.9%	1.8%	-5

FABS estimate & Co Data
Bank Al Bilad-Key BS Items

	3Q25	4Q25	1Q26	2Q26	3Q26F	Change
SAR Mn						
Net advances	1,19,135	1,22,188	1,29,803	1,33,418	1,35,929	14.1%
QOQ Change	3.0%	2.6%	6.2%	2.8%	1.9%	
Total assets	1,67,929	1,72,972	1,79,959	1,86,478	1,91,942	14.3%
QOQ Change	3.7%	3.0%	4.0%	3.6%	2.9%	
Customer deposits	1,29,023	1,32,879	1,40,294	1,47,188	1,46,861	13.8%
QOQ Change	4.1%	3.0%	5.6%	4.9%	-0.2%	
Total equity	20,910	21,356	23,657	23,770	24,570	17.5%
QOQ Change	0.7%	2.1%	10.8%	0.5%	3.4%	

FABS estimate & Co Data

3Q26 preview: Al Rajhi Bank (RJHI)

Strong income growth and lower depreciation to support bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 63.75	SAR 78.00	+22.4%	BUY

3Q26 forecast

Al Rajhi Bank's (ALRAJHI/the Bank) net profit attributable to equity shareholders is forecasted to rise by 11.8% YOY to SAR 7,110 Mn in 3Q26, mainly due to an anticipated growth in net funded and non-funded income and lower zakat expenses partially offset by increase in operating expenses, higher impairment charges and increase in contribution to NCI. ALRAJHI's funded income is expected to increase 1.6% YOY to SAR 14,509 Mn in 3Q26, driven by increase in asset yield. The Bank's funded expense is expected to decrease by 10.5% YOY to SAR 6,253 Mn in 3Q26, driven by decrease in cost of funds. With growth in funded income coupled with a decline in funded expense, the net funded income is projected to rise by 13.2% YOY to SAR 8,256 Mn in 3Q26. The Bank's non-funded income is expected to grow by 2.8% YOY to SAR 2,660 Mn in 3Q26, due to increase in fees from banking services, partially offset by expected decline in net exchange income and other operating income. Consequently, the total operating income is projected to rise by 10.5% YOY to SAR 10,916 Mn in 3Q26. The Bank's total operating expenses are expected to increase by 9.1% YOY to SAR 2,418 Mn in 3Q26, primarily due to expected increase in salaries & employee related benefits, other G&A expenses partially offset by decrease in depreciation & amortization expenses. Thus, we expect the Bank's calculated cost to income ratio to decrease 28 bps YOY to 22.1% in 3Q26. Impairment charges are anticipated to increase 18.8% YOY to SAR 677 Mn in 3Q26. As a result, the net profit before zakat is expected to grow by 10.2% YOY to SAR 7,821 Mn in 3Q26. Also, the zakat expenses are expected to decline 3.5% YOY to SAR 704 Mn in 3Q26 and the profit share to the non-controlling interest is expected to increase by 17.9% YOY to SAR 7 Mn in 3Q26.

2026 forecast

ALRAJHI's net profit attributable to equity shareholders is projected to increase 12.1% YOY to SAR 27,791 Mn in 2026, largely driven by anticipated rise in net funded and non-funded income and lower zakat expenses, partially offset by an expected increase in operating expenses and impairment charges. The Bank's funded income is expected to grow by 4.7% YOY to SAR 58,497 Mn in 2026, driven by expected rise in asset yield and interest-earning assets. Funded expense is expected to decrease by 4.2% YOY to SAR 24,906 Mn in 2026. This results into net funded income increasing 12.5% YOY to SAR 33,591 Mn in 2026. The Bank's fees from banking services are expected to rise 15.8% YOY to SAR 6,797 Mn in 2026. Net exchange income is projected to increase 6.0% YOY to SAR 1,652 Mn in 2026, whereas the other operating income is expected to decline by 20.0% YOY to SAR 1,456 Mn. Thus, the total non-funded income is anticipated to increase 7.1% YOY to SAR 9,905 Mn in 2026. Resultantly, total operating income is expected to increase by 11.3% YOY to SAR 43,496 Mn in 2026. The Bank's total operating expenses are expected to increase by 9.3% YOY to SAR 9,980 Mn in 2026, primarily due to increase in salaries & employee related expenses and other G&A expenses partially offset by decline in depreciation & amortization. Despite the increase in operating expenses, we expect the Bank's cost to income to improve 40 bps YOY to 22.9% in 2026. Impairment charges are expected to rise by 26.6% YOY to SAR 2,937 Mn in 2026. As a result, net profit before zakat is projected to increase 10.6% YOY to SAR 30,579 Mn in 2026. Zakat expenses are expected to decline 2.5% YOY to SAR 2,752 Mn in 2026. The share of profit attributable to non-controlling interests is expected to increase by 10.4% YOY to SAR 36 Mn in 2026.

