

## Saudi National Bank (SNB)

Strong growth in non-core income boosted the bottom line

**Current Price**  
SAR 33.75

**Target Price**  
SAR 47.00

**Upside/Downside (%)**  
+39%

**Rating**  
BUY

- Net advances grew 10.0% YOY and 2.8% QOQ to SAR 655 Bn in 3Q24, owing to strong momentum across retail mortgages and wholesale financing.
- Customer deposits grew 1.5% YOY and 0.2% QOQ to SAR 634 Bn in 3Q24.
- Cost-to-income declined marginally from 29.3% in 3Q23 to 29.0% in 3Q24.
- The Bank's asset quality remained stable as the NPL ratio held steady at 1.1% in 3Q24 compared to 2Q24.
- SNB's capitalization stood strong with a CET 1 ratio of 16.6% and CAR of 19.3% in 2Q24.



### 3Q24 Net Profit higher than our estimate

Saudi National Bank ("SNB"/ "The Bank") recorded a growth of 7.1% YOY in net profit to SAR 5,366 Mn in 3Q24, higher than our estimate of SAR 5,080 Mn. The increase in net profit is primarily attributable to a growth in total operating income driven by higher net funded and non-funded income partially offset by an increase in operating expenses and higher impairment charges.

### P&L Highlights

SNB's funded income rose 14.3% YOY to SAR 15,029 Mn in 3Q24, mainly driven by solid growth in net advances and investment portfolio. Funded expenses also grew significantly from SAR 6,311 Mn in 3Q23 to SAR 8,165 Mn in 3Q24. Thus, net funded income rose marginally 0.5% YOY to SAR 6,864 Mn in 3Q24. SNB's total non-funded income grew significantly 22.4% YOY to SAR 2,330 Mn in 3Q24 mainly due to higher fees and commissions and total investment income. Thus, total operating income rose 5.2% YOY to SAR 9,195 Mn in 3Q24. Total operating expenses grew 3.9% YOY to SAR 2,869 Mn in 3Q24. SNB's cost-to-income declined marginally from 29.3% in 3Q23 to 29.0% in 3Q24. Furthermore, the Bank's other non-operating expenses declined significantly from SAR 379 Mn in 3Q23 to SAR 87 Mn in 3Q24. SNB's impairment charges grew significantly to SAR 227 Mn in 3Q24 compared to a reversal of impairments of SAR 77 Mn in 3Q23. Zakat expense declined 7.7% YOY to SAR 661 Mn in 3Q24. Share to NCI also declined from SAR 53 Mn in 3Q23 to SAR 16 Mn in 3Q24 supporting profitability.

### Balance Sheet Highlights

SNB's total assets grew 9.5% YOY and 3.4% QOQ to SAR 1,125 Bn in 3Q24 driven by growth in net advances and investment portfolio. SNB's net advances grew 10.0% YOY and 2.8% QOQ to SAR 655 Bn

### Stock Information

Market Cap (SAR, mn)	202,500.00
Paid Up Capital (mn)	60,000.00
52 Week High	44.35
52 Week Low	31.40
3M Avg. daily value (SAR)	174,327,600

### 3Q24 Result Review (SAR, mn)

Total Assets	1,124,608
Total Liabilities	940,768
Total Equity	183,080
Total Deposits	634,195
Net Profit	5,366

### Financial Ratios

Dividend Yield (12m)	5.33
Dividend Pay-out (%)	26.51
Price-Earnings Ratio(x)	10.00
Price-to-Book Ratio (x)	1.22
Book Value (SAR)	27.59
Return-on Equity (%)	12.21

### Stock Performance

5 Days	-3.16%
1 Months	-3.57%
3 Months	-9.76%
6 Months	-10.83%
1 Year	3.85%
Month to Date (MTD%)	-1.60%
Quarter to Date (QTD%)	-1.60%
Year to Date (YTD%)	-12.68%

in 3Q24, driven by growth in retail mortgages and wholesale financing. The Bank's investment portfolio grew 9.0% YOY to SAR 290 Bn in 3Q24. Customer deposits grew 1.5% YOY and 0.2% QOQ to SAR 634 Bn in 3Q24. In addition, total equity grew 8.4% YOY and 1.7% QOQ to SAR 183 Bn in 3Q24.

