

Banking

STRONG BUY: 12M TP @ 48.0

Upside + 35.4%

Valuation Summary (TTM)

Price (SAR)	35.45
PER TTM (x)	9.9
P/Book (x)	1.2
Dividend Yield (%)	5.6
Free Float (%)	59%
Shares O/S (mn)	6,000
YTD Return (%)	6%
Beta	1.3

(mn)	SAR	USD
Market Cap	212,700	56,709
Total Assets	1,104,155	294,386

Price performance (%)	1M	3M	12M
Saudi National Bank/The	5%	5%	-1%
Tadawul All Share Index	-1%	-7%	-6%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover	177,878	205,896	179,017
Avg Daily Volume	5,959	5,927	5,221
52 week	High	Low	CTL*
Price (SAR)	38.45	31.55	12.4

* CTL is % change in CMP to 52wk low

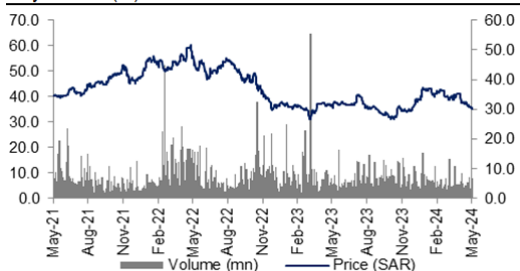
Major shareholders

Public Investment	37.24%
Vanguard Group Inc	2.04%
Blackrock Inc	1.27%
Others	59.45%

Other details

Exchange	Saudi Arabia
Sector	Banks
Index weight (%)	6.1%

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 – Growth engines continue to fire

Saudi National Bank reported an impressive 1Q25 operating income of SAR 9.7bn (+7.6% YoY, +7.0% QoQ), a beat by 3.8% against our expectations. The reported net profit was at SAR 6bn (+19.5% YoY, +8.4% QoQ, a beat by 12.1%). The bank's income engines continue to fire with +7.6% YoY operating income growth, coming from both net special commission income (NSCI), which advanced by +5% YoY and fee & other income which grew by +16.4% YoY. The NSCI performance was driven by higher loans and investments, even as net special commission margins (NSCM) were nearly flat (YoY) in 1Q25 at 3.05%. Fee & other income improved by +16% and was driven by an increase in core fee income by 7% YoY and +30% YoY growth in other income. Fee income was driven by trade finance and income from lending, while the other income growth was driven by fx and investment income. A relatively lower operating expenses growth of 2.4% YoY vs. the movement in operating income (7.6% YoY), resulted in operating profit growing by +9.7% YoY. 1Q25 CI ratio stood at 28.4%, an improvement of 140bps over 1Q24. Impairment charges continued to trend lower, at SAR 34mn for 1Q25, a decline of 95% YoY. This was largely due to better recoveries in both wholesale and retail banking. Recoveries in wholesale banking were driven by previously written off portfolio, while in the retail banking there were healthy recoveries. We expect the net impairment charge to bottom out and have factored in a cost of risk of 12bps for 2025. Effective tax rates remained nearly flat at 11%, resulting in PAT growing by 19.5% YoY. The beat in the bottom line was due to higher operating profits and lower net impairment charge.

YTD net loans/deposits were impressive at 8% QoQ each. The incremental net loans for the quarter were at SAR 52bn, almost equal to the YoY growth in 2024. The YTD net loan growth of +8% was driven by increase in wholesale book by 15% and retail book by 2%. Within the wholesale book, corporate increased by 14% YTD. MSME loans continued to show traction, with +24% YTD growth, and now stands at 9.5% of the total loan book. Deposits increased by 8% YTD, driven by increase in CASA by 11%, on account of offering in cash management services and from payroll acquisitions. NPLs including POCL stood at 1.25% in 1Q25 vs. 1.61% in 1Q24. Overall, the growth during the quarter was impressive and we believe that the bank will be able to meet or exceed its 2025 guidance across all parameters. The management has indicated that it would revisit the guidance for 2025 in 1H25.

We believe that the bank is uniquely positioned to benefit from the increased domestic demand and is on path to achieve the 2027 targets set across various parameters. The bank is trading at a 2025e PB/PE/DY of 9.2x/1.2x/5.9%, which we believe are attractive, in the context of growth ahead. We maintain a STRONG BUY with TP of SAR 48.0/share.

