

Banking

STRONG BUY: 12M TP @ 44.0

Upside + 22.2%

Valuation Summary (TTM)

Price (SAR)	36.0
PER TTM (x)	9.7
P/Book (x)	1.2
Dividend Yield (%)	5.6
Free Float (%)	59%
Shares O/S (mn)	6,000
YTD Return (%)	8%
Beta	1.3

(mn)	SAR	USD
Market Cap	216,000	57,555
Total Assets	1,200,998	320,019

Price performance (%)	1M	3M	12M
Saudi National Bank	-3%	2%	4%
Tadawul All Share Index	-3%	-4%	-6%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover	128,236	156,905	181,827
Avg Daily Volume	3,907	4,409	5,181

52 week	High	Low	CTL*
Price (SAR)	37.72	31.55	14.1

* CTL is % change in CMP to 52wk low

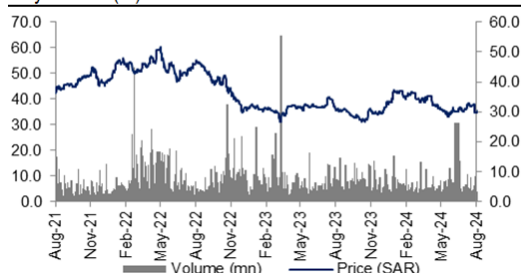
Major shareholders

Public Investment Fund	37.2%
Vanguard Group Inc/T	2.1%
Blackrock Inc	1.3%
Others	59.4%

Other details

Exchange	Saudi Arabia
Sector	Banks

Key ratios	2022	2023	2024
EPS (SAR)	3.03	3.23	3.44
BVPS (SAR)	25.38	27.05	28.83
DPS (SAR)	1.30	1.80	1.90
Payout ratio (%)	43%	56%	55%



SNB – Lower impairment charge aid profit growth

Saudi National Bank reported operating income of SAR 9.5 billion for 2Q25, 3.1% below our estimate of SAR 9.8 billion. This represents a 6.6% YoY increase but a 1.1% sequential decline, due to high base in 1Q25. Net profit came in at SAR 6.1 billion, exceeding our estimates of SAR 5.6 billion by 9%. This translates to YoY growth of 18.6% and QoQ growth of 2.4%. Operating income growth was driven by a 30% YoY surge in non-funded income, while net special commission income (NSCI) remained flat at +0.5% YoY. Management has guided for mid- to high-single-digit NSCI growth for 2025e. The modest NSCI growth reflects a 21 bps YoY compression in net interest margin (NIM), despite a 12.2% YoY increase in net financing assets. The rise in non-funded income was supported by strong fee and commission income growth (+21% YoY) and higher forex income (+10% YoY). Fee and commission income growth was led by international operations (+88% YoY) and further supported by domestic operations (+12.4% YoY). In 2Q25, international operations accounted for 17% of total fee and commission income, up from 10.8% a year earlier. Operating expenses grew only 0.6% YoY, improving the cost-to-income (CI) ratio by 31 bps to 29.1%. Management targets a CI ratio below 28%, which we believe is achievable.

The bank recorded a SAR 173 million impairment write-back in 2Q25, continuing the downward trend since 3Q24, when charges were SAR 227 million. In 4Q24 and 1Q25, impairment charges fell below SAR 35 million. The write-back was mainly due to recoveries from fully provisioned legacy exposures across both retail and wholesale segments. Management guided for a cost of risk (CoR) of 5–15 bps, implying some impairment charges in 2H25. Effective tax rates stood at 10.7%, unchanged from 1Q25 but 90 bps higher than a year ago. Strong operating profit growth, coupled with the impairment write-back, supported the 18.6% YoY net profit increase, beating our estimates by 9%.

YTD, net loans and deposits grew 9.3% and 13.6%, respectively, with most loan growth occurring in 1Q25. QoQ growth in loans and deposits was 1.2% and 5.2%. Corporate loans rose 20% YTD, while retail loans were flat. The bank maintained a strong focus on CASA deposits, which accounted for 75.9% of total deposits as of 2Q25. CASA deposits grew 19% YTD versus total deposit growth of 14%. Non-performing loans (NPLs) improved to 1.12%, down from 1.56% a year ago.

