

## Saudi National Bank (SNB)

Healthy asset quality and strong non-core income supported [profitability]

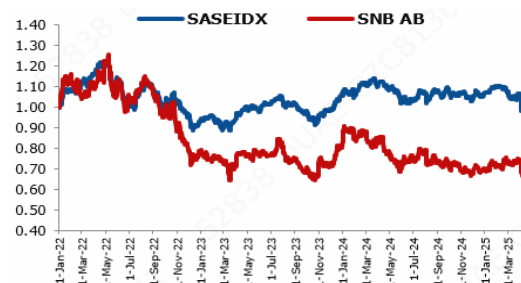
**Current Price**  
SAR 35.70

**Target Price**  
SAR 47.00

**Upside/Downside (%)**  
+32%

**Rating**  
BUY

- The Bank's non-funded income grew strongly 16.4% YOY to SAR 2,361 Mn in 1Q25, primarily driven by an increase in domestic banking service fees and higher investment income.
- Net advances grew 13.0% YOY and 8.0% QOQ to SAR 706.4 Bn in 1Q25, owing to an increase in Wholesale and Retail financing portfolio.
- Investment portfolio grew 12.6% YOY to SAR 310.3 Bn in 1Q25.
- Cost-to-income ratio decreased from 27.5% in 1Q24 to 26.2% in 1Q25, indicating enhanced operational efficiency.
- Asset quality improved as reported NPL declined from 1.2% in 4Q24 to 0.9% in 1Q25.



### Stock Information

Market Cap (SAR, mn)	212,400.00
Paid Up Capital (mn)	60,000.00
52 Week High	38.45
52 Week Low	31.55
3M Avg. daily value (SAR)	213,488,900

### 1Q25 Result Review (SAR, mn)

Total Assets	1,171,079
Total Liabilities	976,960
Total Equity	194,119
Total Deposits	626,394
Net Profit	6,022

### Financial Ratios

Dividend Yield (12m)	5.37
Dividend Pay-out (%)	55.80
Price-Earnings Ratio(x)	9.89
Price-to-Book Ratio (x)	1.23
Book Value (SAR)	28.83
Return-on Equity (%)	12.30

### Stock Performance

5 Days	3.96%
1 Months	0.57%
3 Months	2.61%
6 Months	3.06%
1 Year	-4.19%
Month to Date (MTD%)	-1.26%
Quarter to Date (QTD%)	-1.26%
Year to Date (YTD%)	5.99%

### 1Q25 Net Profit higher than our estimate

Saudi National Bank ("SNB"/ "The Bank") net profit grew 19.5% YOY to SAR 6,022 Mn in 1Q25, higher than our estimate of SAR 5,594 Mn. The increase in net profit is mainly linked to a strong growth in net funded and non-funded income, coupled with a decline in net impairments, partially offset by an increase in operating expenses, other non-operating expenses and Zakat charges.

### P&L Highlights

SNB's funded income rose 5.7% YOY to SAR 14,323 Mn in 1Q25, largely a result of increased income from investment by 12.6% YOY and financing by 13.0% YOY in 1Q25. Funded expenses also grew significantly from SAR 6,641 Mn in 1Q24 to SAR 7,069 Mn in 1Q25. Thus, net funded income grew 5.0% YOY to SAR 7,254 Mn in 1Q25. SNB's non-funded income also grew significantly 16.4% YOY to SAR 2,361 Mn in 1Q25. Thus, total operating income rose 7.6% YOY to SAR 9,615 Mn in 1Q25. Total operating expenses also increased 2.4% YOY to SAR 2,727 Mn in 1Q25. However, the Bank's cost-to-income ratio declined 132 bps YOY to 26.2% in 1Q25. Furthermore, SNB recorded other non-operating expenses of SAR 134 Mn in 1Q25, compared to other non-operating income of SAR 73 Mn in 1Q24. Impairment charges reduced significantly from SAR 655 Mn in 1Q24 to SAR 34 Mn in 1Q25. Zakat charges grew 14.8% YOY to SAR 735 Mn in 1Q25.

### Balance Sheet Highlights

SNB's total assets grew 9.2% YOY and 6.1% QOQ to SAR 1,171 Bn in 1Q25 driven by growth in financing and investment portfolio. Net advances grew 13.0% YOY and 8.0% QOQ to SAR 706 Bn in 1Q25. Customer deposits fell 4.6% YOY but rose 8.0% QOQ to SAR 626 Bn in 1Q25. In addition, total equity grew 7.5% YOY and 0.4% QOQ to SAR 194 Bn in 1Q25.

