

Saudi National Bank (SNB)

Solid growth in non-core income and improved operating efficiency boosted profitability

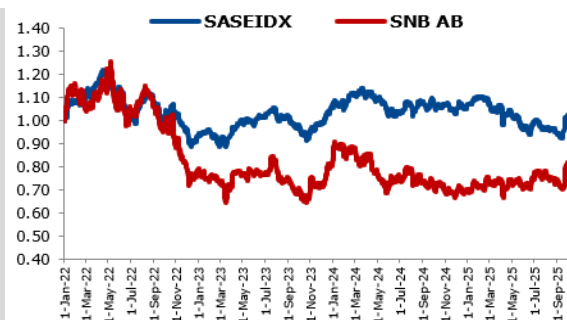
Current Price
SAR 39.02

Target Price
SAR 47.00

Upside/Downside (%)
+20%

Rating
BUY

- Net advances grew 10.6% YOY and 1.4% QOQ to SAR 725.1 Bn in 3Q25, primarily driven by growth in wholesale financing and mortgages.
- Non-funded income grew strongly 20.8% YOY to SAR 2,838 Mn in 3Q25.
- Cost to income ratio improved from 29.0% in 3Q24 to 22.5% in 3Q25, indicating enhanced operational efficiency.
- Asset quality remained strong as reported NPLs remained stable at 0.8% in 3Q25 compared to 2Q25.
- Improved capital and liquidity positions, with a capital adequacy ratio of 20.8%, liquidity coverage ratio of 262.6% in 3Q25.



3Q25 Net Profit higher than our estimate

Saudi National Bank ("SNB"/ "The Bank") net profit grew 20.6% YOY to SAR 6,469 Mn in 3Q25, higher than our estimate of SAR 6,044 Mn. The increase in net profit is primarily attributed to a strong growth in net funded and non-funded income and a decline in operating expenses, partially offset by an increase in other non-operating expenses and zakat charges.

P&L Highlights

SNB's funded income rose 5.3% YOY to SAR 15,815 Mn in 3Q25, driven by a rise in net advances. Funded expenses grew 4.0% YOY to SAR 8,507 Mn in 3Q25. Thus, net funded income increased 6.8% YOY to SAR 7,308 Mn in 3Q25. While SNB's reported NIMs decreased by 9 bps YOY to 2.80% in 3Q25. The Bank's non-funded income grew 20.8% YOY to SAR 2,838 Mn in 3Q25 due to an increase in fees from banking services and higher gains on investment. Thus, total operating income rose 10.4% YOY to SAR 10,145 Mn in 3Q25. Total operating expenses decreased 13.1% YOY to SAR 2,492 Mn in 3Q25. The Bank's calculated cost-to-income declined 649 bps YOY to 22.5% in 3Q25, indicating improved operating efficiency. Furthermore, SNB's recorded other non-operating expenses of SAR 145 Mn in 3Q25, compared to SAR 87 Mn in 3Q24. The Bank's impairment expense grew 3.1% YOY to SAR 231 Mn in 3Q25. Zakat charges increased 21.6% YOY to SAR 804 Mn in 3Q25. In addition, the share of loss attributable to non-controlling interest holders stood at SAR 4 Mn in 3Q25 compared to SAR 16 Mn in 3Q24.

Balance Sheet Highlights

SNB's total assets grew 7.3% YOY and 0.5% QOQ to SAR 1,206.6 Bn in 3Q25, driven by a healthy growth in financing and investment. Net advances grew 10.6% YOY and 1.4% QOQ to SAR 725.1 Bn in 3Q25,

Stock Information

Market Cap (SAR, mn)	234,120.00
Paid Up Capital (mn)	60,000.00
52 Week High	40.40
52 Week Low	31.55
3M Avg. daily value (SAR)	161,098,600

2Q25 Result Review (SAR, mn)

Total Assets	1,206,607
Total Liabilities	1,009,566
Total Equity	197,041
Total Deposits	639,488
Net Profit	6,469

Financial Ratios

Dividend Yield (12m)	5.13
Dividend Pay-out (%)	55.80
Price-Earnings Ratio(x)	9.93
Price-to-Book Ratio (x)	1.30
Book Value (SAR)	30.04
Return-on Equity (%)	12.93

