FAB SECURITIES أبوظبي الأول للأوراق المالية

First Look Note | 2Q26

Saudi Equity Research | Sector: Banking | Market: Tadawul

Saudi National Bank (SNB)

Repricing tailwinds and disciplined funding cost management improved profitability

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 39.56	SAR 50.00	+26.4%	BUY

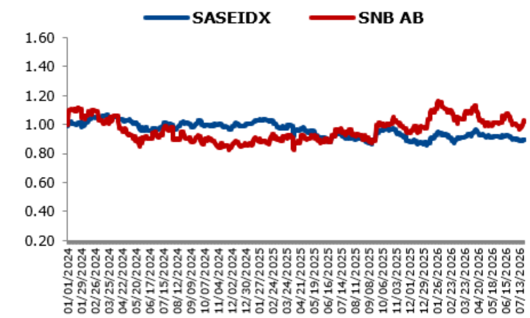
- Net financing and advances grew 1.4% YTD to SAR 739.6 Bn, led by a 2.4% increase in retail financing and a 0.5% increase in wholesale financing.
- Customer deposits grew 9.8% YTD to SAR 698.2 Bn, fueled by growth in both time and CASA deposits, taking the CASA ratio to 68.0% in 2Q26.
- Approved a cash dividend of SAR 1.15 per share, representing a total payout of SAR 6.9 Bn for 1H26.
- Maintained a strong capital and liquidity profile, with a CAR of 22.0% and liquidity coverage ratio of 244.0% in 2Q26.

2Q26 Net Profit higher than our estimate

Saudi National Bank ("SNB"/ "The Bank") posted growth in net profit attributable to equity shareholders of 7.6% YOY to SAR 6,606 Mn in 2Q26, higher than our estimate of SAR 6,215 Mn. The increase was mainly driven by higher net funded and non-funded income, partially offset by a marginal increase in operating expenses and an impairment charge of SAR 258 Mn in 2Q26 compared to a reversal of SAR 170 Mn in 2Q25.

P&L Highlights

SNB's funded income rose 1.6% YOY to SAR 15.4 Bn in 2Q26, due to a 1.3% YOY increase in funded income from the financing portfolio coupled with a 2.8% YOY increase in funded income from the investment portfolio. While funded expenses fell 7.0% YOY to SAR 7,509 Mn in 2Q26. Thus, net funded income increased 11.4% YOY to SAR 7,895 Mn in 2Q26. The reported NSCI margin expanded by 23bps YOY and 17bps QOQ to 3.02% in 2Q26 due to lower funding costs. The Bank's non-funded income increased 10.8% YOY to SAR 2,688 Mn in 2Q26, primarily driven by a 34.0% YoY increase in investment gains/income and a 3.3% YOY rise in net exchange income. Thus, total operating income rose 11.3% YOY to SAR 10.6 Bn in 2Q26. Total operating expenses increased marginally 0.9% YOY to SAR 2,790 Mn in 2Q26. Thus, the Bank's cost-to-income (excluding amortization of intangible assets) decreased from 26.9% in 2Q25 to 24.4% in 2Q26. Other non-operating expense increased from SAR 51 Mn in 2Q25 to SAR 111 Mn in 2Q26. Thus, pre-provision profit increased 14.8% YOY to SAR 7,682 Mn in 2Q26. The Bank recorded an impairment charge of SAR 258 Mn in 2Q26 compared to a reversal of SAR 170 Mn in 2Q25. Zakat expenses increased 9.7% YOY to SAR 809 Mn in 2Q26. Meanwhile, SNB reported positive share of NCI of SAR 9 Mn in 2Q26 compared to negative SAR 10 Mn in 2Q25.



Stock Information	
Market Cap (SAR, Mn)	236,278.5
Paid Up Capital (Mn)	5,931.21
52 Week High	45.24
52 Week Low	33.30
3M Avg. daily value (SAR)	4,054,658

2Q26 Result Review (SAR, Mn)	
Total Assets	1,244,688
Total Liabilities	1,029,828
Total Equity	214,335
Total Deposits	698,170
Net Profit	6,606

Financial Ratios	
Dividend Yield (12m)	5.70
Dividend Pay-out (%)	53.28
Price-Earnings Ratio(x)	9.39
Price-to-Book Ratio (x)	1.21
Book Value (SAR)	31.30
Return-on Equity (%)	13.43

Stock Performance	
5 Days	3.72%
1 Months	-3.93%
3 Months	-0.55%
6 Months	-8.00%
1 Year	7.68%
Month to Date (MTD%)	2.33%
Quarter to Date (QTD%)	2.33%
Year to Date (YTD%)	4.44%

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Balance Sheet Highlights

SNB's total assets grew 2.9% YTD to SAR 1.2 Tn in 2Q26, driven by value-driven growth in financing and investments. Net financing and advances grew 1.4% YTD to SAR 739.6 Bn, led by a 2.4% increase in retail financing and a 0.5% increase in wholesale financing. Customer deposits grew 9.8% YTD to SAR 698.2 Bn, fueled by growth in both time and CASA deposits, taking the CASA ratio to 68.0%.