## Target Price and Rating

We maintain our BUY rating on SNB with a target price of SAR 47.00. SNB reported its highest-ever quarterly earnings in 1Q25, driven by robust growth in both net funded and non-funded income, along with a decline in impairment charges. The Bank's non-funded income grew strongly 16.4% YOY in 1Q25, primarily driven by an increase in domestic banking service fees and higher investment income. Non-funded income as a percentage of total operating income grew from 15.0% in 1Q24 to 16.5% in 1Q25, reflecting the Bank's continued efforts to diversify its revenue base. SNB's net advances grew 13.0% YOY and 8.0% QOQ to SAR 706.4 Bn in 1Q25, owing to an increase in Wholesale and Retail financing portfolio. Wholesale lending experienced strong growth across key segments, including mid-sized corporates, SMEs, Vision 2030 projects, large corporates, and financial institutions. On the other hand, Retail lending growth was primarily driven by personal and mortgage loans. Customer deposits declined 4.6% YOY but grew 8.0% QOQ to SAR 626.4 Bn in 1Q25. SNB's investment portfolio grew 12.6% YOY to SAR 310.3 Bn in 1Q25. This expansion is expected to support profitability in a declining interest rate environment by delivering stable returns. Moreover, the majority of SNB's investment portfolio consists of fixed-rate securities, benefiting NIMS. The Bank's reported NIMs stood at 3.05% in 1Q25, owing to the Bank's efforts of effectively managing its funding cost. The Bank's cost to income ratio decreased from 27.5% in 1Q24 to 26.2% in 1Q25, indicating enhanced operational efficiency. Furthermore, asset quality improved as reported NPL declined from 1.2% in 4Q24 to 0.9% in 1Q25. Moreover, our calculated Provision coverage stood at 130.3% in 4Q24, providing a sufficient cushion against potential bad loans. The Bank also reported a strong capital adequacy ratio of 20.8% and CET 1 ratio of 17.6% during 4Q24. SNB also distributed cash dividend of SAR 1.00, which is equivalent to SAR 6,000 Mn for 2H24. The Bank further targets a dividend payout ratio of 50-60% for 2025-2027. Thus, based on the above analysis, we maintain BUY rating on the stock.

### SNB Bank - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	12.81	15.72	11.58	10.89	10.35	9.40
PB	3.06	1.34	1.27	1.20	1.10	1.04
Dividend Yield	1.7%	3.3%	3.6%	5.0%	5.3%	5.7%

FABS Estimates & Co Data

### SNB Bank - P&L

SAR Mn	1Q24	4Q24	1Q25	1Q25F	Var	YOY Ch	QOQ Ch	2024	2025	Change
Funded income	13,552	14,882	14,323	14,901	-3.9%	5.7%	-3.8%	57,842	63,012	8.9%
Funded expense	6,641	7,978	7,069	7,919	-10.7%	6.4%	-11.4%	30,112	32,643	8.4%
<b>Net funded income</b>	<b>6,911</b>	<b>6,904</b>	<b>7,254</b>	<b>6,982</b>	<b>3.9%</b>	<b>5.0%</b>	<b>5.1%</b>	<b>27,730</b>	<b>30,368</b>	<b>9.5%</b>
<b>Non-funded income</b>	<b>2,028</b>	<b>2,084</b>	<b>2,361</b>	<b>2,269</b>	<b>4.1%</b>	<b>16.4%</b>	<b>13.3%</b>	<b>8,308</b>	<b>9,105</b>	<b>9.6%</b>
<b>Operating income</b>	<b>8,939</b>	<b>8,988</b>	<b>9,615</b>	<b>9,251</b>	<b>3.9%</b>	<b>7.6%</b>	<b>7.0%</b>	<b>36,038</b>	<b>39,473</b>	<b>9.5%</b>
<b>Total operating exp.</b>	<b>2,662</b>	<b>2,753</b>	<b>2,727</b>	<b>2,825</b>	<b>-3.5%</b>	<b>2.4%</b>	<b>-0.9%</b>	<b>11,037</b>	<b>11,459</b>	<b>3.8%</b>
Other non-opr inc./ (exp.)	73	-35	-134	-37	NM	NM	NM	-363	-392	8.0%
<b>Pre-provision profit</b>	<b>6,350</b>	<b>6,200</b>	<b>6,753</b>	<b>6,389</b>	<b>5.7%</b>	<b>6.3%</b>	<b>8.9%</b>	<b>24,639</b>	<b>27,622</b>	<b>12.1%</b>
Impairments	655	22	34	134	NM	NM	56.3%	1,024	1,048	2.3%
<b>PBT</b>	<b>5,696</b>	<b>6,178</b>	<b>6,719</b>	<b>6,255</b>	<b>7.4%</b>	<b>18.0%</b>	<b>8.8%</b>	<b>23,615</b>	<b>26,574</b>	<b>12.5%</b>
Zakat	640	658	735	688	6.8%	14.8%	11.7%	2,521	3,189	26.5%
<b>Profit after tax</b>	<b>5,056</b>	<b>5,520</b>	<b>5,984</b>	<b>5,567</b>	<b>7.5%</b>	<b>18.4%</b>	<b>8.4%</b>	<b>21,094</b>	<b>23,385</b>	<b>10.9%</b>
Non-controlling interest	16	-37	-38	-28	36.5%	NM	3.7%	-99	117	NM
<b>Net profit attributable</b>	<b>5,040</b>	<b>5,557</b>	<b>6,022</b>	<b>5,594</b>	<b>7.6%</b>	<b>19.5%</b>	<b>8.4%</b>	<b>21,193</b>	<b>23,269</b>	<b>9.8%</b>

