

## Saudi National Bank (SNB)

Strong growth in non-core income boosted the bottom-line

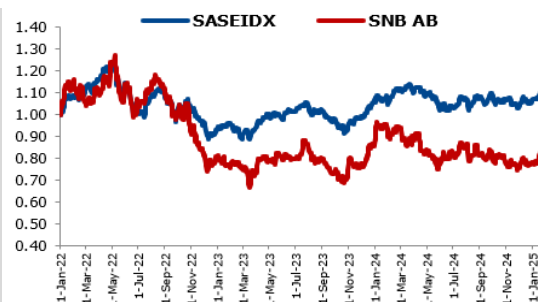
**Current Price**  
SAR 35.00

**Target Price**  
SAR 47.00

**Upside/Downside (%)**  
+34%

**Rating**  
BUY

- Calculated NIMs fell 20 bps YOY and remained flat on a QOQ basis in 4Q24 at 2.7%.
- The Bank's customer deposits fell 1.7% YOY and 8.6% QOQ to SAR 579.8 Bn during 4Q24 attributable to a decline in Time as well as CASA deposits.
- The Bank declared cash dividends of SAR 1.0 per share for 2H24, amounting to SAR 6,000 Mn.
- SNB completed the successful issuance of its SAR denominated additional tier-1 perpetual sukuk with an offer value of SAR 6,000 Mn with a coupon rate of 6.0%.



### 4Q24 Net Profit lower than our estimate

Saudi National Bank ("SNB"/ "The Bank") net profit grew 16.8% YOY to SAR 5,557 Mn in 4Q24, lower than our estimate of SAR 5,739 Mn. The increase in net profit is primarily attributable to a strong growth in non-funded income and a decline in other non-operating expense partially offset by an increase in operating expenses and implementation of tax charge.

### P&L Highlights

SNB's funded income rose 8.8% YOY to SAR 14,882 Mn in 4Q24, mainly driven by solid growth in interest earning assets on a YOY basis. Funded expenses also grew significantly from SAR 6,800 Mn in 4Q23 to SAR 7,978 Mn in 4Q24. Thus, net funded income rose marginally 0.4% YOY to SAR 6,904 Mn in 4Q24. As per our calculation, NIMs fell 20 bps YOY and remained flat on a QOQ basis in 4Q24 at 2.7%. The fees and commission income grew 36.7% YOY to SAR 1,085 Mn, while the exchange income rose 24.9% YOY to SAR 522 Mn in 4Q24. Income from FVIS investments increased 47.1% YOY to SAR 815 Mn in 4Q24. However, gains on non-trading investments declined 9.4% YOY to SAR 71 Mn in 4Q24. Other operating expenses rose significantly from SAR 297 Mn in 4Q23 to SAR 410 Mn in 4Q24. As a result, SNB's total non-funded income grew significantly 34.7% YOY to SAR 2,084 Mn in 4Q24. Thus, total operating income rose 6.7% YOY to SAR 8,988 Mn in 4Q24. Salaries and employee related expenses fell 5.8% YOY to SAR 1,048 Mn, while rent & premises related expenses declined 12.1% YOY to SAR 119 Mn in 4Q24. Depreciation charge grew 20.0% YOY to SAR 494 Mn in 4Q24. Amortization expense remained unchanged at SAR 205 Mn in 4Q24. Other G&A expenses rose from SAR 681 Mn in 4Q23 to SAR 887 Mn in 4Q24. Thus, total operating expenses increased 8.1% YOY to SAR 2,753 Mn in 4Q24. SNB's cost-to-income rose from 27.8% in 4Q23 to

### Stock Information

Market Cap (SAR, mn)	210,000.00
Paid Up Capital (mn)	60,000.00
52 Week High	43.35
52 Week Low	31.90
3M Avg. daily value (SAR)	157,707,900

### 4Q24 Result Review (SAR, mn)

Total Assets	1,104,155
Total Liabilities	910,879
Total Equity	193,275
Total Deposits	579,762
Net Profit	5,557

### Financial Ratios

Dividend Yield (12m)	5.43
Dividend Pay-out (%)	55.80
Price-Earnings Ratio(x)	10.18
Price-to-Book Ratio (x)	1.21
Book Value (SAR)	28.83
Return-on Equity (%)	12.30

### Stock Performance

5 Days	3.24%
1 Months	-1.13%
3 Months	5.11%
6 Months	-2.10%
1 Year	-17.06%
Month to Date (MTD%)	2.34%
Quarter to Date (QTD%)	4.79%
Year to Date (YTD%)	4.79%

28.3% in 4Q24. Furthermore, the Bank's other non-operating expenses dropped significantly from SAR 138 Mn in 4Q23 to SAR 35 Mn in 4Q24. SNB's impairment charges reduced significantly from SAR 431 Mn in 4Q23 to SAR 22 Mn in 4Q24. Zakat expense rose 14.2% YOY to SAR 658 Mn in 4Q24.