### Target Price and Rating

We maintain our BUY rating on SNB with a target price of SAR 47.00. The Bank's advances grew 10.0% YOY and 2.8% QOQ to SAR 655 Bn in 3Q24, owing to solid momentum across retail mortgages and wholesale financing. Moreover, the Bank's Customer deposits grew 1.5% YOY and 0.2% QOQ to SAR 634 Bn in 3Q24. As a result, the headline loan-to-deposit ratio rose to 103.3% in 3Q24 compared to 100.7% in 2Q24. SNB's reported NIMs remained unchanged at 3.1% in 2Q24 compared to 1Q24. The Bank expects its NIMs to range 3.0-3.2% in 2024, which underpins its ability to deliver a solid performance amid declining interest rates. The Bank's cost of risk declined 34 bps YOY to 0.07% in 2Q24, which indicates its ability to manage risk efficiently. Furthermore, the Bank's asset quality remained stable as the NPL ratio held steady at 1.1% in 3Q24 compared to 2Q24. Moreover, the calculated Provision coverage stood at 151.4% in 2Q24 compared to 150.5% in 1Q24, which is expected to provide a strong cushion against potential bad loans. SNB's capitalization stood strong with a CET 1 ratio of 16.6% and CAR of 19.3% in 2Q24. The Bank issued a 5-year senior unsecured FRN bond worth USD 500 Mn in the Taiwanese Formosa market under its Euro Medium Term Note Programme. SNB is poised to benefit in the declining interest rate scenario as the Bank's primary lending focus is on the retail sector, which is expected to experience slower repricing compared to wholesale financing. Thus, based on our analysis, we maintain our BUY rating on the stock.

### SNB Bank - Relative valuation

(at CMP)	2019	2020	2021	2022	2023	2024F
PE	12.48	12.48	15.32	11.28	10.62	10.20
PB	3.56	2.98	1.30	1.24	1.17	1.12
Dividend Yield	3.6%	2.0%	3.7%	4.0%	5.3%	5.4%

FABS Estimates & Co Data

### SNB Bank - P&L

SAR mn	3Q23	2Q24	3Q24A	3Q24E	VAR	YOY Ch	QOQ Ch	2023	2024F	Change
Funded income	13,144	14,379	15,029	14,872	1.1%	14.3%	4.5%	49,857	58,339	17.0%
Funded expense	6,311	7,328	8,165	7,613	7.3%	29.4%	11.4%	22,848	30,385	33.0%
<b>Net funded income</b>	<b>6,833</b>	<b>7,051</b>	<b>6,864</b>	<b>7,260</b>	<b>-5.4%</b>	<b>0.5%</b>	<b>-2.7%</b>	<b>27,009</b>	<b>27,955</b>	<b>3.5%</b>
<b>Non-funded income</b>	<b>1,903</b>	<b>1,866</b>	<b>2,330</b>	<b>2,050</b>	<b>13.6%</b>	<b>22.4%</b>	<b>24.9%</b>	<b>7,580</b>	<b>8,203</b>	<b>8.2%</b>
<b>Operating income</b>	<b>8,737</b>	<b>8,916</b>	<b>9,195</b>	<b>9,310</b>	<b>-1.2%</b>	<b>5.2%</b>	<b>3.1%</b>	<b>34,589</b>	<b>36,158</b>	<b>4.5%</b>
<b>Total operating exp.</b>	<b>2,762</b>	<b>2,750</b>	<b>2,869</b>	<b>2,713</b>	<b>5.8%</b>	<b>3.9%</b>	<b>4.3%</b>	<b>10,357</b>	<b>10,706</b>	<b>3.4%</b>
Other non-opr inc./ (exp.)	-379	-317	-87	-238	NM	NM	NM	-537	-548	2.0%
<b>Pre-provision profit</b>	<b>5,596</b>	<b>5,850</b>	<b>6,238</b>	<b>6,359</b>	<b>-1.9%</b>	<b>11.5%</b>	<b>6.6%</b>	<b>23,695</b>	<b>24,904</b>	<b>5.1%</b>
Impairments	-77	120	227	655	-65.4%	NM	88.5%	923	1,491	NM
<b>PBT</b>	<b>5,673</b>	<b>5,729</b>	<b>6,011</b>	<b>5,704</b>	<b>5.4%</b>	<b>6.0%</b>	<b>4.9%</b>	<b>22,773</b>	<b>23,414</b>	<b>2.8%</b>
Zakat	716	561	661	599	10.4%	-7.7%	17.7%	2,664	2,458	-7.7%
<b>Profit after tax</b>	<b>4,957</b>	<b>5,168</b>	<b>5,350</b>	<b>5,105</b>	<b>4.8%</b>	<b>7.9%</b>	<b>3.5%</b>	<b>20,109</b>	<b>20,955</b>	<b>4.2%</b>
Non-controlling interest	-53	-63	-16	26	NM	NM	-74.4%	99	21	-78.8%
<b>Net profit attributable</b>	<b>5,010</b>	<b>5,231</b>	<b>5,366</b>	<b>5,080</b>	<b>5.6%</b>	<b>7.1%</b>	<b>2.6%</b>	<b>20,010</b>	<b>20,934</b>	<b>4.6%</b>

