First Look Note | 3Q26

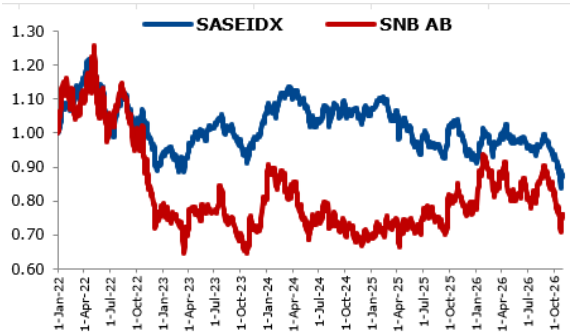
Saudi Equity Research | Sector: Banking | Market: Tadawul

Saudi National Bank (SNB)

Strong financing growth and NFI momentum partly offset weaker non-funded income

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 36.58	SAR 50.00	+37%	BUY

- Net financing and advances grew 4.6% YOY to SAR 758.1 Bn in 3Q26, supported by growth in both retail and wholesale financing.
- Customer deposits increased 4.7% YOY to SAR 669.9 Bn in 3Q26, with the CASA ratio at 66.2%.
- Maintained a strong capital and liquidity position, with a capital adequacy ratio of 21.1%, LCR of 202.3% and NSFR of 114.5% in 3Q26.
- Reported a stable NPL ratio of 0.68% in 3Q26, compared to 2Q26, while coverage grew from 76.7% to 77.7% during the same period.
- Paid an interim dividend of SAR 1.15 per share, equivalent to a total payout of SAR 6.9 Bn for 1H26.



Stock Information	
Market Cap (SAR, mn)	219,000.00
Paid Up Capital (mn)	60,000.00
52 Week High	45.24
52 Week Low	33.72
3M Avg. daily value (SAR)	184,961,100

3Q26 Result Review (SAR, Mn)	
Total Assets	1,262,267
Total Liabilities	1,052,488
Total Equity	209,780
Total Deposits	669,863
Net Profit	6,450

Financial Ratios	
Dividend Yield (12m)	6.30
Dividend Pay-out (%)	53.80
Price-Earnings Ratio(x)	8.75
Price-to-Book Ratio (x)	1.15
Book Value (SAR)	31.63
Return-on Equity (%)	13.49

Stock Performance	
5 Days	0.39%
1 Months	-8.06%
3 Months	-9.61%
6 Months	-6.89%
1 Year	-8.38%
Month to Date (MTD%)	1.67%
Quarter to Date (QTD%)	-8.34%
Year to Date (YTD%)	-3.64%

3Q26 Net Profit slightly lower than our estimate

Saudi National Bank ("SNB"/ "The Bank") posted a marginal decline in net profit attributable to equity shareholders of 0.3% YOY to SAR 6,450 Mn in 3Q26, slightly lower than our estimate of SAR 6,764 Mn. The marginal decline was mainly driven by lower non-funded income, higher operating expenses and impairments charges, partially offset by higher net funded income, lower other non-operating income, coupled with lower zakat charges.

P&L Highlights

SNB's funded income rose 1.0% YOY to SAR 15,984 Mn in 3Q26, due to a 2.6% YOY increase in funded income from the financing portfolio. While funded expenses declined 6.8% YOY to SAR 7,937 Mn in 3Q26. Thus, net funded income increased 10.2% YOY to SAR 8,048 Mn in 3Q26. The reported NIMs expanded by 13 bps YOY to 2.93% in 3Q26, primarily driven by the Bank's efforts to optimize funding costs amid elevated interest rates. The Bank's non-funded income declined 18.4% YOY to SAR 2,318 Mn in 3Q26, amid weaker income from FVIS investments, exchange income, lower gains on FVIS financial instruments, partially offset by an increase in banking service fees, exchange income and lower operating expenses. Thus, total operating income rose 2.2% YOY to SAR 10,366 Mn in 3Q26. Total operating expenses increased 9.0% YOY to SAR 2,716 Mn in 3Q26, mainly attributable to a 41.3% YOY rise in depreciation and amortisation of property, equipment, software and right-of-use assets, alongside higher other general and administrative expenses of 13.2% YOY and increase in salaries and employee-related costs of 1.3% YOY. Thus, the Bank's cost-to-income (excluding amortization of intangible assets) increased from 22.5% in 3Q25 to 24.2% in 3Q26. Other non-operating expense declined from SAR 145 Mn in 3Q25 to SAR 91 Mn

in 3Q26. Thus, pre-provision profit increased marginally 0.7% YOY to SAR 7,558 Mn in 3Q26. The Bank's impairment charges grew 39.6% YOY to SAR 323 Mn in 3Q26. Zakat expenses declined 3.0% YOY to SAR 780 Mn in 3Q26.

