Saudi National Bank

Sector : Banking

BUY

11 August 2026

Target price (SAR)	**47.00**
Current price (SAR)	**41.00**
Return	**14.6%**

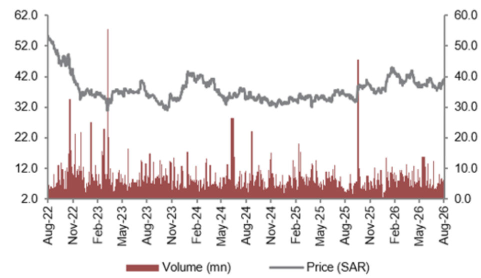
- **SNB's 2Q26 operating income increased by 11.3% YoY, exceeding our estimate by 5%, driven by higher-than-expected NII growth of 11.4% and non-interest income growth of 10.8% YoY.**
- **Net income increased by 8% YoY, exceeding our forecast by 4%, primarily driven by higher operating profit, partly offset by increased provisions. The CI ratio stood at 26.4% in 2Q26 vs. 29.1% a year ago.**
- **YTD loan growth was muted at 1.4%, while YTD deposits increased by 10%. Management has revised its loan growth guidance to mid-single digit from high-single digit for 2026.**
- **We maintain our BUY rating with a target price of SAR 47/share, supported by the results beat and positive change in cost of risk guidance, despite the downgrade in loan growth guidance.**

Saudi National Bank's 2Q26 operating income stood at SAR 10.6bn, up 11.3% YoY and 5% above our estimate. The growth was driven by an 11.4% increase in NII, supplemented by 10.8% YoY growth in non-interest income. NII growth was supported by a 2bps YoY and 17bps QoQ improvement in NIM, driven by the positive impact of asset repricing and an improvement in the cost of funds. Management reaffirmed its guidance for mid-single-digit NII growth in 2026. Non-interest income increased by 10.8% YoY despite flat net fee and commission income, as investment income surged by 64% YoY. The share of non-interest income in total income remained stable at 25% in 2Q26. Operating expenses were flat YoY at SAR 2.8bn, resulting in 16% YoY growth in operating profit. Consequently, the cost-to-income ratio improved by 271bps YoY to 26.4%. Management maintained its guidance for a CI ratio below 25%, excluding amortization expenses. For 1H26, operating income increased by 5.8% YoY, while the cost-to-income ratio stood at 27.6%.

Against a writeback of SAR 170mn in 2Q25, there was an impairment charge of SAR 258mn. In 1H26, there was a net writeback of SAR 320mn vs. SAR 139mn in 1H25, with a bulk of writeback in 1Q26. In 1H26, a writeback of SAR 486mn in wholesale bank segment was partly offset by a retail impairment charge of SAR 239mn. The cost of risk for 1H26 stood at positive 9bps, an improvement of 5bps YoY. Management accordingly upgraded its cost of risk guidance to 0.10%-0.20% for 2026, lowering both ends of the range by 5bps. Overall, the net income beat was driven by higher operating profit. For 1H26, net income stood at SAR 13bn, up 7% YoY.

YTD net loans and deposits increased by 1.4% and 9.8%, respectively. Loan growth remained muted as wholesale lending was flat, driven by a 26% YTD decline in lending to FIs. Retail loans, however, increased by 2.4% YTD. Deposit growth was mainly driven by a 34% increase in time and other deposits, while CASA deposits increased by 2% YTD. The CASA ratio declined to 67.5% in 2Q26, while the NPL ratio improved to 0.79% in 2Q26.

Valuation: SNB delivered results above our expectations; however, management reduced its loan growth guidance even as it upgraded its cost of risk guidance. We maintain our BUY rating and target price of SAR 47/share. The stock currently trades at 9.8x 2026E P/E and 1.2x P/B, while offering an attractive dividend yield of 5.5%.



Exchange	Saudi Arabia
Index weight (%)	6.7%

(mn)	SAR	USD
Market Cap	246,000	65,520
Total Assets	1,210,032	322,280

Major shareholders	
Public Investment Fu	37.24%
Vanguard Group Inc/T	2.32%
Blackrock Inc	1.54%
Others	58.90%

Valuation Summary (TTM)	
Price (SAR)	41.00
PER TTM (x)	9.8
P/Book (x)	1.3
Dividend Yield (%)	5.6
Free Float (%)	59%
Shares O/S (mn)	6,000
YTD Return (%)	8%
Beta	1.1

Key ratios	2023	2024	2025
EPS (SAR)	3.23	3.44	4.04
BVPS (SAR)	27.05	28.83	31.30
DPS (SAR)	0.85	1.90	2.15
Payout ratio (%)	26%	55%	53%

Price performance (%)	1M	3M	12M
Saudi National Bank/The	7%	2%	13%
Tadawul All Share Index	0%	-2%	0%