2Q26 outturn

ALRAJHI's funded income increased 6.1% YOY to SAR 14,484 Mn in 2Q26, while funded expenses declined 2.6% YOY to SAR 6,177 Mn in 2Q26. This resulted in net funded income growing by 13.7% YOY to SAR 8,307 Mn in 2Q26. The Bank's non-funded income grew 12.2% YOY to SAR 2,578 Mn in

2Q26, mainly due to higher fees from banking services and exchange income, partially offset by the decline in other operating income. ALRAJHI's fees from banking services grew 17.4% YOY to SAR 1,638 Mn in 2Q26, while exchange income increased 18.9% YOY to SAR 409 Mn in 2Q26. Other operating income declined 5.0% YOY to SAR 531 Mn in 2Q26. Thus, the total operating income increased 13.3% YOY to SAR 10,884 Mn in 2Q26. The Bank's total operating expenses before credit impairment charges increased 11.7% YOY to SAR 2,395 Mn in 2Q26, mainly due to higher other G&A expenses and salaries & employee related benefits, partially offset by a decline in depreciation and amortization expense. Salaries and employee related benefits expense increased 3.5% YOY to SAR 1,019 Mn in 2Q26, while other G&A expenses increased from SAR 566 Mn in 2Q25 to SAR 970 Mn in 2Q26. Depreciation and amortization expense declined 31.4% YOY to SAR 406 Mn in 2Q26. The Bank's calculated cost-to-income ratio improved 32 bps YOY to 22.0% in 2Q26. Impairment charges increased 46.9% YOY to SAR 881 Mn in 2Q26. Net income before zakat increased 10.9% YOY to SAR 7,609 Mn in 2Q26. Zakat expense declined 16.6% YOY to SAR 583 Mn in 2Q26. The profit share to non-controlling interest increased 30.3% YOY to SAR 14 Mn in 2Q26. Consequently, net profit increased 14.0% YOY to SAR 7,012 Mn in 2Q26.

