

**Target Price: SAR50.0/share**  
Current Price: SAR38.6/share  
Upside: +30% (+Div. Yield: 5.7%)  
**Rating: Overweight**

## Saudi National Bank (SNB)

### Lending growth moderates, liquidity improves; Maintain TP

- Lending eases to a ~10% 2024-27e CAGR as the mix shifts to MSME/mid-market corporates, aided by improving liquidity via CASA/time-deposits and a USD1bn AT1.
- NIM likely to remain largely stable with repricing/CASA support; NSCI grows ~6% in 2026e (~7% CAGR), and fee/efficiency gains drive an 8.9% 2024–27e earnings CAGR.
- Maintain our TP at SAR50/sh. based on the equal weightage of residual income and P/B (1.4x on 2026e BVPS) multiple methods and keep an Overweight rating.

**Moderating lending growth as the focus shifts to value-accretive lending...** After witnessing strong financing expansion through 2025 (+11.5% y/y) driven by wholesale financing (+21% y/y) and retail mortgages (+8% y/y), growth moderated in 1Q26, with overall financing up just 0.5% q/q and wholesale lending contracting 0.6% q/q, reinforcing the bank's shift toward value-accretive lending and its more measured growth outlook for 2026–27e. This strategic recalibration is reflected in the loan 2024-27e CAGR guidance of low double-digits (vs. low-teens earlier), driven by a more competitive funding environment and a sharper focus on MSME (9% q/q in 1Q26; 48% y/y in 2025) and mid-market corporates where pricing power is stronger. Further, mortgage demand, which softened in late 2025 following regulatory changes, is expected to normalize through 2026 as the market adjusts. Overall, we forecast financing growth of 7.9% y/y in 2026e, broadly in line with management's high-single-digit guidance, rising at a ~10% CAGR (~11% CAGR earlier) over 2024–27e as the MSME book matures and mortgage demand recovers.

**... and diversify funding mix to improve liquidity:** SNB demonstrated an improvement in its funding and liquidity position in 1Q26, with customer deposits rising 4.6% q/q to SAR665bn, aided by ~SAR11bn in new CASA inflows (largely domestic driven by NEO centers) and a 15% increase in time deposits as the bank deliberately shifted away from interbank funding to more stable and cost-efficient domestic time deposits. The bank further bolstered its funding profile with a successful USD1bn AT1 issuance in January, enabling the bank to support future financing growth while continuing deposit momentum and funding-cost optimization.

Figure 1: Key financial metrics

SARmn	2024a	2025a	2026e	2027e
NSCI	27,723	29,155	30,875	33,542
y/y growth	2.6%	5.2%	5.9%	8.6%
NSCI margin	3.0%	2.9%	2.8%	2.8%
Fee & other income	8,310	10,039	10,343	11,085
Total operating Income	36,033	39,195	41,218	44,627
Cost to Income Ratio <sup>^</sup>	28.3%	23.1%	24.8%	23.7%
Net income*	21,193	25,013	25,261	27,394
EPS (SAR)	3.4	4.0	4.0	4.4
DPS (SAR)	1.9	2.2	2.2	2.4
Net loans and advances	654,252	729,311	786,724	864,637
y/y growth	8.8%	11.5%	7.9%	9.9%
Customers deposits	579,762	636,094	706,194	769,751
y/y growth	-1.7%	9.7%	11.0%	9.0%
COR (bps)	16	15	19	25

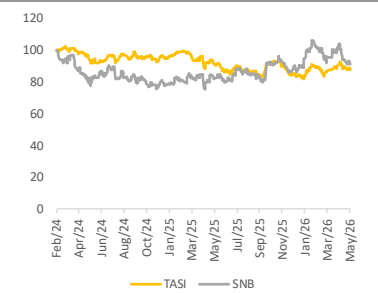
Source: Company data, GIB Capital, \*attri. to equity holders, ^Excl. amortization of intangibles

#### Stock data

TASI ticker	1180
Mcap (SARmn)	231,600
Trd. Val (3m) (SARmn)	213.6
Free float	62.7%
QFI holding	18.9%
TASI FF weight	6.32%

Source: Bloomberg

#### Prices indexed to 100



Source: Bloomberg

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Accordingly, we expect deposits to grow by ~11% y/y in 2026e to ~SAR706bn, implying a ~10% CAGR (largely maintained) over 2024–27e, broadly in line with guidance of high-single to low-double-digit growth.