Balance Sheet Highlights

SNB's total assets grew 4.6% YOY and 1.4% QOQ to SAR 1,262.3 Bn in 3Q26, driven by growth in financing and investments. Net financing and advances grew 4.6% YOY and 2.5% QOQ to SAR 758.1 Bn during 3Q26, led by an increase in retail and wholesale financing. Customer deposits grew 4.7% YOY and declined 4.1% QOQ to SAR 669.9 Bn in 3Q26, fueled by growth in time deposits. Total equity grew 6.5% YOY and declined 2.4% QOQ to SAR 209.8 Bn in 3Q26.

Target Price and Rating

We maintain our BUY recommendation on SNB with a SAR 50.00 target price following the Bank's 3Q26 results. SNB delivered a broadly stable bottom-line performance, with net income attributable to shareholders decreasing marginally 0.3% YOY to SAR 6.45 Bn in 3Q26. The quarterly performance was supported by a 10.2% YOY increase in net funded income, aided by ongoing funding-cost optimisation and selective repricing, with reported NIMs improving 13 bps YOY to 2.93%. Looking ahead, SNB expects margin pressure to continue in 4Q26 as funding liabilities reprice faster than earning assets, although asset repricing is expected to increasingly support margins during 1H27. Balance-sheet expansion remained healthy, as net financing increased 4.0% YTD to SAR 758.1 Bn in 3Q26, driven by 4% growth across both retail and wholesale books, while Corporate & MSME financing within wholesale rose 7.0% YTD. The Bank expects financing activity to remain healthy in 4Q26, supported by a strong pipeline of infrastructure and Vision 2030-related projects. Customer deposits grew 5.0% YTD to SAR 669.9 Bn in 3Q26, owing to strong increase in time deposits and others partially offset by a decline in CASA balance. The Bank's CASA balance accounted for 66.2% of total deposits during 3Q26. Despite lower overall non-funded income during the quarter, banking-service fees remained a key growth driver, with quarterly banking fees reaching SAR 1.4 Bn, up 11.8% YOY and 14.2% QOQ, while the Bank expects continued momentum from transaction banking, cards, financing and capital-markets activities. Cost efficiency also remained supportive, with the cost-to-income ratio improving 20 bps QOQ to 24.2% in 3Q26, alongside further initiatives across procurement, premises and technology. Credit metrics remained sound, with the reported NPL ratio remaining broadly stable at 0.68% in 3Q26 compared to 2Q26. Calculated provision coverage also strengthened from 143.8% in 2Q26 to 145.1% in 3Q26. The Bank also recently reduced its 2026 cost-of-risk guidance to 5-15 bps, supported by continued recoveries and conservative underwriting. The Bank's liquidity ratio also remained healthy with reported liquidity coverage ratio at 202.3% and NSFR at 114.5% in 3Q26. Capital and liquidity buffers remained comfortable, with the capital adequacy ratio at 21.1%, LCR at 202.3% and NSFR at 114.5%, well above the regulatory thresholds. SNB also paid 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%. Overall, we remain positive on SNB, as sustained financing growth, improving fee-generation capabilities, disciplined cost management, prudent credit underwriting and active funding optimisation should support earnings through the current rate environment. We therefore maintain our BUY recommendation on the stock.

SNB Bank - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	16.08	11.84	11.14	10.59	8.94	8.73
PB	1.37	1.30	1.23	1.12	1.05	1.00
BVPS	26.361	27.662	29.317	32.094	34.273	36.215
EPS	2.243	3.045	3.236	3.405	4.035	4.130
DPS	1.157	1.269	1.750	1.900	2.150	2.222
Dividend Yield	3.2%	3.5%	4.8%	5.2%	5.9%	6.1%

FABS Estimates & Co Data

SNB Bank – P&L

SAR Mn	3Q25	2Q26	3Q26	3Q26F	VAR	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	15,821	15,404	15,984	15,745	1.5%	1.0%	3.8%	60,962	62,023	1.7%
Funded expense	8,517	7,510	7,937	7,668	3.5%	-6.8%	5.7%	31,806	30,702	-3.5%
Net funded income	**7,304**	**7,894**	**8,048**	**8,077**	**-0.4%**	**10.2%**	**1.9%**	**29,155**	**31,321**	**7.4%**
Non-funded income	2,841	2,689	2,318	2,778	-16.6%	-18.4%	-13.8%	10,039	9,823	-2.2%
Operating income	**10,145**	**10,583**	**10,366**	**10,855**	**-4.5%**	**2.2%**	**-2.0%**	**39,195**	**41,144**	**5.0%**
Total operating exp.	**2,492**	**2,790**	**2,716**	**2,804**	**-3.1%**	**9.0%**	**-2.6%**	**9,872**	**10,973**	**11.1%**
Other non-op. inc./(exp.)	-145	-111	-91	-109	-16.2%	-37.1%	-17.5%	-391	-399	2.0%
Pre-provision profit	**7,508**	**7,682**	**7,558**	**7,942**	**-4.8%**	**0.7%**	**-1.6%**	**28,931**	**29,772**	**2.9%**
Impairments	231	258	323	377	-14.4%	39.6%	25.2%	1,034	908	-12.2%
Profit Before Tax	**7,277**	**7,424**	**7,235**	**7,565**	**-4.4%**	**-0.6%**	**-2.5%**	**27,897**	**28,864**	**3.5%**
Zakat	804	809	780	794	-1.8%	-3.0%	-3.6%	2,905	3,031	4.3%
Profit After Tax	**6,473**	**6,615**	**6,455**	**6,771**	**-4.7%**	**-0.3%**	**-2.4%**	**24,992**	**25,833**	**3.4%**
NCI	4	9	5	7	-23.9%	19.7%	-42.6%	-22	26	NM
Net profit attributable to shareholders	**6,469**	**6,606**	**6,450**	**6,764**	**-4.6%**	**-0.3%**	**-2.4%**	**25,013**	**25,808**	**3.2%**