FABS estimate & Co Data

**SNB Bank - KPI**

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	77.3%	76.8%	75.4%	-187	-137	76.9%	76.9%	-1
Cost-to-income	27.5%	28.3%	26.2%	-132	-215	28.3%	27.0%	-140
Impairment/PPP	10.3%	0.4%	0.5%	-980	15	4.2%	3.8%	-36
NP/OI	56.4%	61.8%	62.6%	625	81	58.8%	58.9%	14
Loan-to-deposit - calculated	95.3%	112.8%	112.8%	1,751	-7	112.8%	108.6%	-428
NPL - reported	1.1%	1.2%	0.9%	-21	-25	1.2%	1.7%	54
ROAE - calculated	12.1%	11.5%	11.8%	-26	38	12.7%	12.6%	-7
ROAA - calculated	1.9%	2.0%	2.0%	4	0	2.0%	2.0%	5

*FABS estimate & Co Data*

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

	1Q24	2Q24	3Q24	4Q24	1Q25	YOY Ch
<b>SAR Mn</b>						
Net advances	625,202	637,235	655,308	654,252	706,430	13.0%
<i>QOQ change</i>	3.9%	1.9%	2.8%	-0.2%	8.0%	
Total assets	1,072,290	1,088,112	1,124,608	1,104,155	1,171,079	9.2%
<i>QOQ change</i>	3.4%	1.5%	3.4%	-1.8%	6.1%	
Customer deposits	656,261	632,693	634,195	579,762	626,394	-4.6%
<i>QOQ change</i>	11.2%	-3.6%	0.2%	-8.6%	8.0%	
Total equity	180,622	179,991	183,839	193,275	194,119	7.5%
<i>QOQ change</i>	2.3%	-0.3%	2.1%	5.1%	0.4%	

*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	48.45	70.0%	33.92
Relative Valuation (RV)	43.62	30.0%	13.08
<b>Weighted Average Valuation (SAR)</b>			<b>47.00</b>
Current market price (SAR)			35.70
Upside/Downside (%)			+32%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.9%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.90 and equity risk premium of 4.2%. 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)	29,353
Terminal value (SAR, Mn)	89,075
Book value of Equity (as of March, 2025)	172,292
<b>FV to Common shareholders (SAR, Mn)</b>	<b>290,719</b>
No. of share (Mn)	6,000
Current Market Price (SAR)	35.70
<b>Fair Value per share (SAR)</b>	<b>48.45</b>

### DCF Method

(All Figures in SAR Mn)	2025F	2026F	2027F	2028F	2029F
Net Profit	23,269	24,597	26,377	27,431	27,317
(-) Equity Charge	-16,207	-17,259	-18,383	-19,553	-18,316
<b>Excess Equity</b>	<b>5,296</b>	<b>7,338</b>	<b>7,994</b>	<b>7,878</b>	<b>9,002</b>
Discounting Factor	0.94	0.86	0.79	0.73	0.67
<b>Present Value of Excess Equity</b>	<b>4,969</b>	<b>6,323</b>	<b>6,326</b>	<b>5,726</b>	<b>6,009</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 1.4x 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	19,637	2.0	1.8	12.1	11.1	3.7	3.9
Al Rajhi Bank	104,233	3.5	3.2	17.7	15.8	3.2	3.5
Arab National Bank	11,949	1.1	1.0	9.0	8.9	5.6	5.9
Banque Saudi Fransi	11,476	1.1	1.0	9.4	8.8	6.0	6.2
Riyad Bank	24,284	1.4	1.3	9.2	9.0	5.6	5.6
<b>Average</b>		<b>1.8x</b>	<b>1.7x</b>	<b>11.5x</b>	<b>10.7x</b>	<b>4.8%</b>	<b>5.0%</b>
<b>Median</b>		<b>1.4x</b>	<b>1.3x</b>	<b>9.4x</b>	<b>9.0x</b>	<b>5.6%</b>	<b>5.6%</b>
<b>Max</b>		<b>2.0x</b>	<b>1.8x</b>	<b>12.1x</b>	<b>11.1x</b>	<b>5.6%</b>	<b>5.9%</b>
<b>Min</b>		<b>1.1x</b>	<b>1.0x</b>	<b>9.2x</b>	<b>8.9x</b>	<b>3.7%</b>	<b>3.9%</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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