

Saudi National Bank (SNB)

Repricing tailwinds and disciplined funding cost management improved profitability

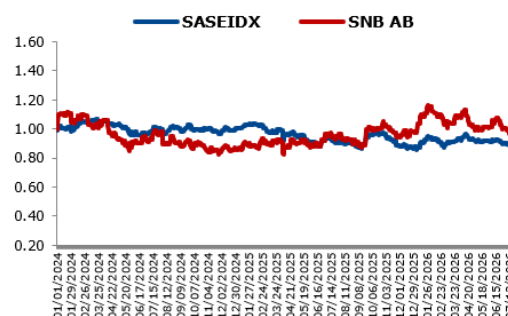
Current Price
SAR 39.56

Target Price
SAR 50.00

Upside/Downside (%)
+26.4%

Rating
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.



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%

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.

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

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	3,838¹	8,795	9,428	8,629	7,380

Source: FAB Securities, ¹Adjusted 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 (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		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

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	ahmad.banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161612	Shahrukh.Nawaz@bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.