### Balance Sheet Highlights

SNB's total assets grew 6.5% YOY but fell 1.8% QOQ to SAR 1,104 Bn in 4Q24 driven by growth in investments, fair value of derivative instruments, and other assets. SNB's net advances grew 8.8% YOY to SAR 654.2 Bn in 4Q24, driven by solid performance of wholesale and retail financing. Wholesale financing grew 10% YOY to SAR 290.1 Bn while retail mortgages grew 12% YOY to SAR 181.0 Bn in 4Q24. Customer deposits fell 1.7% YOY and 8.6% QOQ to SAR 579.8 Bn in 4Q24. CASA deposits accounted for 72.2% of the total deposits in 4Q24. In addition, total equity grew 9.4% YOY and 5.1% QOQ to SAR 193.3 Bn in 4Q24.

### Target Price and Rating

We maintain our BUY rating on SNB with a target price of SAR 47.00. The Bank's recorded growth in net funded and non-funded income, reflecting its ability to generate income from core and non-core assets. The NIMs remained stable QOQ at 2.7% in 4Q24 despite a decline in interest rates. The Bank's NIMs are likely to benefit from the exposure to retail mortgages owing to slower asset repricing. SNB is expecting the net funded income to grow by mid-to-high single digit in FY2025 on a YOY basis. Moreover, the loan portfolio is anticipated to grow by low single digit in FY2025. The Bank's asset quality remained stable as the NPL ratio remained at similar level at 1.2% in 4Q24 compared to 4Q23. Moreover, the Provision coverage stood at 130.3% in 4Q24 providing sufficient cushion against potential bad loans. The stage 2 loans as a percentage of gross loans declined from 4.6% in FY2023 to 2.7% in FY2024, reflecting an improvement in the quality of loan portfolio. The Bank continues to maintain a healthy capitalisation level and a stable liquidity position with a CET 1 ratio of 20.3% and CAR of 20.8% in 4Q24. However, the Bank's customer deposits fell 1.7% YOY and 8.6% QOQ to SAR 579.8 Bn during 4Q24 attributable to a decline in time as well as CASA deposits. As a result, the liquidity coverage ratio fell from 283.9% in 3Q24 to 265.2% in 4Q24. However, SNB is likely to maintain a solid financial performance owing to its vast scale. SNB's investment portfolio stood at SAR 292.5 Bn in 4Q24 compared to SAR 269.1 Bn in 4Q23 which is likely to support the profitability in a declining interest rate scenario by generating solid returns. Moreover, the majority of SNB's investment portfolio consists of fixed rate securities benefitting NIMs. The Bank declared distribution of cash dividends of SAR 1.0 per share for 2H24, amounting to SAR 6,000 Mn. SNB completed the successful issuance of its SAR denominated additional tier-1 perpetual sukuk with an offer value of SAR 6,000 Mn with a coupon rate of 6.0%. 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	12.28	15.07	11.10	10.45	9.93	9.11
PB	2.93	1.28	1.22	1.15	1.05	1.03
Dividend Yield	1.8%	3.4%	3.8%	5.2%	5.7%	5.7%

FABS Estimates & Co Data

**SNB Bank – P&L**

SAR mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Funded income	13,673	15,029	14,882	16,472	-9.7%	8.8%	-1.0%	49,857	57,842	16.0%
Funded expense	6,800	8,165	7,978	8,772	-9.0%	17.3%	-2.3%	22,848	30,112	31.8%
<b>Net funded income</b>	<b>6,873</b>	<b>6,864</b>	<b>6,904</b>	<b>7,700</b>	<b>-10.3%</b>	<b>0.4%</b>	<b>0.6%</b>	<b>27,009</b>	<b>27,730</b>	<b>2.7%</b>
<b>Non-funded income</b>	<b>1,547</b>	<b>2,330</b>	<b>2,084</b>	<b>1,979</b>	<b>5.3%</b>	<b>34.7%</b>	<b>-10.6%</b>	<b>7,580</b>	<b>8,308</b>	<b>9.6%</b>
<b>Operating income</b>	<b>8,420</b>	<b>9,195</b>	<b>8,988</b>	<b>9,679</b>	<b>-7.1%</b>	<b>6.7%</b>	<b>-2.2%</b>	<b>34,589</b>	<b>36,038</b>	<b>4.2%</b>
<b>Total operating exp.</b>	<b>2,545</b>	<b>2,869</b>	<b>2,753</b>	<b>2,500</b>	<b>10.1%</b>	<b>8.1%</b>	<b>-4.1%</b>	<b>10,357</b>	<b>11,037</b>	<b>6.6%</b>
Other non-opr inc./(exp.)	-138	-87	-35	-221	-83.9%	-74.3%	NM	-537	-363	-32.5%
<b>Pre-provision profit</b>	<b>5,737</b>	<b>6,239</b>	<b>6,200</b>	<b>6,958</b>	<b>-10.9%</b>	<b>8.1%</b>	<b>-0.6%</b>	<b>23,695</b>	<b>24,639</b>	<b>4.0%</b>
Impairments	431	227	22	488	-95.5%	-95.0%	NM	923	1,024	11.0%
<b>PBT</b>	<b>5,306</b>	<b>6,011</b>	<b>6,178</b>	<b>6,470</b>	<b>-4.5%</b>	<b>16.4%</b>	<b>2.8%</b>	<b>22,773</b>	<b>23,615</b>	<b>3.7%</b>
Zakat	576	661	658	647	1.7%	14.2%	-0.5%	2,664	2,521	-5.4%
<b>Profit after tax</b>	<b>4,730</b>	<b>5,350</b>	<b>5,520</b>	<b>5,823</b>	<b>-5.2%</b>	<b>16.7%</b>	<b>3.2%</b>	<b>20,109</b>	<b>21,094</b>	<b>4.9%</b>
Non-controlling interest	-29	-16	-37	84	NM	27.6%	NM	99	-99	NM
<b>Net profit attributable</b>	<b>4,759</b>	<b>5,366</b>	<b>5,557</b>	<b>5,739</b>	<b>-3.2%</b>	<b>16.8%</b>	<b>3.6%</b>	<b>20,010</b>	<b>21,193</b>	<b>5.9%</b>