**NIM likely to remain stable:** SNB’s reported NIM remained resilient at 2.85% in 1Q26, largely flat q/q, as the bank successfully offset the impact of 75bps of benchmark rate cuts (~70% of which flowed through in 1Q) through active repricing across retail and corporate books and continued funding cost optimization driven by growth in low-cost CASA. Going forward, we expect NIM to broadly remain stable (in line with the guidance), with a gradual improvement in NSCI through 2026, mainly driven by i) a recovery in financing growth as government spending and project execution continue, ii) ongoing repricing initiatives, and iii) funding cost optimization. Accordingly, we expect NSCI to grow by 5.9% y/y (vs. mid-single-digit guidance) in 2026e, implying a ~7% CAGR over 2024-27e, in line with the high single-digit growth guidance.

**Regulatory reset weighs near-term, but fee momentum likely rebuilds through 2026:** Despite an 8.7% y/y decline in non-funded income amid the revised sector fee framework — mainly due to weaker investment-related income and brokerage activity amid market volatility, and slower trade finance fees —the weakness remains largely market-driven rather than structural. Management expects a meaningful recovery through the remainder of 2026, driven primarily by recovering retail and SME fee income as activity normalizes post-Ramadan and regional uncertainty eases, alongside stronger transaction banking, expanding bancassurance, and a major uplift from SNB’s point-of-sale transformation. Accordingly, we now expect banking fee income to grow moderately by ~10% CAGR (slightly lower than the mid-teens guidance) over 2024-27e on SAMA Feb-26 tariff adjustments.

**Healthy earnings growth driven by efficiency gains:** Despite CIR (ex-amortization) rising to 26.9% in 1Q26, driven by employee-related expenses, management expects the CIR to improve gradually through 2026 as revenue momentum strengthens. The rebound in retail and SME activity, stronger transaction-banking flows, and scaling of new fee engines should lift operating leverage, while continued efficiency gains keep optimizing costs. Accordingly, we forecast CIR at 24.8% (vs. SNB’s guidance of below 25%) and improving further toward below 24% in 2027e (in line with the guidance). Further, we expect the cost of risk (COR) to rise modestly (despite notable gross recovery in 1Q26) through 2026–27e (in line with the guidance), reflecting its rising exposure to MSMEs and high-value sectors. Overall, we expect 2026e earnings to remain stable in 2026e, before improving by high-single digit growth in 2027e, implying an 8.9% CAGR over 2024-27e.

**2026-27 updated guidance**

Figure 2: Management guidance vs. GIBCe

	2026e		2027e		
	Guidance	GIBCe	Old Targets	Current Targets	GIBCe
Financing Growth	High single digit	7.9%	Low teens	Low double-digit	9.7%
CASA Growth	NA	8.7%	Low teens	High single to low double digit	9.5%
NSCI Growth	Mid-single digit	5.9%	Low double-digit	High single digit	6.6%
Banking Fee Growth	NA	7.7%	High teens	Mid-teens	10.1%
Group CIR	<25%	24.8%	<25.5%	<24%	23.7%
CoR	15-25 bps	19 bps	20-40 bps	20-30 bps	25 bps
Tier 1 CAR	19-20%	20.4%	19-20%	19-20%	20.3%
ROTE	16-17%	15.8%	17-18%	17-18%	16.0%
Dividend payout	50-60% <sup>1</sup>	55%	50-60%	50-60% <sup>1</sup>	55%

Source: Company data, GIB Capital, <sup>1</sup>Subject to market dynamics

**Recap of 1Q26 results:** SNB reported 1Q26 net income at ~SAR6.4bn, up 6.7% y/y, largely in line with our estimate of ~SAR6.3bn, aided by unexpected net provision recovery, offsetting weak top-line growth. Special commission income came in at SAR14.8bn, ~5.8% below our estimate of SAR 15.7bn, largely due to slower-than-expected lending growth (+0.5% q/q vs. ~2% expected), though NSCI of SAR7.5bn was largely in line with our forecast, implying funding costs declined faster than asset yield drop. Further, non-interest income missed our estimates notably, dropping 8.7% y/y, mainly due to lower investment income amid market volatility, resulting in 5.4% below total operating income. Moreover, operating expenses rose 2.7% y/y, driven by increased employee-related costs, with the cost-to-income ratio (ex-amortization) reaching 26.9% (~29% including amortization), higher than our expectation. However, the key positive surprise came from provisions, where the bank recorded a net ECL reversal of SAR578mn against our expectation of a SAR368mn charge, a swing of nearly SAR946mn that effectively offset the total operating income miss, resulting in line earnings (+6.7% y/y).

