

Saudi National Bank (SNB)

Earnings supported by impairment reversal and strong asset quality

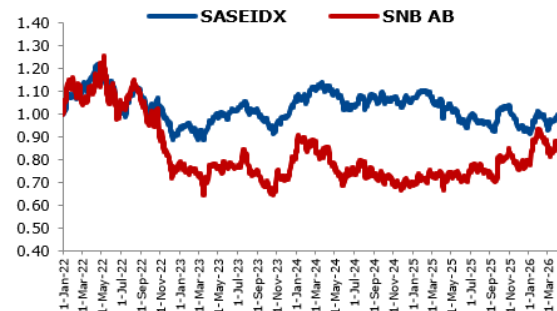
Current Price
SAR 40.52

Target Price
SAR 50.00

Upside/Downside (%)
+23.4%

Rating
BUY

- Net advances grew 3.7% YOY and marginally 0.5% QOQ to SAR 732.7 Bn in 1Q26, due to an increase in Retail financing.
- Customer deposits grew 6.2% YOY and 4.6% QOQ to SAR 665.5 Bn in 1Q26.
- The Bank recorded impairment reversal of SAR 578 Mn in 1Q26 compared to impairment charges of SAR 31 Mn in 1Q26, due to strong credit quality.
- Asset quality remained strong as reported NPLs declined 24 bps YOY to 0.7% in 1Q26.
- Improved capital and liquidity positions, with a capital adequacy ratio of 21.9%, liquidity coverage ratio of 311.8% in 1Q26.



1Q26 Net Profit is higher than our estimate

Saudi National Bank ("SNB"/ "The Bank") posted growth in net profit attributable to equity shareholder of 6.7% YOY to SAR 6,423 Mn in 1Q26, slightly higher than our estimate of SAR 6,125 Mn. The increase was mainly driven by higher net funded income, and impairment reversals. This was partially offset by higher operating expenses, other non-operating expenses, zakat charges and profit share to NCI holders coupled with decline in non-funded income.

P&L Highlights

SNB's funded income rose 3.1% YOY to SAR 14,760 Mn in 1Q26, and Funded expenses grew 2.7% YOY to SAR 7,264 Mn in 1Q26. Thus, net Funded income increased 3.4% YOY to SAR 7,496 Mn in 1Q26. NSCI margins declined during 1Q26 compared to 1Q25 due to lower benchmark rates impacting asset yield partially offset by improvement in funding costs. The Bank's non-funded income declined 8.7% YOY to SAR 2,154 Mn in 1Q26, mainly due to lower investment income and higher other operating expenses, partially offset by growth in fee-based income and FX earnings. Thus, total operating income rose marginally 0.4% YOY to SAR 9,650 Mn in 1Q26. Total operating expenses increased 2.7% YOY to SAR 2,801 Mn in 1Q26, driven by higher employee and general and admin costs, partly offset by lower other operating expenses due to cost optimization. Thus, the Bank's cost-to-income increased 67 bps YOY to 26.9% in 1Q26. Furthermore, SNB's other non-operating expenses increased 2.6% YOY to SAR 138 Mn in 1Q26. The Bank recorded impairment reversal of SAR 578 Mn in 1Q26 compared to impairment charges of SAR 31 Mn in 1Q25, due to strong credit quality. Zakat charges increased 17.2% YOY to SAR 861 Mn in 1Q26. In addition, the share of profit attributable to non-controlling interest holders stood at SAR 4 Mn in 1Q26, compared to a loss of SAR 38 Mn in 1Q25.

Stock Information

Market Cap (SAR, mn)	240,240.00
Paid Up Capital (mn)	60,000.00
52 Week High	45.24
52 Week Low	33.30
3M Avg. daily value (SAR)	235,697,200

1Q26 Result Review (SAR, Mn)

Total Assets	1,228,496
Total Liabilities	1,013,837
Total Equity	214,658
Total Deposits	665,462
Net Profit	6,423

Financial Ratios

Dividend Yield (12m)	5.37
Dividend Pay-out (%)	53.80
Price-Earnings Ratio(x)	9.76
Price-to-Book Ratio (x)	1.28
Book Value (SAR)	31.30
Return-on Equity (%)	13.43

Stock Performance

5 Days	-5.70%
1 Months	-0.69%
3 Months	-6.88%
6 Months	2.67%
1 Year	12.16%
Month to Date (MTD%)	-4.26%
Quarter to Date (QTD%)	-4.26%
Year to Date (YTD%)	5.70%

Balance Sheet Highlights

SNB's total assets grew 4.9% YOY and 1.5% QOQ to SAR 1,228.5 Bn in 1Q26, driven by growth in cash and balances with central banks, financing and investments. Net advances grew 3.7% YOY and marginally 0.5% QOQ to SAR 732.7 Bn in 1Q26, due to an increase in Retail financing, partly offset by a decline in Wholesale financing. Customer deposits grew 6.2% YOY and 4.6% QOQ to SAR 665.5 Bn in 1Q26. Additionally, total equity grew 10.6% YOY and 5.3% QOQ to SAR 214.7 Bn in 1Q26.