52 week	High	Low	CTL*
Price (SAR)	45.24	33.30	23.1

* CTL is % change in CMP to 52wk low

in SAR mn	2Q26	1Q26	QoQ (%)	2Q25	YoY (%)	1H26	1H25	YoY (%)
Operating Income	10,583	9,650	9.7%	9,510	11.3%	20,233	19,122	5.8%
Operating Expenses	-2,790	-2,801	-0.4%	-2,765	0.9%	-5,591	-5,491	1.8%
Operating Profit	7,793	6,849	13.8%	6,746	15.5%	14,642	13,630	7.4%
Provision Expenses - Loan	-258	578	-144.6%	170	-251.8%	320	139	131.0%
Other non operating expenses	-111	-138	-19.9%	-51	119.1%	-249	-185	34.6%
Profit before tax	7,424	7,289	1.9%	6,865	8.1%	14,713	13,584	8.3%
Zakat & Tax	-809	-861	-6.0%	-738	9.7%	-1,670	-1,473	13.4%
Profit after tax	6,615	6,427	2.9%	6,127	8.0%	13,042	12,111	7.7%
Profit attributable to Shareholders	6,606	6,423	2.8%	6,137	7.6%	13,029	12,159	7.2%
Loan Book	739,563	732,658	0.9%	714,839	3.5%	739,563	714,839	3.5%
Deposits	698,170	665,462	4.9%	658,675	6.0%	698,170	658,675	6.0%
Total Equity (Excl tier 1 bond)	191,708	191,505	0.1%	179,169	7.0%	191,708	179,169	7.0%
Cost to Income ratio	26.4%	29.0%		29.1%		27.6%	28.7%	
NPL Ratio	0.79%	0.90%		1.12%		0.79%	1.12%	
Net Loan to deposits	105.9%	110.1%		108.5%		105.9%	108.5%	

Income Statement (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Net commission income	27,009	27,723	29,155	29,821	32,594	34,496	36,182
Net fee income	3,925	4,377	4,931	5,196	6,062	6,334	6,529
Other income	3,655	3,933	5,108	5,411	5,707	5,964	6,192
Total income	**34,589**	**36,033**	**39,195**	**40,428**	**44,363**	**46,794**	**48,903**
Operating expenses	-10,357	-11,022	-9,872	-9,749	-10,543	-11,357	-11,724
Profit before impairments	**24,232**	**25,011**	**29,322**	**30,679**	**33,820**	**35,437**	**37,179**
Impairments	-923	-1,019	-1,034	-1,600	-2,494	-2,731	-2,865
Other non-operating expenses	-537	-378	-391	-411	-419	-427	-436
Profit before tax	**22,773**	**23,615**	**27,897**	**28,668**	**30,907**	**32,279**	**33,877**
Zakat	-2,664	-2,521	-2,905	-3,440	-3,709	-3,873	-4,065
Profit before minority interest	**20,109**	**21,094**	**24,992**	**25,228**	**27,198**	**28,405**	**29,812**
Minority interest	-99	99	22	-13	-14	-14	-15
Profit after tax	**20,010**	**21,193**	**25,013**	**25,215**	**27,185**	**28,391**	**29,797**

Balance Sheet (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash and statutory deposits	47,499	42,120	44,923	51,551	59,986	62,179	63,610
Due to financial institutions	34,563	21,088	22,971	24,343	25,754	26,885	27,797
Investments - Net	269,129	292,487	320,004	339,248	358,908	374,679	387,389
Financing - Net	601,527	654,252	729,311	771,712	814,461	848,021	874,404
PP&E and right to use assets	12,039	12,893	14,033	15,112	16,136	17,111	18,043
Goodwill and other intangibles	40,569	39,749	38,928	38,108	37,288	36,468	35,647
Other assets	31,754	41,565	39,860	41,467	43,118	44,443	45,510
Total Assets	**1,037,081**	**1,104,155**	**1,210,032**	**1,281,540**	**1,355,651**	**1,409,786**	**1,452,401**
Liabilities and Equity							
Liabilities							
Due to banks and other FI	181,142	185,120	190,189	204,000	194,948	202,667	208,070
Customer deposits	590,051	579,762	636,094	672,690	733,572	760,206	778,848
Debt issued	44,412	95,305	132,642	140,565	148,711	154,110	157,889
Other liabilities	44,847	50,692	47,279	48,794	50,352	51,602	52,610
Total liabilities	**860,452**	**910,879**	**1,006,204**	**1,066,049**	**1,127,584**	**1,168,586**	**1,197,417**
Equity							
Share capital	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Reserves	100,717	111,378	125,626	137,278	149,839	162,958	176,727
Total shareholders' equity of the bank	**160,717**	**171,378**	**185,626**	**197,278**	**209,839**	**222,958**	**236,727**
Tier 1 Sukuk	15,188	21,188	17,653	17,653	17,653	17,653	17,653
Equity attributable to equity holders	**175,905**	**192,565**	**203,279**	**214,930**	**227,492**	**240,611**	**254,380**
Minority interest	724	710	549	561	575	589	604
Total Equity	**176,629**	**193,275**	**203,827**	**215,492**	**228,067**	**241,200**	**254,984**
Total liabilities and equity	**1,037,081**	**1,104,155**	**1,210,032**	**1,281,540**	**1,355,651**	**1,409,786**	**1,452,401**