Target Price and Rating

We maintain our rating to BUY on SNB with a target price of SAR 50.00. SNB delivered high single digit growth in 2Q26, supported by robust growth in net funded income, higher fee and other income, continued cost discipline, and strong credit quality. The reported NSCI margin improved by 23 bps YOY and 17 bps QOQ to 3.02% in 2Q26, while the 1H26 NSCI margin improved by 2 bps YOY to 2.94%, driven by the positive impact of asset repricing and prudent management of funding costs. Net financing and advances increased 1.4% YTD to SAR 739.6 Bn in 2Q26, primarily driven by a 2.4% YTD increase in retail financing and a 0.5% YTD increase in wholesale financing. Excluding the reduction in Financial Institutions exposure, wholesale financing would have recorded 3.0% YTD growth. On the funding side, customers deposits increased 9.8% YTD to SAR 698.2 Bn, supported by growth in both time and CASA deposits. However, the CASA ratio stood at 68.0% in 2Q26 as the stronger growth in time deposits outpaced the 2.0% YTD increase in CASA balances. The headline loan-to-deposit ratio improved to 105.9% in 2Q26 from 108.5% in 2Q25, reflecting an improved funding profile. Asset quality remained robust, with the Bank reporting a net impairment charge of SAR 258 Mn in 2Q26, while the reported NPL ratio declined by 14 bps YOY to 0.67% and remained stable on a QOQ basis. The Bank approved a cash dividend of SAR 1.15 per share, representing a total payout of SAR 6.9 Bn for 1H26. Looking ahead, funded income should benefit from stronger financing growth as the Bank guided high single-digit expansion in financing in 2026. Furthermore, the Bank maintained a strong capital and liquidity profile, with a Pillar I Capital Adequacy Ratio (CAR) of 22.0%, a Liquidity Coverage Ratio (LCR) of 244.0%, a Net Stable Funding Ratio (NSFR) of 119.0%, and a SAMA Loan-to-Deposit Ratio (LDR) of 77.9% in 2Q26, 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	17.57	12.94	12.18	11.57	9.76	9.34
PB	1.49	1.42	1.34	1.23	1.15	1.07
BVPS	26.361	27.662	29.317	32.094	34.273	36.825
EPS	2.243	3.045	3.236	3.405	4.035	4.219
DPS	1.157	1.269	1.750	1.900	2.150	2.257
Dividend Yield	2.9%	3.2%	4.4%	4.8%	5.4%	5.7%

FABS Estimates & Co Data

SNB Bank – P&L

SAR Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	15,158	14,760	15,404	15,729	-2.1%	1.6%	4.4%	60,962	63,295	3.8%
Funded expense	8,074	7,264	7,509	8,024	-6.4%	-7.0%	3.4%	31,806	31,962	0.5%
Net funded income	**7,084**	**7,496**	**7,895**	**7,705**	**2.5%**	**11.4%**	**5.3%**	**29,155**	**31,334**	**7.5%**
Non-funded income	**2,426**	**2,154**	**2,688**	**2,515**	**6.9%**	**10.8%**	**24.8%**	**10,039**	**10,415**	**3.7%**
Operating income	**9,510**	**9,650**	**10,583**	**10,220**	**3.5%**	**11.3%**	**9.7%**	**39,195**	**41,749**	**6.5%**
Total operating exp.	**2,765**	**2,801**	**2,790**	**2,589**	**7.8%**	**0.9%**	**-0.4%**	**9,872**	**10,534**	**6.7%**
Other non-op. inc./(exp.)	-51	-138	-111	-111	0.3%	NM	-19.7%	-391	-399	2.0%
Pre-provision profit	**6,694**	**6,711**	**7,682**	**7,521**	**2.1%**	**14.8%**	**14.5%**	**28,931**	**30,816**	**6.5%**
Impairments	-170	-578	258	562	-54.1%	NM	NM	1,034	1,228	18.7%
Profit Before Tax	**6,864**	**7,289**	**7,424**	**6,959**	**6.7%**	**8.2%**	**1.9%**	**27,897**	**29,588**	**6.1%**
Zakat	738	861	809	731	10.7%	9.7%	-6.1%	2,905	3,107	6.9%
Profit After Tax	**6,127**	**6,427**	**6,615**	**6,228**	**6.2%**	**8.0%**	**2.9%**	**24,992**	**26,481**	**6.0%**
NCI	-10	4	9	12	-27.7%	NM	NM	-22	53	NM
Net profit attributable	**6,137**	**6,423**	**6,606**	**6,215**	**6.3%**	**7.6%**	**2.9%**	**25,013**	**26,428**	**5.7%**