Target Price and Rating

We maintain our rating to BUY on SNB with a target price of SAR 50.00. SNB reported a strong performance in 1Q26, supported by solid growth in Net Special Commission Income (NSCI) across its core business segments and robust recoveries, reflecting sustained high credit quality. Despite this, the NSCI margin declined by 20 bps YOY to 2.85% in 1Q26, as the impact of lower benchmark rates on asset yields outweighed the benefit from reduced funding costs, however, the margin remained broadly stable on a sequential basis. Total financing stood at SAR 733 Bn in 1Q26, primarily driven by a 1.6% increase in Retail financing, partially offset by a 0.6% decline in Wholesale financing. Adjusting for the reduction in financial institutions (FI) exposure, Wholesale financing would have recorded a 1.7% growth during the period. On the funding side, CASA deposits increased by 2% YOY, with the CASA ratio reaching 71.5% in 1Q26, supporting a relatively low-cost funding base. In 2025, the Bank's net financing grew 11.5% YOY to SAR 729.3 Bn in 2025, driven by 21% growth in Wholesale financing and an 8% rise in residential financing. The headline loan-to-deposit ratio moderated to 110.1% in 1Q26 from 112.8% in 1Q25, indicating improved balance sheet positioning. Asset quality remained robust, with the cost of risk improving by 34 bps YOY to negative 0.32%, while NPLs declined by 24 bps YOY and 1 bps QOQ to 0.7% in 1Q26. The Bank strengthened its digital-first retail strategy in 2025, with digitally active penetration at 93%, digital sales increasing to 78% from 75% in 2024, and digital transactions rising 18% YOY to 3.2 Bn. Furthermore, the Bank maintained a strong capital and liquidity profile, with a Pillar I CAR of 21.9%, LCR of 311.8%, NSFR of 116.0%, and SAMA LDR at 80.1% in 1Q26, providing ample headroom to support future growth. Thus, based on the above analysis, we maintain our BUY rating on the stock.

SNB Bank - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	18.68	13.75	12.94	12.30	10.38	9.72
PB	1.59	1.51	1.43	1.30	1.22	1.16
BVPS	26.361	27.662	29.317	32.094	34.273	36.257
EPS	2.243	3.045	3.236	3.405	4.035	4.307
DPS	1.157	1.269	1.750	1.900	2.150	2.304
Dividend Yield	2.9%	3.1%	4.3%	4.7%	5.3%	5.7%

FABS Estimates & Co Data

SNB Bank - P&L

SAR Mn	1Q25	4Q25	1Q26	1Q26F	VAR	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	14,321	15,662	14,760	16,040	-8.0%	3.1%	-5.8%	60,962	63,993	5.0%
Funded expense	7,070	8,156	7,264	8,388	-13.4%	2.7%	-10.9%	31,806	33,041	3.9%
Net funded income	7,251	7,506	7,496	7,652	-2.0%	3.4%	-0.1%	29,155	30,953	6.2%
Non-funded income	2,360	2,421	2,154	2,408	-10.6%	-8.7%	-11.0%	10,039	10,728	6.9%
Operating income	9,612	9,927	9,650	10,061	-4.1%	0.4%	-2.8%	39,195	41,681	6.3%
Total operating exp.	2,727	1,889	2,801	2,678	4.6%	2.7%	48.3%	9,872	10,336	4.7%
Other non-opr inc./(exp.)	-134	-61	-138	-79	74.3%	2.6%	NM	-391	-399	2.0%
Pre-provision profit	6,751	7,977	6,711	7,304	-8.1%	-0.6%	-15.9%	28,931	30,946	7.0%
Impairments	31	942	-578	373	NM	NM	NM	1,034	1,536	48.5%
PBT	6,720	7,036	7,289	6,931	5.2%	8.5%	3.6%	27,897	29,410	5.4%
Zakat	735	628	861	762	12.9%	17.2%	37.0%	2,905	3,088	6.3%
Profit after tax	5,984	6,407	6,427	6,169	4.2%	7.4%	0.3%	24,992	26,322	5.3%
Non-controlling interest	-38	22	4	43	-90.7%	NM	-81.6%	-22	-79	NM
Net profit attributable	6,022	6,385	6,423	6,125	4.9%	6.7%	0.6%	25,013	26,401	5.5%