Stock Performance

5 Days	0.21%
1 Months	12.91%
3 Months	6.21%
6 Months	9.30%
1 Year	12.94%
Month to Date (MTD%)	-0.41%
Quarter to Date (QTD%)	-0.41%
Year to Date (YTD%)	16.83%

owing to a continued momentum in wholesale financing and mortgages. Customer deposits grew 0.8% YOY but fell 2.9% QOQ to SAR 639.5 Bn in 3Q25. Additionally, total equity grew 7.2% YOY but declined 0.4% QOQ to SAR 197.0 Bn in 3Q25.

Target Price and Rating

We maintain our BUY rating on SNB with a target price of SAR 47.00. A sharp rise in non-funded income, coupled with improved cost efficiency through automation and technology, underpinned SNB's solid performance in 3Q25. Amid declining interest rates, the Bank's efforts to diversify income streams led to a 20.8% YOY increase in non-funded income in 3Q25. However, SNB's NIMs moderated 9 bps YOY in 3Q25, indicating mounting pressure from an increase in funding cost. The Bank's net advances grew 10.6% YOY and 1.4% QOQ to SAR 725.1 Bn in 3Q25, primarily driven by strong momentum in wholesale financing and mortgages. Meanwhile, customer deposits increased 0.8% YOY but declined 2.9% QOQ to SAR 639.5 Bn in 3Q25 with a promising CASA ratio of 76.2%. Consequently, the headline loan-to-deposit ratio increased from 108.5% in 2Q25 to 113.4% in 3Q25, further tightening the Bank's liquidity. SNB's maintained its asset quality with NPLs remaining largely stable at 0.8% in 3Q25 compared to the previous quarter. Furthermore, SNB improved its capital position in 3Q25, with a strong capital adequacy ratio of 20.8%. Thus, based on the above analysis, we maintain our BUY rating on the stock.

SNB Bank - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	14.23	17.46	12.86	12.10	11.50	9.78
PB	3.39	1.49	1.42	1.34	1.22	1.16
BVPS	11.535	26.361	27.662	29.317	32.094	33.812
EPS	2.753	2.243	3.045	3.236	3.405	4.003
DPS	0.597	1.157	1.269	1.750	1.900	2.041
Dividend Yield	1.5%	3.0%	3.2%	4.5%	4.9%	5.2%

FABS Estimates & Co Data

SNB Bank – P&L

SAR Mn	3Q24	2Q25	3Q25A	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	15,022	15,161	15,815	15,521	1.9%	5.3%	4.3%	57,842	61,175	5.8%
Funded expense	8,181	8,074	8,507	8,090	5.2%	4.0%	5.4%	30,112	32,254	7.1%
Net funded income	6,841	7,087	7,308	7,431	-1.7%	6.8%	3.1%	27,730	28,920	4.3%
Non-funded income	2,350	2,420	2,838	2,473	14.8%	20.8%	17.3%	8,308	10,242	23.3%
Operating income	9,191	9,507	10,145	9,905	2.4%	10.4%	6.7%	36,038	39,162	8.7%
Total operating exp.	2,869	2,765	2,492	2,834	-12.1%	-13.1%	-9.9%	11,037	10,791	-2.2%
Other non-opr inc./ (exp.)	-87	-51	-145	-45	NM	67.3%	NM	-363	-368	1.5%
Pre-provision profit	6,235	6,692	7,508	7,025	6.9%	20.4%	12.2%	24,639	28,003	13.7%
Impairments	224	-173	231	272	-15.0%	3.1%	NM	1,024	498	-51.3%
PBT	6,011	6,865	7,277	6,753	7.8%	21.1%	6.0%	23,615	27,505	16.5%
Zakat	661	738	804	721	11.6%	21.6%	9.0%	2,521	2,888	14.6%
Profit after tax	5,350	6,127	6,473	6,032	7.3%	21.0%	5.6%	21,094	24,617	16.7%
Non-controlling interest	16	10	-4	12	NM	NM	NM	99	74	-25.7%
Net profit attributable	5,366	6,137	6,469	6,044	7.0%	20.6%	5.4%	21,193	24,690	16.5%