Target price and recommendation

We maintain our rating to BUY on ALRAJHI with a target price of SAR 78.00. ALRAJHI delivered a strong earnings performance in 2Q26, supported by rise in both funded and non-funded income. Fee income grew 17.1% YOY in 1H26, supported by the continued implementation of the Bank's "Harmonize the Group" strategy and initiatives to strengthen fee generation across cards, payments, bancassurance, and brokerage businesses. The strong fee performance was supported by payments, trade, cash management, investment banking and asset-management activities, with fee income growth continuing to outpace the expansion in the financing book. This provides greater diversification of revenue growth and reduces the Bank's reliance on balance sheet expansion. Meanwhile, exchange income increased by 21.4% YOY in 1H26, contributing to robust non-funded income growth. Additionally, ALRAJHI's net advances grew 2.7% YOY and 1.1% QOQ to SAR 762.1 Bn in 2Q26, driven by growth in the non-retail book, while retail financing declined slightly. Non-retail lending growth was led by strong momentum in large corporate and SME portfolios, which grew 5.9% YOY and 46.7% YOY, respectively, in 2Q26. While retail financing declined slightly by 2.6% YOY in 2Q26. During 2Q26, the Bank completed several securitization transactions, including SAR 4.9 Bn of mortgage loans and SAR 1.6 Bn of consumer loans. This follows the securitization of an additional SAR 1.3 Bn of consumer loans completed in 1Q26. The Bank's customer deposits grew 3.6% YOY and 1.4% QOQ to SAR 688.4 Bn in 2Q26. However, the Bank maintained a stable funding profile, with CASA deposits accounting for 64.2% of total deposits as of 2Q26, down from 67.8% in 1Q26, indicating increase in funding cost pressure. While, CASA increased by around SAR 10.0 Bn on a YTD basis and with expected improvement in funding mix, some pressure could be offset in 2H26. ALRAJHI's asset quality remained robust, with NPL ratio improving from 0.77% in 1Q26 to 0.74% in 2Q26 and a strong provision coverage ratio of 153.2% in 2Q26, providing a solid buffer against potential credit losses. Moreover, the Bank's liquidity coverage ratio improved from 162.3% in 1Q26 to 169.1% in 2Q26, indicating a strengthened liquidity position. ALRAJHI's capitalization remained healthy with a TIER 1 capital ratio of 21.7% and a total CAR of 23.5% during 2Q26. ROA and ROE were stronger at 2.5% and 22.1%, respectively, compared with 2.58% and 22.9% in 1Q26, reflecting the continued strength in profitability despite higher credit costs. The Bank expects 2026 financing growth in the low single digits, revised down from the previous low-to-mid single-digit guidance. The Bank maintained its guidance for net profit margin expansion of 30–40 bps, cost-to-income ratio below 23.0%, and ROE above 23.5%. Meanwhile, cost of risk guidance was revised upward to 0.35%–0.45% from the previous range of 0.30%–0.40%. The Bank continues to target a Tier 1 capital ratio above 21%. Overall, ALRAJHI continues to offer a healthy earnings profile, strong fee-income growth, robust asset quality and solid capitalization. While higher funding costs and credit provisions remain key headwinds, the Bank's strong profitability and balance sheet flexibility provide a supportive outlook. Thus, based on our analysis, we maintain our rating to BUY on the stock.

Al Rajhi Bank - Relative valuation

	2021	2022	2023	2024	2025	2026F
(At CMP)						
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%	2.4%	2.8%	2.6%	3.1%

FABS Estimates & Co Data

Al Rajhi Bank - P&L

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
SAR Mn								
Funded income	14,280	14,484	14,509	1.6%	0.2%	55,850	58,497	4.7%
Funded expense	-6,987	-6,177	-6,253	-10.5%	1.2%	-26,004	-24,906	-4.2%
Net Funded Income	7,294	8,307	8,256	13.2%	-0.6%	29,846	33,591	12.5%
Fees from banking services	1,547	1,638	1,687	9.1%	3.0%	5,869	6,797	15.8%
Exchange income, net	429	409	415	-3.1%	1.5%	1,559	1,652	6.0%
Other operating income	612	531	557	-9.0%	5.0%	1,820	1,456	-20.0%
Total non-funded Income	2,588	2,578	2,660	2.8%	3.2%	9,248	9,905	7.1%
Total Operating Income	9,882	10,884	10,916	10.5%	0.3%	39,094	43,496	11.3%
Salaries & employee benefits	-995	-1,019	-1,050	5.5%	3.0%	-4,026	-4,368	8.5%
Other G&A expenses	-615	-970	-954	55.0%	-1.6%	-2,732	-3,962	45.0%
Depreciation and amortization	-606	-406	-414	-31.6%	NM	-2,369	-1,650	-30.4%
Total operating Expenses	-2,216	-2,395	-2,418	9.1%	1.0%	-9,127	-9,980	9.3%
Profit before provisions	7,665	8,490	8,498	10.9%	0.1%	29,967	33,516	11.8%
Impairment charge	-570	-881	-677	18.8%	-23.1%	-2,320	-2,937	26.6%
Total Operating Expenses after Impairment	-2,786	-3,276	-3,095	11.1%	-5.5%	-11,447	-12,917	12.8%
Net income before zakat	7,096	7,609	7,821	10.2%	2.8%	27,646	30,579	10.6%
Zakat	-729	-583	-704	-3.5%	20.7%	-2,822	-2,752	-2.5%
Non-controlling interest	-6	-14	-7	17.9%	-47.6%	-33	-36	10.4%
Net profit for the year	6,360	7,012	7,110	11.8%	1.4%	24,792	27,791	12.1%