Figure 3: 1Q26 results summary

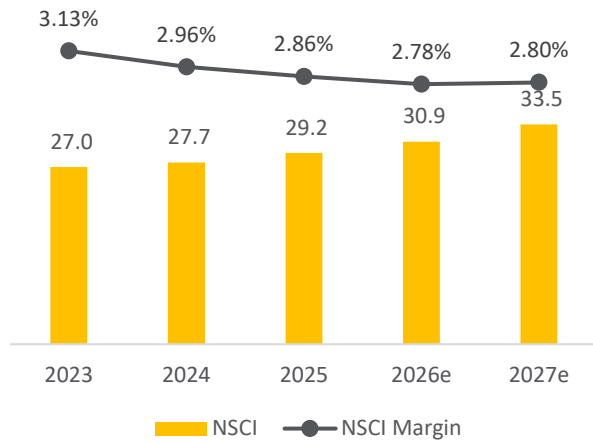
SARmn	1Q26	1Q25	y/y %	4Q25	q/q %	GIBC est.	Variance %
Special Commission Income	14,760	14,321	3.1%	15,662	-5.8%	15,675	-5.8%
Special Commission Expense	(7,264)	(7,070)	2.7%	(8,156)	-10.9%	(8,162)	-11.0%
<b>Net Special Commission Incom</b>	<b>7,496</b>	<b>7,251</b>	<b>3.4%</b>	<b>7,506</b>	<b>-0.1%</b>	<b>7,514</b>	<b>-0.2%</b>
Non Commission Income	2,154	2,361	-8.7%	2,421	-11.0%	2,688	-19.9%
<b>Total operating Income</b>	<b>9,650</b>	<b>9,612</b>	<b>0.4%</b>	<b>9,927</b>	<b>-2.8%</b>	<b>10,202</b>	<b>-5.4%</b>
Operating expenses	(2,801)	(2,727)	2.7%	(1,889)	48.3%	(2,653)	5.6%
Impairments	578	(31)	NM	(942)	NM	(368)	NM
<b>Net income</b>	<b>6,423</b>	<b>6,022</b>	<b>6.7%</b>	<b>6,385</b>	<b>0.6%</b>	<b>6,349</b>	<b>1.2%</b>
<b>Margins</b>							
Cost-to-income ratio	29.0%	28.4%	0.7%	19.0%	10.0%	26.0%	3.0%
Net margin	66.6%	62.7%	3.9%	64.3%	2.2%	62.2%	4.3%

Source: Company data, GIB Capital

**Valuation and risks:** Considering healthy operating income growth supported by balance sheet expansion, improving non-interest income, and funding optimization, alongside a robust asset quality and cost-control measures, we maintain our 1Y Fwd TP at SAR50/sh. based on equal weightage of residual income and P/B (1.4x on average 2026e BVPS) multiple methods, and keep an Overweight rating. Downside risks include a slowdown in economic growth, an increase in impairments from the ongoing Middle East conflict, a higher-than-expected impact on fee income from SAMA Feb-26 tariff adjustments, and the issuance of capital market instruments that carry a higher cost.