FABS estimate & Co Data

SNB Bank - KPI

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	72.0%	74.6%	77.6%	564	304	74.4%	76.1%	174
Cost-to-income	22.5%	24.4%	24.2%	169	-20	23.1%	24.7%	158
Impairment/PPP	3.1%	3.4%	4.3%	119	91	3.6%	3.1%	-52
NP/OI	63.8%	62.4%	62.2%	-153	-20	63.8%	62.7%	-109
Cost of risk (reported)	0.13%	0.14%	0.17%	4	3	0.15%	0.12%	-3
Loan-to-deposit – Headline	113.4%	105.9%	113.2%	-21	724	114.7%	113.8%	NM
NPL - reported	0.8%	0.7%	0.7%	-12	1	0.7%	0.7%	2
Tier 1	19.5%	20.6%	19.8%	23	-84	19.8%	19.8%	0
Capital Adequacy	20.8%	22.0%	21.1%	37	-84	21.2%	21.1%	-8
ROAE – calculated	13.3%	13.5%	13.5%	16	2	13.4%	13.0%	-48
ROAA - calculated	2.1%	2.1%	2.1%	2	-2	2.2%	2.1%	-9

FABS estimate & Co Data

SNB Bank - Key B/S items

SAR Mn	3Q25	4Q25	1Q26	2Q26	3Q26	YOY Ch
Net advances	7,25,090	7,29,311	7,32,658	7,39,563	7,58,099	4.6%
QOQ change	1.4%	0.6%	0.5%	0.9%	2.5%	
Total assets	12,06,607	12,10,032	12,28,496	12,44,688	12,62,267	4.6%
QOQ change	0.5%	0.3%	1.5%	1.3%	1.4%	
Customer deposits	6,39,488	6,36,094	6,65,462	6,98,170	6,69,863	4.7%
QOQ change	-2.9%	-0.5%	4.6%	4.9%	-4.1%	
Total equity	1,97,041	2,03,827	2,14,658	2,14,860	2,09,780	6.5%
QOQ change	-0.1%	3.4%	5.3%	0.1%	-2.4%	

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	56.37	70%	39.46
Relative Valuation (RV)	35.13	30%	10.54
Weighted Average Valuation (SAR)			**50.00**
Current market price (SAR)			36.58
Upside/Downside (%)			+37%

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 5.8%, beta of 0.90 and equity risk premium of 3.8%. 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)	41,492
Terminal value (SAR, Mn)	105,363
Book value of Equity (as of Sept 2026)	187,702
FV to Common shareholders (SAR, Mn)	**334,557**
No. of share (Mn)	5,935
Current Market Price (SAR)	36.58
Fair Value per share (SAR)	**56.37**

Residual Income Method

(All Figures in SAR Mn)	2026F	2027F	2028F	2029F	2030F	2031F
Net Profit	24,539	26,381	29,054	31,189	33,028	34,882
(-) Equity Charge	-17,114	-17,827	-18,982	-20,254	-21,649	-23,125
Excess Equity	**7,425**	**8,554**	**10,072**	**10,935**	**11,379**	**11,757**
Discounting Factor	0.99	0.90	0.83	0.76	0.69	0.63
Present Value of Excess Equity	**1,830[1]**	**7,721**	**8,325**	**8,274**	**7,884**	**7,458**

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 2027 PB multiple of 1.0x 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	18,507	1.8x	1.6x	11.3x	10.4x	3.4%	3.6%
Al Rajhi Bank	96,214	2.8x	2.5x	13.7x	12.8x	3.8%	4.0%
Arab National Bank	11,224	1.0x	0.9x	8.5x	8.5x	6.3%	6.4%
Banque Saudi Fransi	12,710	1.1x	1.0x	8.9x	8.3x	5.9%	6.4%
Riyad Bank	20,272	1.1x	1.0x	7.7x	7.4x	6.0%	6.4%
Average		**1.5x**	**1.4x**	**10.0x**	**9.5x**	**5.1%**	**5.4%**
Median		**1.1x**	**1.0x**	**8.9x**	**8.5x**	**5.9%**	**6.4%**
Max		**1.8x**	**1.6x**	**11.3x**	**10.4x**	**6.0%**	**6.4%**
Min		**1.1x**	**1.0x**	**8.5x**	**8.3x**	**3.8%**	**4.0%**

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	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

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