FABS estimate & Co Data

Al Rajhi Bank - P&L KPI

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	73.8%	76.3%	75.6%	183	-68	76.3%	77.2%	88
NIMs - Trailing 12M	3.2%	3.3%	3.4%	23	8	3.2%	3.4%	24
NIMs - Annualized	3.2%	3.4%	3.4%	16	-4	3.2%	3.4%	24
NIS	2.7%	3.1%	3.1%	35	-9	2.8%	3.1%	24
Fees & comms/OI	15.7%	15.0%	15.5%	-20	41	15.0%	15.6%	61
Exchange Income/OI	4.3%	3.8%	3.8%	-53	5	4.0%	3.8%	-19
Cost to income (calculated)	22.4%	22.0%	22.1%	-28	15	23.3%	22.9%	-40
Impairment/PPP	-7.4%	-10.4%	-8.0%	-53	241	-7.7%	-8.8%	-102
NP/OI	64.4%	64.4%	65.1%	77	71	63.4%	63.9%	48
Cost of risk	0.30%	0.46%	0.35%	5	-11	0.31%	0.38%	7
Loan-to-deposit (headline)	108.9%	110.7%	113.5%	455	279	112.8%	114.0%	119
NPL (Calculated)	0.8%	0.7%	0.8%	2	4	0.75%	0.80%	5
Tier 1	19.7%	21.7%	21.7%	200	0	20.5%	21.4%	88
Capital Adequacy	21.1%	23.5%	23.5%	240	0	21.9%	22.7%	83
ROAA	2.4%	2.5%	2.6%	15	5	2.6%	2.8%	15
ROAE	22.1%	22.1%	21.8%	-34	-36	22.0%	22.0%	-1

FABS estimate & Co Data

Al Rajhi Bank - Key B/S Items

	3Q25	4Q25	1Q26	2Q26	3Q26F	Change
SAR Mn						
Net advances	7,55,985	7,52,760	7,53,730	7,62,096	7,67,951	1.6%
QOQ change	1.9%	-0.4%	0.1%	1.1%	0.8%	
Total assets	10,59,240	10,43,268	10,51,268	10,54,772	10,64,370	0.5%
QOQ change	2.3%	-1.5%	0.8%	0.3%	0.9%	
Customer deposits	6,93,905	6,67,288	6,78,734	6,88,359	6,76,609	-2.5%
QOQ change	4.4%	-3.8%	1.7%	1.4%	-1.7%	
Total Equity	1,37,515	1,42,912	1,52,644	1,52,566	1,59,676	16.1%
QOQ change	2.6%	3.9%	6.8%	-0.1%	4.7%	

FABS estimate & Co Data

3Q26 preview: The Saudi Investment Bank (SAIB)