Summary of key numbers

in SAR mn	1Q25	4Q24	QoQ (%)	1Q24	YoY (%)	2024	2023	YoY (%)	2025e	2024
Operating Income	9,615	8,988	7.0%	8,939	7.6%	36,038	34,589	4.2%	39,263	36,038
Operating Expenses	-2,727	-2,756	-1.1%	-2,662	2.4%	-11,037	-10,357	6.6%	-11,729	-11,037
Operating Profit	6,888	6,232	10.5%	6,278	9.7%	25,001	24,232	3.2%	27,533	25,001
Provision Expenses - Loan	-34	-22	57.9%	-655	-94.8%	-1,024	-923	11.0%	-843	-1,024
Other non operating expenses	-134	-32	nm	73	nm	-363	-537	nm	-370	-363
Profit before tax	6,719	6,178	8.8%	5,696	18.0%	23,615	22,773	3.7%	26,321	23,615
Zakat & Tax	-735	-658	11.7%	-640	14.7%	-2,521	-2,664	-5.4%	-3,055	-2,521
Profit after tax	5,984	5,520	8.4%	5,056	18.4%	21,094	20,109	4.9%	23,266	21,094
Profit attributable to Equity holders	6,022	5,557	8.4%	5,040	19.5%	21,193	20,010	5.9%	23,219	21,193
Loan Book	706,430	654,252	8.0%	625,202	13.0%	654,252	601,527	8.8%	729,218	654,252
Deposits	626,394	579,762	8.0%	656,261	-4.6%	579,762	590,051	-1.7%	676,828	579,762
Total Equity (Excl tier 1 bond)	172,932	172,088	0.5%	165,435	4.5%	172,088	161,441	6.6%	182,864	172,088
Cost to Income ratio	28.4%	30.7%		29.8%		30.6%	29.9%		29.9%	30.6%
NPL Ratio	1.25%	1.53%		1.61%		1.53%	1.72%		1.50%	1.53%
Net Loan to deposits	112.8%	112.8%		95.3%		112.8%	101.9%		107.7%	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	30,032	32,392	35,201	39,519
Net fee income	3,059	3,736	3,925	4,600	5,074	5,520	5,971	6,416
Other income	2,970	2,981	3,655	3,709	4,157	4,547	4,937	5,317
Total income	28,236	33,005	34,589	36,038	39,263	42,459	46,108	51,252
Operating expenses	(9,562)	(9,785)	(10,357)	(11,037)	(11,729)	(12,625)	(13,523)	(14,407)
Profit before impairments	18,674	23,220	24,232	25,001	27,533	29,834	32,585	36,845
Impairments	(3,961)	(1,685)	(923)	(1,024)	(843)	(1,277)	(1,496)	(1,093)
Other non-operating expenses	(259)	(258)	(537)	(363)	(370)	(377)	(385)	(392)
Profit before tax	14,454	21,277	22,773	23,615	26,321	28,180	30,704	35,360
Zakat	(1,670)	(2,548)	(2,664)	(2,521)	(3,055)	(3,271)	(3,564)	(4,104)
Profit before minority interest	12,784	18,729	20,109	21,094	23,266	24,909	27,140	31,256
Minority interest	(116)	(148)	(99)	99	(47)	(50)	(54)	(63)
Profit after tax	12,668	18,581	20,010	21,193	23,219	24,859	27,086	31,193

Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash and statutory deposits	52,197	41,611	47,499	42,120	42,545	44,869	48,536	54,039
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	729,218	799,331	868,897	936,870
PP&E and right to use assets	10,677	11,527	12,039	12,893	13,690	14,436	15,140	15,808
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	1,218,407	1,327,391	1,436,960	1,545,710
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	122,107	133,594	146,111	160,525
Total shareholders' equity of the bank	150,010	150,486	160,717	171,378	182,107	193,594	206,111	220,525
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	203,295	214,782	227,298	241,712
Minority interest	572	804	724	710	756	806	860	923
Total Equity	162,770	166,778	176,629	193,275	204,051	215,588	228,158	242,635
Total liabilities and equity	914,147	945,496	1,037,081	1,104,155	1,218,407	1,327,391	1,436,960	1,545,710

Cash Flows (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	18,070	(4,239)	29,197	(42,129)	793	4,491	7,152	11,642
Cash from investments	(503)	(28,550)	(9,376)	(23,586)	(2,695)	(2,748)	(2,803)	(2,859)
Cash from financing	(5,698)	727	1,141	46,779	(1,620)	(3,136)	(4,381)	(6,876)
Forex	(888)	(652)	(640)	(542)	-	-	-	-
Net changes in cash	10,981	(32,715)	20,322	(19,479)	(3,522)	(1,393)	(32)	1,906
Cash balance	52,873	20,158	40,480	21,002	17,480	16,087	16,055	17,961

Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share (SAR)								
EPS	2.1	3.1	3.3	3.5	3.9	4.1	4.5	5.2
BVPS	25.0	25.1	26.8	28.6	30.4	32.3	34.4	36.8
DPS	1.2	1.3	1.8	1.9	2.1	2.2	2.4	2.8
Total income/share	4.7	5.5	5.8	6.0	6.5	7.1	7.7	8.5
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	6.8
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%	5.9%	6.3%	6.8%	7.9%
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%	19.0%	18.7%	18.5%	18.6%
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%	19.0%
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%	76.3%	76.3%	77.1%
Fee income to total income	10.8%	11.3%	11.3%	12.8%	12.9%	13.0%	12.9%	12.5%
Other income to total income	10.5%	9.0%	10.6%	10.3%	10.6%	10.7%	10.7%	10.4%
Cost to income ratio	33.9%	29.6%	29.9%	30.6%	29.9%	29.7%	29.3%	28.1%
Impairment coverage	4.7	13.8	26.3	24.4	32.7	23.4	21.8	33.7
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%	12.8%	12.8%	13.1%	14.1%
Return on RWA	1.9%	2.7%	2.8%	2.8%	2.8%	2.7%	2.8%	3.0%
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%	130.3%	126.3%	124.7%	124.8%
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%	7.0%	7.0%	7.0%	7.0%
Stage 3 coverage	69.1%	69.3%	67.9%	84.1%	85.0%	83.0%	83.0%	83.0%
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%	107.7%	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%

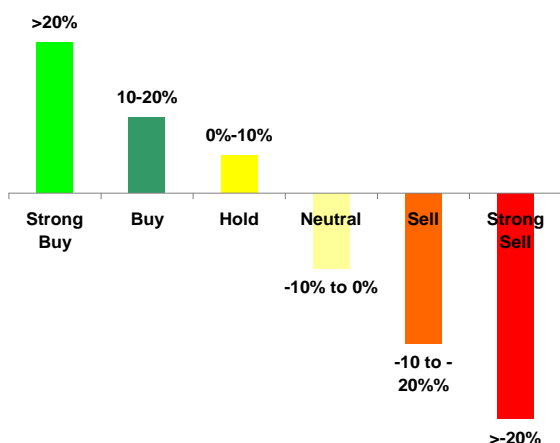
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Rating Criteria and Definitions

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

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