

## Saudi National Bank (SNB)

Strong growth in non-core income drove profitability

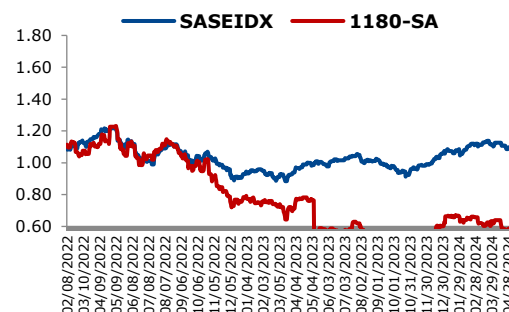
**Current Price**  
**SAR 36.66**

**Target Price**  
**SAR 47.00**

**Upside/Downside (%)**  
**+28.2%**

**Rating**  
**BUY**

- Net advances grew 12.2% YOY and 1.2% QOQ to SAR 714.8 Bn in 2Q25, primarily driven by a 20% YOY growth in wholesale financing and 4% YOY rise in mortgage.
- Cost to income ratio decreased from 28.5% in 2Q24 to 26.9% in 2Q25, indicating enhanced operational efficiency.
- Asset quality improved as reported NPL declined from 0.91% in 1Q25 to 0.81% in 2Q25.
- Maintained solid capital and liquidity positions, with a capital adequacy ratio of 20.6%, liquidity coverage ratio of 227.4%.
- Declared a cash dividend of SAR 6.0 Bn for 1H25, equivalent to SAR 1 per share, resulting in a full-year dividend yield of 5.5%.



### Stock Information

Market Cap (SAR, mn)	218,864.8
Paid Up Capital (mn)	5,944.7
52 Week High	38.45
52 Week Low	31.55
3M Avg. daily value (SAR)	4,337,002

### 2Q25 Result Review (SAR, mn)

Total Assets	1,200,998
Total Liabilities	1,003,112
Total Equity	197,887
Total Deposits	658,675
Net Profit	6,137

### Financial Ratios

Dividend Yield (12m)	5.2
Dividend Pay-out (%)	53.30
Price-Earnings Ratio(x)	9.37
Price-to-Book Ratio (x)	1.16
Book Value (SAR)	28.83
Return-on Equity (%)	12.76

### Stock Performance

5 Days	-1.08%
1 Months	7.35%
3 Months	8.14%
6 Months	4.59%
1 Year	-4.28%
Month to Date (MTD%)	1.50%
Quarter to Date (QTD%)	1.50%
Year to Date (YTD%)	9.76%

### 2Q25 Net Profit in line with our estimate

Saudi National Bank ("SNB"/ "The Bank") net profit grew 17.3% YOY to SAR 6,137 Mn in 2Q25, in line with our estimate of SAR 5,956 Mn. The increase in net profit is primarily attributed to a strong growth in non-funded income and a decline in other non-operating expenses, along with an impairment reversal, partially offset by an increase in zakat charges.

### P&L Highlights

SNB's funded income rose 5.4% YOY to SAR 15,161 Mn in 2Q25, driven by a rise in net advances. Special commission income from financing increased 4.0% YOY in 2Q25, while special commission income from investments rose 10.4% YOY. Funded expenses grew 10.2% YOY to SAR 8,074 Mn in 2Q25 owing to an increase in customer deposits and a rise in cost of funds. Thus, net funded income increased marginally 0.5% YOY to SAR 7,087 Mn in 2Q25. SNB's NIMs fell from 3.05% in 1Q25 to 2.79% in 2Q25 mainly due to a higher growth in funded expenses. The Bank's non-funded income grew significantly 29.8% YOY to SAR 2,420 Mn in 2Q25, primarily driven by a 20.6% YOY rise in fees from banking services, a 41.5% YOY surge in exchange income, and a 23.6% YOY increase in total investment gains/income. Thus, total operating income rose 6.6% YOY to SAR 9,507 Mn in 2Q25. Total operating expenses marginally increased 0.6% YOY to SAR 2,765 Mn in 2Q25. However, the Bank's cost-to-income declined 164 bps YOY to 26.9% in 2Q25. Furthermore, SNB recorded other non-operating expenses of SAR 51 Mn in 2Q25, compared to SAR 318 Mn in 2Q24. Moreover, the Bank recorded an impairment reversal of SAR 173 Mn in 2Q25 compared to an impairment charge of SAR 120 Mn in 2Q24, driven by strong credit quality and higher recoveries. Zakat charges grew 31.4% YOY to SAR 738 Mn in 2Q25. In addition, the share of loss attributable to

non-controlling interest holders, stood at SAR 10 Mn in 2Q25 compared to SAR 63 Mn in 2Q24.