Cash Flows (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	29,197	(42,129)	7,882	12,767	15,401	13,054	15,073
Cash from investments	(9,376)	(23,586)	(21,594)	(2,677)	(2,730)	(2,785)	(2,841)
Cash from financing	1,141	46,779	19,225	(5,641)	(6,477)	(9,873)	(12,249)
Forex	(640)	(542)	(434)	-	-	-	-
Net changes in cash	20,322	(19,479)	5,080	4,449	6,194	396	(17)
Cash balance	**40,480**	**21,002**	**26,082**	**30,531**	**36,726**	**37,122**	**37,105**

Ratios	2023	2024	2025	2026e	2027e	2028e	2029e
Operating performance							
NCM	3.0%	2.9%	2.8%	2.7%	2.8%	2.8%	2.9%
NCI to total income	78.1%	76.9%	74.4%	73.8%	73.5%	73.7%	74.0%
Fee income to total income	11.3%	12.1%	12.6%	12.9%	13.7%	13.5%	13.4%
Other income to total income	10.6%	10.9%	13.0%	13.4%	12.9%	12.7%	12.7%
Cost to income ratio	29.9%	30.6%	25.2%	24.1%	23.8%	24.3%	24.0%
Liquidity							
Deposits to total funding	59.5%	55.0%	54.7%	54.6%	56.2%	56.0%	55.6%
Market funds to total funding	22.7%	26.6%	27.8%	28.0%	26.3%	26.3%	26.1%
Loans to deposits	101.9%	112.8%	114.7%	114.7%	111.0%	111.6%	112.3%
Investments and cash to total assets	30.5%	30.3%	30.2%	30.5%	30.9%	31.0%	31.1%
Asset quality							
Cost of risk	0.10%	0.11%	0.10%	0.14%	0.21%	0.22%	0.22%
NPL	1.72%	1.53%	0.91%	1.34%	1.41%	1.42%	1.42%
NPL coverage	139.6%	135.3%	147.1%	102.5%	115.6%	135.0%	155.3%
Stage 1 ratio	94.1%	96.1%	96.6%	96.1%	96.0%	96.0%	96.0%
Stage 2 ratio	4.6%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Stage 3 ratio	1.2%	1.2%	0.7%	1.2%	1.3%	1.3%	1.2%
Stage 1 coverage	0.3%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Stage 2 coverage	11.3%	8.0%	5.1%	5.0%	5.0%	5.0%	7.0%
Stage 3 coverage	67.9%	84.1%	76.2%	60.0%	75.0%	94.0%	115.0%
Impairment coverage	26.3	24.5	28.4	19.2	13.6	13.0	13.0
Provisions to gross loans	1.7%	1.6%	1.0%	1.1%	1.4%	1.6%	1.9%
Capital adequacy							
Equity to total assets	15.6%	15.6%	15.4%	15.4%	15.5%	15.9%	16.3%
Tier 1	19.4%	20.3%	19.8%	20.4%	20.6%	21.2%	22.0%
Core Tier 1	17.3%	17.6%	17.7%	18.1%	18.4%	19.1%	19.9%
Total capital	20.1%	20.8%	21.2%	21.7%	21.9%	22.4%	23.1%
Return ratios							
ROA	1.9%	1.9%	2.1%	2.0%	2.0%	2.0%	2.1%
ROE	12.5%	12.4%	13.5%	12.8%	13.0%	12.7%	12.6%
Return on RWA	2.8%	2.8%	3.0%	2.9%	2.9%	2.9%	3.0%
Per share ratios							
EPS	3.3	3.5	4.2	4.2	4.5	4.7	5.0
BVPS	26.8	28.6	30.9	32.9	35.0	37.2	39.5
DPS	1.8	1.9	2.2	2.3	2.4	2.5	2.7
Valuation							
M.Cap (SAR mn)	215,008	200,400	227,280	246,000	246,000	246,000	246,000
P/E	10.7	9.5	9.1	9.8	9.0	8.7	8.3
P/BV	1.3	1.2	1.2	1.2	1.2	1.1	1.0
Div. yield	4.9%	5.7%	5.7%	5.5%	5.9%	6.2%	6.5%

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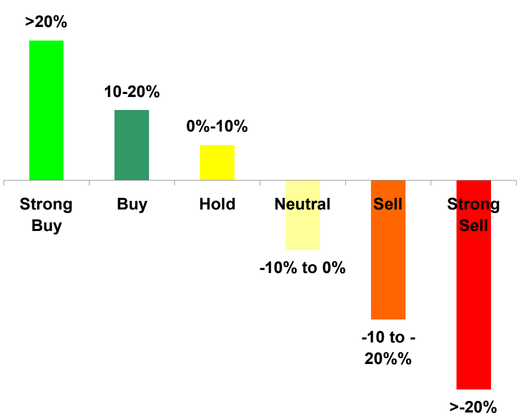
Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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