FABS estimate & Co Data

**SNB Bank - KPI**

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Net FI/OI	78.2%	79.1%	74.6%	-356	-443	78.1%	77.3%	-77
Impairment/PPP	-1.4%	2.1%	3.6%	NM	158	3.9%	6.0%	209
NP/OI	57.3%	58.7%	58.4%	102	-30	57.8%	57.9%	5
Loan-to-deposit (Calculated)	95.4%	100.7%	103.3%	795	258	101.9%	98.8%	-318
NPL - Reported	1.4%	1.11%	1.13%	-24	2	1.2%	1.6%	39
ROAE	12.7%	12.2%	11.7%	-99	-51	12.2%	11.8%	-39
ROAA	2.0%	1.9%	1.9%	-7	-3	2.0%	1.9%	-9

*FABS estimate & Co Data*

**SNB Bank - Key B/S items**

SAR mn	3Q23	4Q23	1Q24	2Q24	3Q24	YOY Ch
Net advances	595,721	601,527	625,202	637,235	655,308	10.0%
<i>QOQ change</i>	3.1%	1.0%	3.9%	1.9%	2.8%	
Total assets	1,027,133	1,037,081	1,072,144	1,088,112	1,124,608	9.5%
<i>QOQ change</i>	3.1%	1.0%	3.4%	1.5%	3.4%	
Customer deposits	624,769	590,051	656,261	632,693	634,195	1.5%
<i>QOQ change</i>	3.7%	-5.6%	11.2%	-3.6%	0.2%	
Total equity	168,971	176,629	180,622	179,991	183,080	8.4%
<i>QOQ change</i>	-1.1%	4.5%	2.3%	-0.3%	1.7%	

*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	51.42	70.0%	35.99
Relative Valuation (RV)	36.70	30.0%	11.01
<b>Weighted Average Valuation (SAR)</b>			<b>47.00</b>
Current market price (SAR)			33.75
Upside/Downside (%)			+39%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.5%. Cost of equity is calculated by using 10-year government bond yield of 4.8%, beta of 0.90 and equity risk premium of 4.1%. 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)	28,689
Terminal value (SAR, Mn)	115,803
Book value of Equity (as of June, 2024)	164,015
<b>FV to Common shareholders (SAR, Mn)</b>	<b>308,506</b>
No. of share (Mn)	6,000
Current Market Price (SAR)	33.75
<b>Fair Value per share (SAR)</b>	<b>51.42</b>

### DCF Method

(All Figures in SAR Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Net Profit	20,934	21,210	24,531	27,372	29,394
(-) Equity Charge	-14,376	-15,229	-16,334	-17,611	-18,983
<b>Excess Equity</b>	<b>1,640<sup>1</sup></b>	<b>5,981</b>	<b>8,198</b>	<b>9,761</b>	<b>10,410</b>
Discounting Factor	0.98	0.90	0.83	0.77	0.71
<b>Present Value of Excess Equity</b>	<b>1,607</b>	<b>5,402</b>	<b>6,825</b>	<b>7,491</b>	<b>7,364</b>

Source: FAB Securities, <sup>1</sup>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 PB multiple of 1.3x in line with its peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2024F	2025F	2024F	2025F	2024F	2025F
Alinma Bank	18,800	2.2	1.9	13.0	12.0	3.0	3.5
Al Rajhi Bank	90,411	3.4	3.1	19.3	16.2	3.0	3.6
Arab National Bank	10,283	1.0	1.0	8.0	8.3	7.6	6.4
Banque Saudi Fransi	9,862	1.0	0.9	8.7	8.4	6.9	6.9
Riyad Bank	20,310	1.3	1.2	9.1	8.8	6.0	6.3
<b>Average</b>		<b>1.8x</b>	<b>1.6x</b>	<b>11.6x</b>	<b>10.7x</b>	<b>5.3x</b>	<b>5.3x</b>
<b>Median</b>		<b>1.3x</b>	<b>1.2x</b>	<b>9.1x</b>	<b>8.8x</b>	<b>6.0x</b>	<b>6.3x</b>
<b>Max</b>		<b>2.2x</b>	<b>1.9x</b>	<b>13.0x</b>	<b>12.0x</b>	<b>6.9x</b>	<b>6.4x</b>
<b>Min</b>		<b>1.0x</b>	<b>1.0x</b>	<b>8.7x</b>	<b>8.4x</b>	<b>3.0x</b>	<b>3.6x</b>

Source: FAB Securities