FABS estimate & Co Data
SNB Bank – KPI

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	74.4%	74.5%	72.0%	-240	-251	76.9%	73.8%	-310
Cost-to-income	29.0%	26.9%	22.5%	-649	-442	28.3%	25.5%	-289
Impairment/PPP	3.6%	-2.6%	3.1%	-52	566	4.2%	1.8%	-238
NP/OI	58.4%	64.6%	63.8%	538	-79	58.8%	63.0%	424
Cost of risk	0.1%	-0.1%	0.1%	-1	NA	0.2%	0.1%	-9
Loan-to-deposit - calculated	103.3%	108.5%	113.4%	1,006	486	112.8%	107.5%	-534
NPL - reported	1.13%	0.81%	0.80%	-33	-1	1.2%	0.8%	-37
CAR	19.4%	20.6%	20.8%	135	18	20.8%	20.3%	-53
ROAE – calculated	11.4%	12.4%	12.8%	144	48	13.5%	13.2%	-30
ROAA - calculated	1.9%	2.0%	2.1%	23	6	2.0%	2.1%	14

FABS estimate & Co Data
SNB Bank – Key B/S items

SAR Mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
Net advances	655,308	654,252	706,430	714,839	725,090	10.6%
QOQ change	2.8%	-0.2%	8.0%	1.2%	1.4%	
Total assets	1,124,608	1,104,155	1,171,079	1,200,998	1,206,607	7.3%
QOQ change	3.4%	-1.8%	6.1%	2.6%	0.5%	
Customer deposits	634,195	579,762	626,394	658,675	639,488	0.8%
QOQ change	0.2%	-8.6%	8.0%	5.2%	-2.9%	
Total equity	183,839	193,275	194,119	197,887	197,041	7.2%
QOQ change	2.1%	5.1%	0.4%	1.9%	-0.4%	

FABS estimate & Co Data

Valuation:

We use the Residual Income and Relative Valuation (RV) method to value SNB. We have assigned 70% weight to Residual Income, and 30% to the RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income Method	50.39	70%	35.27
Relative Valuation (RV)	39.09	30%	11.73
Weighted Average Valuation (SAR)			47.00
Current market price (SAR)			39.02
Upside/Downside (%)			+20%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.9%. The cost of equity is calculated using a 10-year government bond yield of 4.9%, a beta of 0.90, and an equity risk premium of 4.4%. Government bond yield is calculated after adding the KSA 10-year CDS spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	37,179
Terminal value (SAR, Mn)	84,814
Book value of Equity (as of Sept 2025)	180,323
FV to Common shareholders (SAR, Mn)	302,316
No. of shares (Mn)	6,000
Current Market Price (SAR)	39.02
Fair Value per share (SAR)	50.39

Residual Income Method

(All Figures in SAR Mn)	2025F	2026F	2027F	2028F	2029F	2030F
Net Profit	24,017	25,089	26,501	28,130	29,200	29,859
(-) Equity Charge	-15,227	-16,363	-17,399	-18,498	-19,667	-20,908
Excess Equity	2,197¹	8,726	9,101	9,631	9,533	8,951
Discounting Factor	0.98	0.90	0.83	0.76	0.70	0.64
Present Value of Excess Equity	2,151	7,845	7,515	7,304	6,639	5,725

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 2026 PB multiple of 1.2x in line with its peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Alinma Bank	17,664	1.8	1.7	11.2	10.8	4.3	4.3
Al Rajhi Bank	102,498	3.8	3.5	18.8	16.6	2.7	3.3
Arab National Bank	13,588	1.2	1.2	9.9	9.6	5.2	5.4
Banque Saudi Fransi	12,297	1.1	1.1	9.5	9.3	6.0	5.9
Riyad Bank	22,063	1.3	1.2	8.5	8.3	6.2	6.3
Average		1.9x	1.7x	11.6x	10.9x	4.9%	5.1%
Median		1.3x	1.2x	9.9x	9.6x	5.2%	5.4%
Max		1.8x	1.7x	11.2x	10.8x	6.0%	5.9%
Min		1.2x	1.2x	9.5x	9.3x	4.3%	4.3%

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%

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