### Balance Sheet Highlights

SNB's total assets grew 10.4% YOY and 2.6% QOQ to SAR 1,201.0 Bn in 2Q25 driven by healthy growth in financing and investment. Net advances grew 12.2% YOY and 1.2% QOQ to SAR 714.8 Bn in 2Q25 owing to a 20% YOY growth in wholesale financing and 4% growth in mortgages. Customer deposits increased 4.1% YOY and 5.2% QOQ to SAR 658.7 Bn in 2Q25 driven by an increase in domestic CASA deposits and a rise in digital sales through personal finance and credit cards. Additionally, total equity grew 9.9% YOY and 1.9% QOQ to SAR 197.9 Bn in 2Q25.

### 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 prudent cost control, underpinned SNB's solid performance in 2Q25. Amid declining interest rates, the Bank's efforts to diversify income streams led to a 29.8% YOY increase in non-funded income in 2Q25. However, SNB's NIMs moderated 29 bps YOY and 26 bps QOQ to 2.79% in 2Q25, indicating mounting pressure from an increase in funding cost. The Bank's net advances grew 12.2% YOY and 1.2% QOQ to SAR 714.8 Bn in 2Q25, primarily driven by strong momentum in wholesale financing and mortgages, which rose 20% YOY and 4% YOY, respectively. Meanwhile, customer deposits increased 4.1% YOY and 5.2% QOQ to SAR 658.7 Bn in 2Q25 with a promising CASA ratio of 75.9%. Strong growth in digital credit card and personal finance sales highlights the early success of the Bank's digital transformation initiatives. Consequently, the headline loan-to-deposit ratio declined from 112.8% in 1Q25 to 108.5% in 2Q25, strengthening the Bank's liquidity position. SNB's asset quality improved as the NPLs fell from 0.91% in 1Q25 to 0.81% in 2Q25, attributable to higher recoveries. Furthermore, SNB maintained a solid capital and liquidity position in 2Q25, with a capital adequacy ratio of 20.6%, and liquidity coverage ratio of 227.4%. SNB declared a cash dividend of SAR 6.0 Bn for 1H25, equivalent to SAR 1 per share, resulting in a full-year dividend yield of 5.5%. 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	13.32	16.35	12.04	11.33	10.77	9.35
PB	3.18	1.39	1.33	1.25	1.14	1.07
DPS	0.597	1.157	1.269	1.750	1.900	1.999
EPS	2.753	2.243	3.045	3.236	3.405	3.920
BVPS	11.535	26.361	27.662	29.317	32.094	34.142
Dividend Yield	1.6%	3.2%	3.5%	4.8%	5.2%	5.5%

FABS Estimates & Co Data

**SNB Bank – P&L**

SAR mn	2Q24	1Q25	2Q25	2Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	14,380	14,323	15,161	14,800	2.4%	5.4%	5.8%	57,842	62,192	7.5%
Funded expense	7,328	7,069	8,074	7,347	9.9%	10.2%	14.2%	30,112	31,621	5.0%
<b>Net funded income</b>	<b>7,052</b>	<b>7,254</b>	<b>7,087</b>	<b>7,452</b>	<b>-4.9%</b>	<b>0.5%</b>	<b>-2.3%</b>	<b>27,730</b>	<b>30,570</b>	<b>10.2%</b>
<b>Non-funded income</b>	<b>1,864</b>	<b>2,361</b>	<b>2,420</b>	<b>2,482</b>	<b>-2.5%</b>	<b>29.8%</b>	<b>2.5%</b>	<b>8,308</b>	<b>9,009</b>	<b>8.4%</b>
<b>Operating income</b>	<b>8,916</b>	<b>9,615</b>	<b>9,507</b>	<b>9,935</b>	<b>-4.3%</b>	<b>6.6%</b>	<b>-1.1%</b>	<b>36,038</b>	<b>39,579</b>	<b>9.8%</b>
<b>Total operating exp.</b>	<b>2,748</b>	<b>2,727</b>	<b>2,765</b>	<b>2,940</b>	<b>-5.9%</b>	<b>0.6%</b>	<b>1.4%</b>	<b>11,037</b>	<b>11,459</b>	<b>3.8%</b>
Other non-opr inc./(exp.)	-318	-134	-51	-148	-65.5%	-84.0%	-62.1%	-363	-370	2.0%
<b>Pre-provision profit</b>	<b>5,850</b>	<b>6,754</b>	<b>6,691</b>	<b>6,847</b>	<b>-2.3%</b>	<b>14.4%</b>	<b>-0.9%</b>	<b>24,639</b>	<b>27,750</b>	<b>12.6%</b>
Impairments	120	34	-173	256	NM	NM	NM	1,024	699	-31.8%
<b>PBT</b>	<b>5,729</b>	<b>6,719</b>	<b>6,865</b>	<b>6,591</b>	<b>4.2%</b>	<b>19.8%</b>	<b>2.2%</b>	<b>23,615</b>	<b>27,051</b>	<b>14.6%</b>
Zakat	561	735	738	659	12.0%	31.4%	0.4%	2,521	2,840	12.7%
<b>Profit after tax</b>	<b>5,168</b>	<b>5,984</b>	<b>6,127</b>	<b>5,932</b>	<b>3.3%</b>	<b>18.6%</b>	<b>2.4%</b>	<b>21,094</b>	<b>24,211</b>	<b>14.8%</b>
Non-controlling interest	-63	-38	-10	-24	-57.9%	-84.0%	-73.4%	-99	-73	NM
<b>Net profit attributable</b>	<b>5,231</b>	<b>6,022</b>	<b>6,137</b>	<b>5,956</b>	<b>3.0%</b>	<b>17.3%</b>	<b>1.9%</b>	<b>21,193</b>	<b>24,284</b>	<b>14.6%</b>