FABS estimate & Co Data

SNB Bank - KPI

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	75.4%	75.6%	77.7%	224	206	74.4%	74.3%	-12
Cost-to-income	26.2%	17.0%	26.9%	67	994	23.1%	22.8%	-25
Impairment/PPP	0.5%	11.8%	-8.6%	-907	NM	3.6%	5.0%	139
NP/OI	62.6%	64.3%	66.6%	391	224	63.8%	63.3%	-48
Cost of risk (reported)	0.02%	0.52%	-0.32%	-34	-84	0.15%	0.20%	5
Loan-to-deposit – Headline	112.8%	114.7%	110.1%	-268	-456	114.7%	59.5%	-5,513
NPL - reported	0.9%	0.7%	0.7%	-24	-1	0.7%	0.8%	7
CAR	19.3%	21.2%	21.9%	259	74	21.2%	20.8%	-33
ROAE – calculated	11.8%	12.6%	12.4%	60	-16	12.6%	27.2%	1460
ROAA - calculated	2.0%	2.2%	2.1%	14	-4	2.2%	4.5%	235

FABS estimate & Co Data

SNB Bank - Key B/S items

SAR Mn	1Q25	2Q25	3Q25	4Q25	1Q26	YOY Ch
Net advances	706,430	714,839	725,090	729,311	732,658	3.7%
QOQ change	8.0%	1.2%	1.4%	0.6%	0.5%	
Total assets	1,171,079	1,200,998	1,206,607	1,210,032	1,228,496	4.9%
QOQ change	6.1%	2.6%	0.5%	0.3%	1.5%	
Customer deposits	626,394	658,675	639,488	636,094	665,462	6.2%
QOQ change	8.0%	5.2%	-2.9%	-0.5%	4.6%	
Total equity	194,119	197,887	197,041	203,827	214,658	10.6%
QOQ change	0.4%	1.9%	-0.4%	3.4%	5.3%	

FABS estimate & Co Data

Valuation:

We use Residual Income and Relative Valuation (RV) method to value SNB. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income Method	53.60	70%	37.52
Relative Valuation (RV)	41.60	30%	12.48
Weighted Average Valuation (SAR)			50.00
Current market price (SAR)			40.52
Upside/Downside (%)			+23.4%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.9%. Cost of equity is calculated by using 10-year government bond yield of 5.3%, beta of 0.90 and equity risk premium of 4.0%. Government bond yield is calculated after adding KSA 10-year CDS spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	35,246
Terminal value (SAR, Mn)	91,688
Book value of Equity (as of Mar 2026)	190,964
FV to Common shareholders (SAR, Mn)	317,898
No. of share (Mn)	5,931
Current Market Price (SAR)	40.52
Fair Value per share (SAR)	53.60

DCF Method

(All Figures in SAR Mn)	2026F	2027F	2028F	2029F	2030F
Net Profit	25,364	26,732	28,272	29,547	30,287
(-) Equity Charge	-16,464	-17,498	-18,624	-19,815	-21,086
Excess Equity	8,900	9,234	9,648	9,732	9,202
Discounting Factor	0.94	0.87	0.80	0.73	0.67
Present Value of Excess Equity	6,293¹	7,995	7,673	7,110	6,175

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used local peers to value SNB, and it is valued using the P/B multiple. It is valued at a P/B multiple of 1.3x in line with its peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Alinma Bank	19,851	1.8	1.7	11.8	10.8	3.2%	3.6%
Al Rajhi Bank	114,685	3.4	3.1	16.4	14.5	3.2%	3.7%
Arab National Bank	11,730	1.0	0.9	9.3	8.7	5.6%	5.9%
Banque Saudi Fransi	13,371	1.1	1.1	9.8	9.2	5.5%	5.8%
Riyad Bank	23,457	1.3	1.2	8.7	8.1	4.8%	5.6%
Average		1.7x	1.6x	11.2x	10.3x	4.5%	4.9%
Median		1.3x	1.2x	9.8x	9.2x	4.8%	5.6%
Max		1.8x	1.7x	11.8x	10.8x	5.5%	5.8%
Min		1.1x	1.1x	9.3x	8.7x	3.2%	3.7%

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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