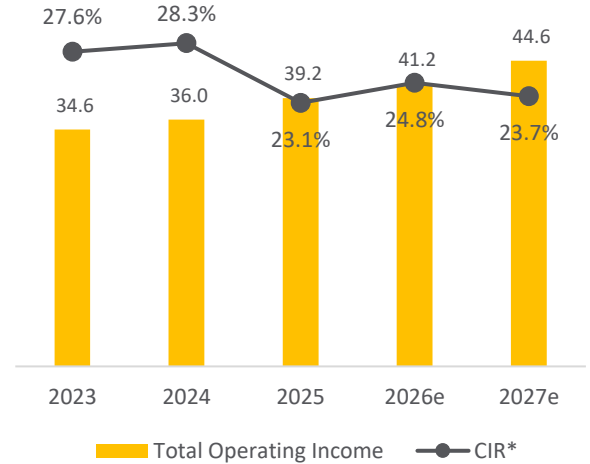
## Key Charts for SNB

Figure 4: NSCI (SARbn) and NSCI margin trend



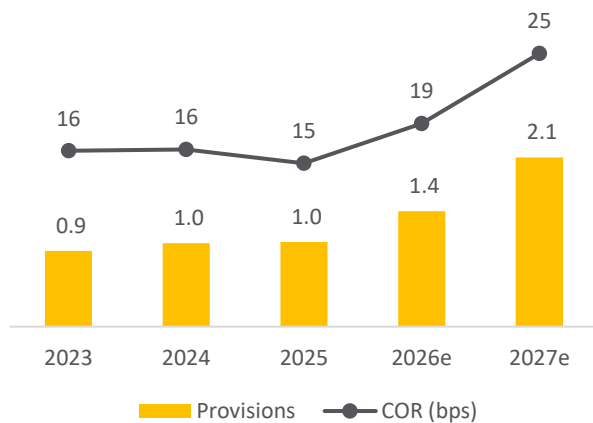
Source: Company data, GIB Capital

Figure 5: Total operating income (SARbn) and CIR\* trend



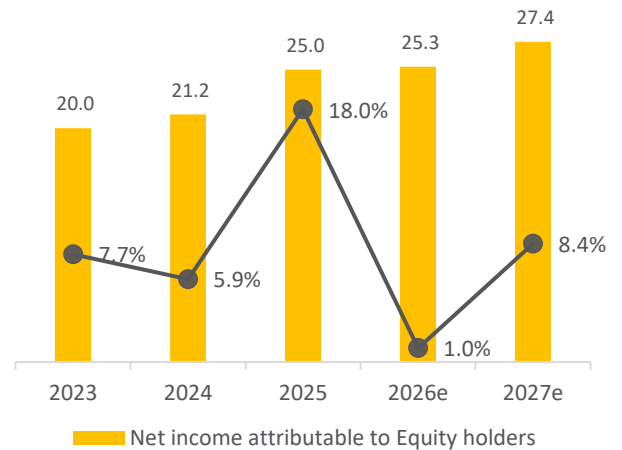
Source: Company data, GIB Capital \*excl. amortization of intangibles

Figure 6: Provisions (SARbn) and COR trend



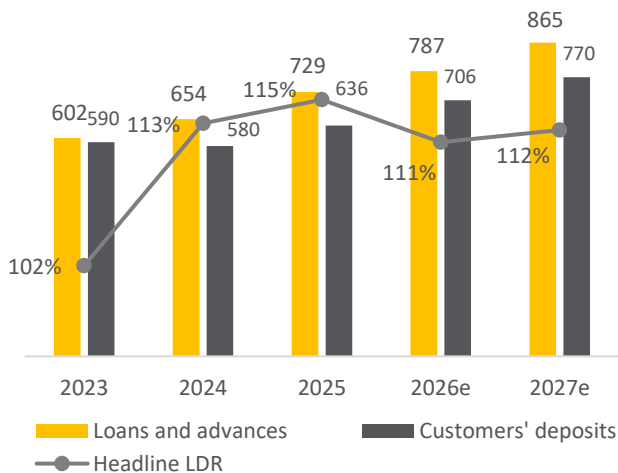
Source: Company data, GIB Capital

Figure 7: Net income trend (SARbn)



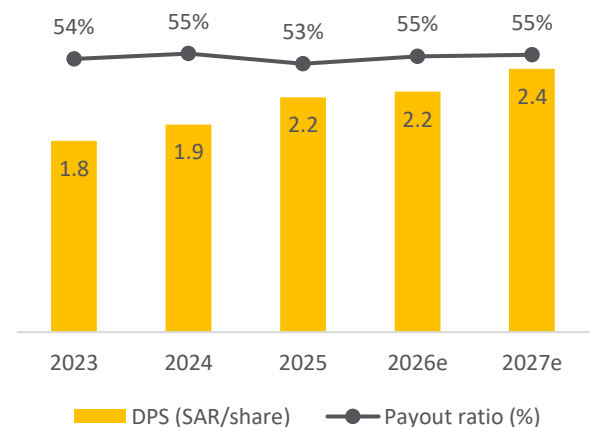
Source: Company data, GIB Capital

Figure 8: Loans, customer deposits (SARbn) and LDR trend



Source: Company data, GIB Capital

Figure 9: Trend in DPS and payout ratio



Source: Company data, GIB Capital

## Financials

Figure 10: Summarized basic financial statements (SARmn)