FABS estimate & Co Data

**SNB Bank - KPI**

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Net FI/OI	81.6%	74.7%	76.8%	-482	215	78.1%	76.9%	-114
Impairment/PPP	7.5%	3.6%	0.4%	-716	-329	3.9%	4.2%	26
NP/OI	56.5%	58.4%	61.8%	531	346	57.8%	58.8%	96
Loan-to-deposit (Headline)	101.9%	103.3%	112.8%	1,090	952	101.9%	112.8%	1,090
NPL reported	1.2%	1.13%	1.16%	-5	3	1.2%	1.2%	0
ROAE	12.2%	11.6%	11.5%	-77	-10	12.3%	12.6%	29
ROAA	2.0%	1.9%	2.0%	-2	8	2.0%	2.0%	-4

FABS estimate & Co Data

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

SAR Mn	4Q23	1Q24	2Q24	3Q24	4Q24	YOY Ch
Net advances	601,527	625,202	637,235	655,308	654,252	8.8%
QOQ change	1.0%	3.9%	1.9%	2.8%	-0.2%	
Total assets	1,037,081	1,072,144	1,088,112	1,124,608	1,104,155	6.5%
QOQ change	1.0%	3.4%	1.5%	3.4%	-1.8%	
Customer deposits	590,051	656,261	632,693	634,195	579,762	-1.7%
QOQ change	-5.6%	11.2%	-3.6%	0.2%	-8.6%	
Total equity	176,629	180,622	179,991	183,839	193,275	9.4%
QOQ change	4.5%	2.3%	-0.3%	2.1%	5.1%	

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	49.12	70.0%	34.38
Relative Valuation (RV)	42.08	30.0%	12.62
<b>Weighted Average Valuation (SAR)</b>			<b>47.00</b>
Current market price (SAR)			35.00
Upside/Downside (%)			+34%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.1%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.90 and equity risk premium of 4.4%. 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)	28,334
Terminal value (SAR, Mn)	94,990
Book value of Equity (as of June, 2024)	171,378
<b>FV to Common shareholders (SAR, Mn)</b>	<b>294,702</b>
No. of share (Mn)	6,000
Current Market Price (SAR)	35.00
<b>Fair Value per share (SAR)</b>	<b>49.12</b>

### DCF Method

(All Figures in SAR Mn)	2025F	2026F	2027F	2028F	2029F
Net Profit	22,805	24,238	25,586	27,776	28,635
(-) Equity Charge	-16,528	-17,577	-18,691	-19,901	-18,576
<b>Excess Equity</b>	<b>5,493</b>	<b>6,661</b>	<b>6,895</b>	<b>7,875</b>	<b>10,059</b>
Discounting Factor	0.93	0.85	0.78	0.71	0.65
<b>Present Value of Excess Equity</b>	<b>5,091</b>	<b>5,660</b>	<b>5,372</b>	<b>5,625</b>	<b>6,587</b>

Source: FAB Securities

## 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 (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Alinma Bank	20,571	2.1	1.9	13.1	11.9	3.9	3.8
Al Rajhi Bank	107,970	3.7	3.4	18.9	16.6	3.1	3.5
Arab National Bank	11,640	1.1	1.0	8.9	8.6	6.0	6.2
Banque Saudi Fransi	11,026	1.0	1.0	9.4	8.8	6.1	6.4
Riyad Bank	23,206	1.4	1.3	9.3	8.9	5.7	5.9
<b>Average</b>		<b>1.9x</b>	<b>1.7x</b>	<b>11.9x</b>	<b>11.0x</b>	<b>4.9</b>	<b>5.1</b>
<b>Median</b>		<b>1.4x</b>	<b>1.3x</b>	<b>9.4x</b>	<b>8.9x</b>	<b>5.7</b>	<b>5.9</b>
<b>Max</b>		<b>2.1x</b>	<b>1.9x</b>	<b>13.1x</b>	<b>11.9x</b>	<b>6.0</b>	<b>6.2</b>
<b>Min</b>		<b>1.1x</b>	<b>1.0x</b>	<b>9.3x</b>	<b>8.8x</b>	<b>3.9</b>	<b>3.8</b>

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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