FABS estimate & Co Data

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SNB Bank - KPI

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	74.5%	77.7%	74.6%	11	-308	74.4%	75.1%	67
Cost-to-income	26.9%	26.9%	24.4%	-252	-250	23.1%	23.3%	19
Impairment/PPP	-2.5%	-8.6%	3.4%	590	1,197	3.6%	4.0%	41
NP/OI	64.5%	66.6%	62.4%	-211	-414	63.8%	63.3%	-51
Cost of risk (reported)	-0.1%	-0.32%	0.14%	23	46	0.15%	0.16%	1
Loan-to-deposit – Headline	108.5%	110.1%	105.9%	-260	-417	114.7%	110.1%	-456
NPL - reported	0.8%	0.7%	0.7%	-14	0	0.7%	0.8%	7
ROAA - reported	12.9%	13.5%	12.6%	-35	-88	13.4%	13.1%	-29

FABS estimate & Co Data

SNB Bank - Key B/S items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26	YOY Ch
Net advances	714,839	725,090	729,311	732,658	739,563	3.5%
QOQ change	1.2%	1.4%	0.6%	0.5%	0.9%	
Total assets	1,200,998	1,206,607	1,210,032	1,228,496	1,244,688	3.6%
QOQ change	2.6%	0.5%	0.3%	1.5%	1.3%	
Customer deposits	658,675	639,488	636,094	665,462	698,170	6.0%
QOQ change	5.2%	-2.9%	-0.5%	4.6%	4.9%	
Total equity	197,278	197,041	203,827	214,658	214,335	8.6%
QOQ change	1.6%	-0.1%	3.4%	5.3%	-0.2%	

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	56.08	70%	39.26
Relative Valuation (RV)	35.81	30%	10.74
Weighted Average Valuation (SAR)			**50.00**
Current market price (SAR)			39.56
Upside/Downside (%)			+26.4%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.2%. Cost of equity is calculated by using 10-year government bond yield of 5.4%, beta of 0.90 and equity risk premium of 4.2%. 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)	38,070
Terminal value (SAR, Mn)	104,484
Book value of Equity (as of Mar 2026)	190,964
FV to Common shareholders (SAR, Mn)	**335,518**
No. of share (Mn)	5,947
Current Market Price (SAR)	39.56
Fair Value per share (SAR)	**56.08**

DCF Method

(All Figures in SAR Mn)	2026F	2027F	2028F	2029F	2030F
Net Profit	25,068	28,015	30,943	32,291	32,960
(-) Equity Charge	-17,086	-18,027	-19,251	-20,604	-22,045
Excess Equity	**7,982**	**9,988**	**11,692**	**11,687**	**10,915**
Discounting Factor	0.96	0.88	0.81	0.74	0.68
Present Value of Excess Equity	**3,838[1]**	**8,795**	**9,428**	**8,629**	**7,380**

Source: FAB Securities, [1]Adjusted for partial year

2) Relative Valuation:

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

Company	Market	P/B (x)		P/E (x)		Dividend Yield (%)	
	(USD Mn)	2026F	2027F	2026F	2027F	2026F	2027F
Alinma Bank	19,184	1.8x	1.7x	11.6x	10.8x	3.5%	3.6%
Al Rajhi Bank	102,950	3.0x	2.7x	14.4x	13.1x	3.7%	4.2%
Arab National Bank	10,915	0.9x	0.9x	8.4x	8.1x	6.0%	6.1%
Banque Saudi Fransi	12,513	1.0x	1.0x	9.4x	8.6x	5.9%	6.3%
Riyad Bank	21,294	1.1x	1.0x	8.0x	7.5x	5.5%	6.0%
Average		**1.6x**	**1.5x**	**10.3x**	**9.6x**	**4.9%**	**5.2%**
Median		**1.1x**	**1.0x**	**9.4x**	**8.6x**	**5.5%**	**6.0%**
Max		**1.8x**	**1.7x**	**11.6x**	**10.8x**	**5.9%**	**6.1%**
Min		**1.0x**	**1.0x**	**8.4x**	**8.1x**	**3.7%**	**4.2%**

Source: FAB Securities

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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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