Income statement	2024a	2025a	2026e	2027e
<b>Net Special Commission Income</b>	<b>27,723</b>	<b>29,155</b>	<b>30,875</b>	<b>33,542</b>
<i>NSCI Margin</i>	3.0%	2.9%	2.8%	2.8%
Fee & other income	8,310	10,039	10,343	11,085
<b>Total Operating Income</b>	<b>36,033</b>	<b>39,195</b>	<b>41,218</b>	<b>44,627</b>
Operating Expenses	11,022	9,872	11,060	11,380
<i>Cost-to-income ratio*</i>	28.3%	23.1%	24.8%	23.7%
<b>Net operating income before impairments</b>	<b>26,030</b>	<b>30,356</b>	<b>31,568</b>	<b>35,311</b>
Impairments	1,019	1,034	1,410	2,064
<b>Net operating income after impairments</b>	<b>25,011</b>	<b>29,322</b>	<b>30,158</b>	<b>33,247</b>
Other non-operating (expenses)/income	(1,396)	(1,425)	(1,733)	(2,420)
<b>Net income for the year before zakat</b>	<b>23,615</b>	<b>27,897</b>	<b>28,425</b>	<b>30,828</b>
Zakat/tax	(2,521)	(2,905)	(3,186)	(3,456)
<b>Net Income att. to Equity holders</b>	<b>21,193</b>	<b>25,013</b>	<b>25,261</b>	<b>27,394</b>
<i>y/y</i>	5.9%	18.0%	1.0%	8.4%
<b>EPS</b>	<b>3.4</b>	<b>4.0</b>	<b>4.0</b>	<b>4.4</b>
DPS	1.9	2.2	2.2	2.4
Payout	55%	53%	55%	55%
Balance Sheet	2024a	2025a	2026e	2027e
Cash and balances with SAMA	42,120	44,923	53,596	53,596
Due from banks & other financial institutions	21,088	22,971	23,705	24,890
Investments	292,487	320,004	341,302	358,368
Net loans and advances	654,252	729,311	786,724	864,637
Property & equipment	11,888	13,066	14,171	15,257
Other assets	82,320	79,756	68,237	67,421
<b>Total Assets</b>	<b>1,104,155</b>	<b>1,210,032</b>	<b>1,287,735</b>	<b>1,384,170</b>
Interest Earning Assets	967,828	1,072,286	1,151,731	1,247,895
Due to banks & other financial institutions	185,120	190,189	165,214	176,779
Customers deposits	579,762	636,094	706,194	769,751
Debt securities issued and term loans	95,305	132,642	147,474	155,585
Other Liabilities	50,692	47,279	48,584	49,980
<b>Total Liabilities</b>	<b>910,879</b>	<b>1,006,204</b>	<b>1,067,465</b>	<b>1,152,095</b>
Interest Bearing Liabilities	860,187	958,926	1,018,882	1,102,115
Equity	192,565	203,279	219,755	231,582
<b>Total Equity and Liabilities</b>	<b>1,104,155</b>	<b>1,210,032</b>	<b>1,287,735</b>	<b>1,384,170</b>
BVPS <sup>^</sup>	32.1	33.9	36.6	38.6

Source: Company data, GIB Capital, <sup>^</sup>excl. Tier 1 sukuk, \*excl amortization of intangibles

Figure 11: Key ratios

Key ratios	2024a	2025a	2026e	2027e
<b>Profitability ratios</b>				
Asset Yield	6.2%	6.0%	5.4%	5.4%
Cost of funds	3.6%	3.5%	3.0%	2.9%
NSCI Margin	3.0%	2.9%	2.8%	2.8%
ROTE Post-Tier 1 Sukuk cost	16.2%	17.2%	15.8%	16.0%
ROAA	1.9%	2.1%	1.9%	2.0%
<b>Liquidity ratios</b>				
Loans/ Customer Deposits	113%	115%	111%	112%
Loan/Customer deposits & Due to banks	86%	88%	90%	91%
Loans / Assets	59%	60%	61%	62%
<b>Capitalization ratios</b>				
Tier I Ratio	20.3%	19.8%	20.4%	20.3%
Total capital adequacy (CAR)	20.8%	21.2%	21.4%	21.3%
Equity/Total assets	17.4%	16.8%	17.1%	16.7%
<b>Asset Quality</b>				
Gross NPL Ratio	1.2%	0.7%	0.7%	0.9%
Coverage ratio	135.3%	147.1%	112.3%	170.0%
COR (bps)	16	15	19	25
<b>Valuation ratios</b>				
P/E	11.2	9.6	9.6	8.8
P/B	1.2	1.1	1.1	1.0
Dividend Yield	4.9%	5.6%	5.7%	6.2%

Source: Company data, GIB Capital

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