Higher costs and lower income to weigh on profits

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 11.97	SAR 17.80	+48.7%	BUY

3Q26 forecast

The Saudi Investment Bank's ("SAIB", "the Bank") net profit is anticipated to increase 4.4% YOY to SAR 541 Mn in 3Q26, primarily due to an increase in net special commission income and non funded income along with increase in share of associates partially offset by increase in operating expenses, impairment and zakat expenses. Special commission income is projected to decline 1.5% YOY to SAR 2,490 Mn in 3Q26, mainly due to an expected decline in asset yield despite anticipated increase in interest earning assets. Special commission expense is anticipated to decrease 4.9% YOY to SAR 1,589 Mn in 3Q26, largely due to decline in interest bearing liabilities. Resultantly, net special commission income is expected to increase 5.1% YOY to SAR 901 Mn in 3Q26. Fees and commission income is anticipated to fall 1.5% YOY to SAR 92 Mn in 3Q26. Net exchange income is anticipated to rise by 25.6% YOY to SAR 83 Mn in 3Q26. Additionally, other non-funded income is expected to increase 38.4% YOY to SAR 40 Mn in 3Q26. As a result, total non-funded income is anticipated to increase 14.1% YOY to SAR 215 Mn in 3Q26. The Bank's total operating income is anticipated to increase 6.7% YOY to SAR 1,116 Mn in 3Q26. Operating expenses are expected to increase 5.0% YOY to SAR 442 Mn in 3Q26. Thus, we expect the calculated cost-to-income ratio to increase 63 bps YOY to 39.6% in 3Q26. Bank's impairment charges are anticipated to rise by 40.2% YOY to SAR 85 Mn in 3Q26. Furthermore, share in earnings of associates is expected to rise 4.4% YOY to SAR 40 Mn in 3Q26. As a result, income before zakat is projected to increase 4.4% YOY to SAR 629 Mn in 3Q26. Zakat expenses are projected to increase by 4.4% YOY to SAR 88 Mn in 3Q26.

2026 forecast

SAIB's net profit is anticipated to decline by 9.7% YOY to SAR 2,197 Mn in 2026, primarily due to an expected decline in non-funded income and lower share of earnings of associates, partially offset by higher net special commission income coupled with stable operating expenses, lower impairment charges, and zakat expenses. Special commission income is projected to increase by 1.0% YOY to SAR 9,784 Mn in 2026, driven by an expected increase in average interest earnings assets. Special commission expenses are expected to decline marginally by 0.8% YOY to SAR 6,116 Mn in 2026. Thus, net special commission income is projected to rise by 4.0% YOY to SAR 3,668 Mn in 2026. Fees and commission income is expected to decrease by 1.2% 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 114 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 34.6% YOY to SAR 829 Mn in 2026. Thus, total operating income is projected to decrease by 6.2% YOY to SAR 4,497 Mn in 2026. Operating expenses are expected to decline marginally by 0.2% YOY to SAR 1,726 Mn in 2026. Accordingly, the calculated cost-to-income ratio is anticipated to increase 244 bps YOY to 38.4% in 2026. Impairment charges are expected to decline 5.9% YOY to SAR 334 Mn in 2026. Also, the shares in earnings of associates are expected to decline 5.7% YOY to SAR 118 Mn in 2026. As a result, income before zakat is expected to decline 10.1% YOY to SAR 2,554 Mn in 2026. Zakat expenses are expected to decline by 12.6% YOY to SAR 358 Mn in 2026.

2Q26 outturn

SAIB's funded income increased 3.7% YOY to SAR 2,482 Mn in 2Q26, driven by financing and investment portfolio. Funded expenses rose 6.3% YOY to SAR 1,583 Mn in 2Q26. Consequently, net funded income declined 0.7% YOY to SAR 899 Mn in 2Q26. The Bank's non-funded income increased 26.0% YOY to SAR 207 Mn in 2Q26, mainly due to unrealized gains on FVTPL on financial instrument supported by fees & commission income and net exchange income. Fees and commission income

rose 4.5% YOY to SAR 100 Mn in 2Q26, while exchange income increased 22.0% YOY to SAR 69 Mn in 2Q26. Other non-funded income increased from SAR 12 Mn in 2Q25 to SAR 38 Mn in 2Q26. As a result, operating income grew 3.4% YOY to SAR 1,106 Mn in 2Q26. Total operating expenses increased by 1.3% YOY to SAR 442 Mn in 2Q26, largely driven by increase in salaries & employee related expenses. Thus, the Bank's cost-to-income ratio improved from 40.8% in 2Q25 to 40.0% in 2Q26, reflecting enhanced operational efficiency. Financing impairment charges increased 9.5% YOY to SAR 70 Mn in 2Q26. Share in earnings of associates declined 10.6% YOY to SAR 24 Mn in 2Q26. Income before zakat provisions increased 3.6% YOY to SAR 618 Mn in 2Q26. Zakat charges grew by 3.6% YOY to SAR 86 Mn in 2Q26. Consequently, net profit for the period increased 3.6% YOY to SAR 531 Mn in 2Q26.