*FABS estimate & Co Data*
**SNB Bank – KPI**

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	79.1%	75.4%	74.5%	-455	-90	76.9%	77.2%	29
Cost-to-income	28.5%	26.2%	26.9%	-164	67	28.3%	26.9%	-147
Impairment/PPP	2.1%	0.5%	-2.6%	-464	-309	4.2%	2.5%	-164
NP/OI	58.7%	62.6%	64.6%	588	192	58.8%	61.4%	255
Loan-to-deposit - calculated	100.7%	112.8%	108.5%	781	-425	112.8%	105.9%	-696
NPL - reported	1.11%	0.91%	0.81%	-30	-10	1.2%	1.7%	49
CAR	19.3%	19.3%	20.6%	127	129	20.8%	19.0%	-184
ROAE – calculated	12.1%	11.8%	12.2%	13	38	13.2%	13.1%	-11
ROAA - calculated	1.9%	2.0%	2.0%	9	4	2.0%	2.1%	12

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

SAR Mn	2Q24	3Q24	4Q24	1Q25	2Q25	YOY Ch
Net advances	637,235	655,308	654,252	706,430	714,839	12.2%
QOQ change	1.9%	2.8%	-0.2%	8.0%	1.2%	
Total assets	1,088,112	1,124,608	1,104,155	1,171,079	1,200,998	10.4%
QOQ change	1.5%	3.4%	-1.8%	6.1%	2.6%	
Customer deposits	632,693	634,195	579,762	626,394	658,675	4.1%
QOQ change	-3.6%	0.2%	-8.6%	8.0%	5.2%	
Total equity	179,991	183,839	193,275	194,119	197,887	9.9%
QOQ change	-0.3%	2.1%	5.1%	0.4%	1.9%	

*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	49.93	70%	34.95
Relative Valuation (RV)	40.16	30%	12.05
<b>Weighted Average Valuation (SAR)</b>			<b>47.00</b>
Current market price (SAR)			36.66
Upside/Downside (%)			+28.2%

### 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)	28,887
Terminal value (SAR, Mn)	98,383
Book value of Equity (as of March 2025)	172,292
<b>FV to Common shareholders (SAR, Mn)</b>	<b>299,562</b>
No. of share (Mn)	6,000
Current Market Price (SAR)	36.66
<b>Fair Value per share (SAR)</b>	<b>49.93</b>

### DCF Method

(All Figures in SAR Mn)	2025F	2026F	2027F	2028F	2029F
Net Profit	24,284	25,700	26,527	28,335	28,805
(-) Equity Charge	-16,658	-17,779	-18,934	-20,168	-18,835
<b>Excess Equity</b>	<b>2,859</b>	<b>7,921</b>	<b>7,593</b>	<b>8,167</b>	<b>9,970</b>
Discounting Factor	0.97	0.89	0.81	0.75	0.68
<b>Present Value of Excess Equity</b>	<b>2,768</b>	<b>7,030</b>	<b>6,178</b>	<b>6,093</b>	<b>6,819</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	17,652	1.8	1.6	11.0	10.3	4.3	4.6
Al Rajhi Bank	102,498	3.5	3.1	17.0	15.1	3.3	3.7
Arab National Bank	11,428	1.0	1.0	8.5	8.2	6.2	6.4
Banque Saudi Fransi	11,700	1.1	1.0	9.2	8.8	6.0	6.2
Riyad Bank	22,393	1.3	1.2	8.6	8.3	6.2	6.3
<b>Average</b>		<b>1.7x</b>	<b>1.6x</b>	<b>10.9x</b>	<b>10.2x</b>	<b>5.2%</b>	<b>5.4%</b>
<b>Median</b>		<b>1.3x</b>	<b>1.2x</b>	<b>9.2x</b>	<b>8.8x</b>	<b>6.0%</b>	<b>6.2%</b>
<b>Max</b>		<b>1.8x</b>	<b>1.6x</b>	<b>11.0x</b>	<b>10.3x</b>	<b>6.2%</b>	<b>6.3%</b>
<b>Min</b>		<b>1.1x</b>	<b>1.0x</b>	<b>8.6x</b>	<b>8.3x</b>	<b>4.3%</b>	<b>4.6%</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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