Management's upbeat commentary and clearly defined 2027 targets signal strong confidence in the bank's growth trajectory. The goal is to achieve a 25–26% share in gross financing by 2027, supported by expansion in both wholesale and retail loans. The bank also aims to increase its fee income-to-loans ratio to 0.85%, up from 0.7% in 2Q25, while reducing its cost-to-income (CI) ratio to below 25.5% from 26.6% in 1H25. The stock is currently trading at 2025e PB/PE/DY multiples of 1.2x/9.2x/5.8%. We maintain our STRONG BUY rating with a target price of SAR 44.0 per share.

Summary of key numbers

in SAR mn	2Q25	1Q25	QoQ (%)	2Q24	YoY (%)	1H25	1H24	YoY (%)	2025e	2024
Operating Income	9,507	9,615	-1.1%	8,916	6.6%	19,122	17,856	7.1%	38,865	36,038
Operating Expenses	-2,765	-2,727	1.4%	-2,748	0.6%	-5,491	-5,410	1.5%	-11,717	-11,037
Operating Profit	6,742	6,888	-2.1%	6,168	9.3%	13,630	12,446	9.5%	27,148	25,001
Provision Expenses - Loan	173	-34	nm	-120	nm	139	-775	nm	-651	-1,024
Other non operating expenses	-51	-134	nm	-318	nm	-185	-245	nm	-370	-363
Profit before tax	6,865	6,719	2.2%	5,729	19.8%	13,584	11,426	18.9%	26,127	23,615
Zakat & Tax	-738	-735	0.4%	-561	31.4%	-1,473	-1,202	22.5%	-3,032	-2,521
Profit after tax	6,127	5,984	2.4%	5,168	18.6%	12,111	10,224	18.5%	23,094	21,094
Profit attributable to Equity holders	6,137	6,022	1.9%	5,231	17.3%	12,159	10,270	18.4%	23,048	21,193
Loan Book	714,839	706,430	1.2%	637,235	12.2%	714,839	637,235	12.2%	729,410	654,252
Deposits	658,675	626,394	5.2%	632,693	4.1%	658,675	632,693	4.1%	676,828	579,762
Total Equity (Excl tier 1 bond)	179,169	172,932	3.6%	164,803	8.7%	179,169	164,803	8.7%	182,784	172,088
Cost to Income ratio	29.1%	28.4%		30.8%		28.7%	30.3%		30.1%	30.6%
NPL Ratio	1.12%	1.25%		1.56%		1.12%	1.56%		1.50%	1.53%
Net Loan to deposits	108.5%	112.8%		100.7%		108.5%	100.7%		107.8%	112.8%

Income Statement (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Net commission income	22,208	26,287	27,009	27,730	29,725	32,584	35,407	39,739
Net fee income	3,059	3,736	3,925	4,600	5,074	5,519	5,970	6,414
Other income	2,970	2,981	3,655	3,709	4,066	4,453	4,840	5,218
Total income	28,236	33,005	34,589	36,038	38,865	42,556	46,216	51,370
Operating expenses	(9,562)	(9,785)	(10,357)	(11,037)	(11,717)	(12,599)	(13,487)	(14,359)
Profit before impairments	18,674	23,220	24,232	25,001	27,148	29,957	32,730	37,012
Impairments	(3,961)	(1,685)	(923)	(1,024)	(651)	(1,358)	(1,487)	(1,338)
Other non-operating expenses	(259)	(258)	(537)	(363)	(370)	(377)	(385)	(392)
Profit before tax	14,454	21,277	22,773	23,615	26,127	28,222	30,858	35,281
Zakat	(1,670)	(2,548)	(2,664)	(2,521)	(3,032)	(3,528)	(3,857)	(4,939)
Profit before minority interest	12,784	18,729	20,109	21,094	23,094	24,694	27,001	30,342
Minority interest	(116)	(148)	(99)	99	(46)	(49)	(54)	(91)
Profit after tax	12,668	18,581	20,010	21,193	23,048	24,645	26,947	30,251

Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash and statutory deposits	52,197	41,611	47,499	42,120	42,366	44,755	48,424	53,831
Due to financial institutions	40,446	16,497	34,563	21,088	23,494	25,759	28,013	30,204
Investments - Net	242,561	258,292	269,129	292,487	325,846	357,260	388,530	418,922
Financing - Net	497,568	545,311	601,527	654,252	729,410	799,442	869,018	936,746
PP&E and right to use assets	10,677	11,527	12,039	12,893	13,597	14,260	14,889	15,489
Goodwill and other intangibles	42,234	41,389	40,569	39,749	38,928	38,108	37,288	36,468
Other assets	28,464	30,869	31,754	41,565	44,688	47,628	50,555	53,399
Total Assets	914,147	945,496	1,037,081	1,104,155	1,218,328	1,327,212	1,436,716	1,545,059
Liabilities and Equity								
Liabilities								
Due to banks and other FI	117,565	150,995	181,142	185,120	177,707	185,370	180,033	195,773
Customer deposits	588,574	568,283	590,051	579,762	676,828	753,594	842,969	908,908
Debt issued	6,112	12,987	44,412	95,305	106,175	116,411	126,601	136,504
Other liabilities	39,126	46,453	44,847	50,692	53,646	56,429	59,198	61,890
Total liabilities	751,378	778,719	860,452	910,879	1,014,356	1,111,803	1,208,801	1,303,075
Equity								
Share capital	44,780	44,780	60,000	60,000	60,000	60,000	60,000	60,000
Reserves	105,230	105,706	100,717	111,378	122,028	133,416	145,868	159,847
Total shareholders' equity of the bank	150,010	150,486	160,717	171,378	182,028	193,416	205,868	219,847
Tier 1 Sukuk	12,188	15,488	15,188	21,188	21,188	21,188	21,188	21,188
Equity attributable to equity holders	162,198	165,973	175,905	192,565	203,216	214,604	227,056	241,034
Minority interest	572	804	724	710	756	805	859	950
Total Equity	162,770	166,778	176,629	193,275	203,972	215,409	227,915	241,985
Total liabilities and equity	914,147	945,496	1,037,081	1,104,155	1,218,328	1,327,212	1,436,716	1,545,059

Cash Flows (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	18,070	(4,239)	29,197	(42,129)	417	4,333	6,968	10,929
Cash from investments	(503)	(28,550)	(9,376)	(23,586)	(2,589)	(2,641)	(2,693)	(2,747)
Cash from financing	(5,698)	727	1,141	46,779	(1,528)	(3,021)	(4,306)	(6,369)
Forex	(888)	(652)	(640)	(542)	-	-	-	-
Net changes in cash	10,981	(32,715)	20,322	(19,479)	(3,700)	(1,328)	(31)	1,812
Cash balance	52,873	20,158	40,480	21,002	17,302	15,973	15,942	17,754

Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share (SAR)								
EPS	2.1	3.1	3.3	3.5	3.8	4.1	4.5	5.0
BVPS	25.0	25.1	26.8	28.6	30.3	32.2	34.3	36.6
DPS	1.2	1.3	1.8	1.9	2.1	2.2	2.4	2.7
Total income/share	4.7	5.5	5.8	6.0	6.5	7.1	7.7	8.6
Valuations								
M.Cap (SAR mn)	251,159	296,917	215,008	200,400	212,700	212,700	212,700	212,700
P/E	19.8	16.0	10.7	9.5	9.2	8.6	7.9	7.0
P/BV	1.7	2.0	1.3	1.2	1.2	1.1	1.0	1.0
Div. yield	2.8%	2.6%	4.9%	5.7%	5.8%	6.2%	6.8%	7.7%
Capital Quality								
Equity to total assets	16.5%	16.0%	15.6%	15.6%	15.0%	14.6%	14.4%	14.3%
Tier 1	18.4%	18.3%	19.4%	20.3%	18.9%	18.6%	18.5%	18.5%
Core Tier 1	16.6%	16.1%	17.3%	17.6%	17.2%	17.1%	17.0%	17.2%
Total capital	19.2%	19.0%	20.1%	20.8%	19.4%	19.1%	18.9%	18.9%
Operating metrics								
NCM	2.9%	3.2%	3.0%	2.9%	2.8%	2.8%	2.8%	2.9%
NCI to total income	78.7%	79.6%	78.1%	76.9%	76.5%	76.6%	76.6%	77.4%
Fee income to total income	10.8%	11.3%	11.3%	12.8%	13.1%	13.0%	12.9%	12.5%
Other income to total income	10.5%	9.0%	10.6%	10.3%	10.5%	10.5%	10.5%	10.2%
Cost to income ratio	33.9%	29.6%	29.9%	30.6%	30.1%	29.6%	29.2%	28.0%
Impairment coverage	4.7	13.8	26.3	24.4	41.7	22.1	22.0	27.7
ROA	1.4%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%
ROE	8.4%	12.3%	12.5%	12.4%	12.7%	12.7%	13.1%	13.8%
Return on RWA	1.9%	2.7%	2.8%	2.8%	2.8%	2.7%	2.7%	2.9%
Asset Quality								
Cost of risk	0.5%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
NPL	2.1%	2.1%	1.7%	1.5%	1.5%	1.5%	1.6%	1.5%
NPL coverage	135.3%	127.0%	139.6%	135.3%	128.1%	125.2%	123.7%	125.8%
Stage 1 ratio	94.7%	93.8%	94.1%	96.1%	96.0%	96.0%	95.9%	95.9%
Stage 2 ratio	3.6%	4.5%	4.6%	2.7%	2.7%	2.7%	2.7%	2.7%
Stage 3 ratio	1.7%	1.6%	1.2%	1.2%	1.2%	1.3%	1.3%	1.3%
Stage 1 coverage	0.5%	0.4%	0.3%	0.4%	0.3%	0.3%	0.3%	0.3%
Stage 2 coverage	15.3%	13.0%	11.3%	8.0%	6.5%	6.5%	6.5%	6.5%
Stage 3 coverage	69.1%	69.3%	67.9%	84.1%	84.0%	83.0%	83.0%	85.0%
Provisions to gross loans	2.2%	2.0%	1.7%	1.6%	1.5%	1.5%	1.6%	1.6%
Funding								
Deposits to total funding	67.3%	63.2%	59.5%	55.0%	58.1%	59.3%	61.2%	61.3%
Market funds to total funding	14.1%	18.2%	22.7%	26.6%	24.4%	23.7%	22.3%	22.4%
Liquidity								
Loans to deposits	84.5%	96.0%	101.9%	112.8%	107.8%	106.1%	103.1%	103.1%
Investments and cash to total assets	32.2%	31.7%	30.5%	30.3%	30.2%	30.3%	30.4%	30.6%

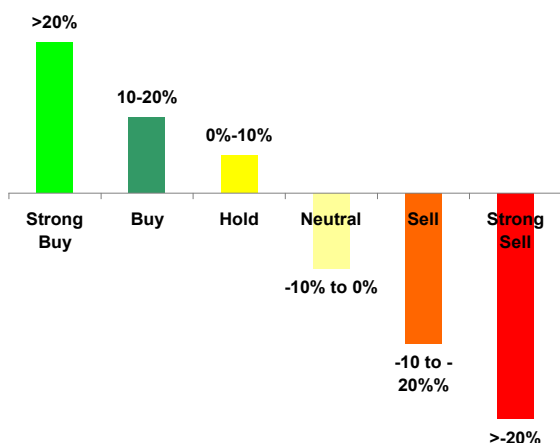
Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joyce@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we endeavor to update on a reasonable basis the information discussed in this material, United Securities, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. United Securities LLC, and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. United Securities LLC and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.