Target price and recommendation

We maintain our BUY rating on the Saudi Investment Bank with a target price of SAR 17.80. The Bank reported a 3.6% YOY increase in net income to SAR 531.1 Mn in 2Q26. Growth was primarily supported by higher non-funded income, partially offset by higher operating expenses, financing impairments, zakat charges and a lower share of associates earnings. Total Operating income grew 3.4% YOY to SAR 1,106 Mn in 2Q26, benefiting from higher non-funded income driven by fee and other income, which supported overall profitability alongside broadly flat net funded income; the shift in mix was evident in the net funded income-to-operating income ratio, which narrowed to 81.3% in 2Q26 from 84.6% in 2Q25, underscoring the growing reliance on fee-led revenue. Cost discipline was broadly maintained, with the cost-to-income ratio improving 84 bps YOY to 40.0% in 2Q26, though it rose sequentially by 91 bps on higher operating expenses. On the asset side, SAIB continued to demonstrate solid balance sheet expansion, with net advances rising 8.2% YOY and 1.5% QOQ to SAR 117.3 Bn in 2Q26, supported by sustained credit demand. Loan growth is expected to remain in the mid-to-high single digits in 2026, supported by healthy corporate and private banking pipelines. Customer deposits recorded strong growth of 21.3% YOY but declined slightly by 1.1% QOQ to SAR 121.6 Bn in 2Q26, with the faster deposit accumulation over the year driving the loan-to-deposit ratio down to 96.5% in 2Q26 from 108.2% in 2Q25, pointing to a more comfortable funding position. SAIB's asset quality remained resilient, with the reported NPL ratio improving to 0.91% in 2Q26 from 0.94% in 1Q26, while the NPL coverage ratio strengthened to 201.8% in 2Q26 from 194.1% in 1Q26, reflecting a robust provisioning buffer against expected credit losses. The improvement in asset quality was supported by stable NPL balances alongside continued growth in the performing loan portfolio, while Stage 3 ECL coverage increased to 53.6% in 2Q26 from 51.4% in 1Q26, indicating further strengthening of loss-absorption capacity. Credit costs are expected to remain contained, with 2026 cost-of-risk guidance maintained at 25–35 bps despite potential downside. SAIB's liquidity position remained strong, with the LCR improving to 196.5% in 2Q26 from 190.8% in 1Q26, while the NSFR moderated slightly to 111.5% from 112.5%, remaining comfortably above regulatory requirements. Liquidity buffers were supported by balance sheet positioning, with customer deposits remaining the primary source of funding. SAIB's capital position strengthened in 2Q26, with the CAR improving to 20.2% from 18.9% in 1Q26, while the Tier 1 ratio increased to 19.7% from 18.3%. The improvement was supported by the issuance of SAR 1.85 Bn of additional Tier 1 Sukuk in April, alongside retained earnings, more than offsetting the impact of higher risk-weighted assets. Meanwhile, CET1 remained broadly stable at 14.0% in 2Q26 versus 14.1% in 1Q26, despite a 6% q/q increase in RWAs to SAR126.1bn. Overall, the capital position remained well above regulatory requirements and provided adequate headroom to support continued balance-sheet growth. Overall, SAIB's resilient asset quality, strong capitalization and healthy loan growth outlook provide a supportive backdrop for earnings, despite near-term margin pressures with expected improvement in CASA and funding mix which could release some pressure. Thus, on basis of our analysis, we maintain our BUY rating on the stock.

SAIB - Relative valuation

	2021	2022	2023	2024	2025	2026F
(At CMP)						
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	0.700	0.825
Dividend yield	3.5%	5.0%	5.7%	6.3%	5.8%	6.9%

FABS Estimates & Co Data
SAIB - P&L

SAR Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Special commission income	2,529	2,482	2,490	-1.5%	0.3%	9,692	9,784	1.0%
Special commission expense	-1,672	-1,583	-1,589	-4.9%	0.4%	-6,164	-6,116	-0.8%
Net Special Commission Inc	857	899	901	5.1%	0.2%	3,528	3,668	4.0%
Fee and commission income	94	100	92	-1.5%	-7.7%	374	370	-1.2%
Exchange income, net	66	69	83	25.6%	20.0%	257	345	34.0%
Other non-operating income	29	38	40	NM	NM	635	114	-82.1%
Non-funded income	189	207	215	14.1%	4.0%	1,266	829	-34.6%
Total Operating income	1,046	1,106	1,116	6.7%	0.9%	4,794	4,497	-6.2%
Operating expenses	-421	-442	-442	5.0%	0.0%	-1,723	-1,726	0.2%
Pre-provision profit	625	664	674	7.9%	1.6%	3,071	2,770	-9.8%
Financing Impairment	-60	-70	-85	40.2%	20.5%	-355	-334	-5.9%
Net operating income	564	593	589	4.4%	-0.7%	2,716	2,437	-10.3%
Share in earnings of associates	38	24	40	4.4%	65.1%	125	118	-5.7%
Income before Zakat	603	618	629	4.4%	1.9%	2,841	2,554	-10.1%
Zakat	-84	-86	-88	4.4%	1.9%	-409	-358	-12.6%
Net profit	518	531	541	4.4%	1.9%	2,431	2,197	-9.7%

FABS estimate & Co Data
SAIB - KPI

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	82.0%	81.3%	80.7%	-125	-56	73.6%	81.6%	799
NIM	2.3%	2.4%	2.4%	12	1	2.3%	2.2%	-12
NIMs - Trailing 12M	2.3%	2.2%	2.1%	-22	-4	2.3%	2.2%	-12
NIMs - Annualized	2.3%	2.2%	2.1%	-12	-6	2.3%	2.2%	-12
NIS	1.8%	1.7%	1.6%	-18	-15	1.9%	1.8%	-12
Fees & commissions/OI	8.9%	9.0%	8.3%	-69	-77	7.8%	8.2%	42
Exchange income/OI	6.3%	6.3%	7.5%	112	118	5.4%	7.7%	230
Cost to income (calculated)	40.3%	40.0%	39.6%	-63	-37	35.9%	38.4%	244
Impairment/PPP	9.7%	10.6%	12.6%	290	198	11.6%	12.0%	49
NP/OI	49.6%	48.0%	48.5%	-109	46	50.7%	48.8%	-187
Cost of risk - calculated	0.22%	0.24%	0.28%	6	4	0.33%	0.28%	-5
Loan-to-deposit	105.2%	96.5%	103.0%	-216	649	102.2%	101.7%	-50
NPL	0.9%	0.9%	1.0%	7	10	0.9%	0.9%	-1
Provision coverage	168.9%	201.8%	202.0%	3,312	17	184.1%	203.0%	1,889
CET1	13.2%	14.0%	14.1%	92	14	14.3%	14.0%	-35
Capital adequacy	18.1%	20.2%	20.3%	228	11	19.3%	20.1%	79
ROAE	11.2%	12.5%	12.4%	120	-9	12.7%	10.0%	-275
ROAA	1.2%	1.4%	1.4%	18	-2	1.5%	1.2%	-25

FABS estimate & Co Data
SAIB - BS Key items

SAR Mn	3Q25	4Q25	1Q26	2Q26	3Q26F	YOY Ch
Net advances	1,10,581	1,12,070	1,15,608	1,17,320	1,20,241	8.7%
QOQ Change	2.0%	1.3%	3.2%	1.5%	2.5%	
Total Assets	1,74,912	1,72,825	1,80,284	1,84,021	1,85,721	6.2%
QOQ Change	4.2%	-1.2%	4.3%	2.1%	0.9%	
Customer deposits	1,05,152	1,09,619	1,22,935	1,21,559	1,16,738	11.0%
QOQ Change	4.9%	4.2%	12.1%	-1.1%	-4.0%	
Total Equity	16,432	17,121	17,527	17,672	17,934	9.1%
QOQ Change	0.6%	4.2%	2.4%	0.8%	1.5%	

FABS estimate & Co Data

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