

Saudi National Bank (SNB) - 3Q23 result review

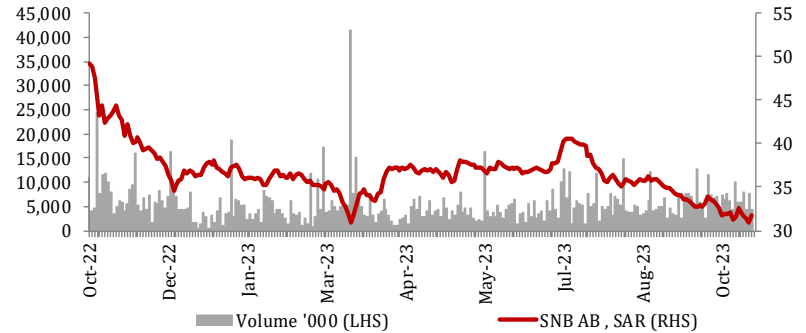
Date: 24-Oct-23

Recommendation: Under Review

Target price: UR

Analyst: Neetika Gupta

Bloomberg Ticker	SNB AB
Close Price (SAR)	32
52wk High / Low (SAR)	49.4/29.7
12m Average Vol. (000)	5,432.3
Mkt. Cap. (USD/SAR mn)	50,701 / 190,200
Shares Outstanding (mn)	6,000.0
Free Float (%)	63%
3m Avg Daily Turnover (mn)	202.6
6m Avg Daily Turnover (mn)	190.8
P/E'23e (x)	9.9
P/B'23e (x)	1.2
Dividend Yield '23e (%)	4.1%
Price Perf. (1m/3m) (%)	-4.2 / -21.3



Net interest & Islamic finance income in line with our estimate; net profit beat on lower-than-expected taxes and net ECL charges

SNB reported a growth of 6%YoY in its net profit for 3Q23 (flat QoQ), landing 9% higher than our estimate. As per the disclosure, the total operating income improved by 3% reaching SAR 8.7 bn, driven by higher net special commission income, fees from banking services, and foreign Exchange Income. Total operating expenses including net impairment charge for expected credit losses, were lower by 10%YoY mainly due to decrease in net impairment charge for expected credit losses partially offset by higher operating expenses.

Net loans & Islamic financing & Customer deposits are in line with our estimates

The bank's net loans grew 11%YoY and 3%QoQ, while its customer deposits grew 5%YoY and 4% QoQ, landing broadly in-line with our estimates (+1% variation). Financing to Deposit ratio stood at 95%, up from 89.8% in the year ago period.

Valuation

SNB is trading at a P/E of 9.93x on 2023e and P/B of 1.15x on 2023e. We have placed the stock 'Under Review' as we plan to review the investment case and come up with an updated view on the stock."

Income Statement													
(SAR bn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Net Interest & Islamic finance income	6.82	6.56	6.84	6.78	6.52	6.82	6.80	4%	5%	0%	19.49	20.12	3%
Other operating income	1.52	1.89	0.88	1.95	1.97	1.92	1.85	1%	-3%	4%	5.40	5.84	8%
Operating income	8.35	8.45	7.73	8.73	8.50	8.74	8.65	3%	3%	1%	24.89	25.96	4%
Operating expenses	-2.55	-2.43	-2.36	-2.44	-2.61	-2.76	-2.75	14%	6%	0%	-7.42	-7.81	5%
PBT	5.30	5.41	5.01	5.79	5.80	5.67	5.31	5%	-2%	7%	15.87	17.26	9%
Tax & Zakat	-0.71	-0.68	-0.64	-0.77	-0.78	-0.66	-0.73	-3%	-15%	-9%	-2.06	-2.22	8%
Net profit	4.59	4.72	4.37	5.02	5.02	5.01	4.58	6%	0%	9%	13.82	15.05	9%
Balance Sheet													
(SAR bn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Assets	958	964	945	976	996	1,027	1,005	7%	3%	2%			
Shareholders' Equity	149	147	150	154	155	168	160	15%	9%	5%			
Net Loans & Islamic Financing	536	536	545	566	578	596	589	11%	3%	1%			
Customers' Deposits & Islamic Invest	593	597	568	611	602	625	620	5%	4%	1%			
Key Ratios													
	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Loans to Customer Deposits	90.4%	89.8%	96.0%	92.7%	96.0%	95%	95.0%						
ROaE	12.2%	12.9%	11.8%	13.4%	13.3%	12.4%	13.3%						
EPS (SAR)	0.77	0.79	0.74	0.84	0.84	0.84	0.83						
BVPS (SAR)	25.02	24.71	25.31	25.82	26.05	28.05	26.60						
TTM P/E (x)								9.8					
P/BV (x)								1.1					


Source: Company Reports, U Capital Research


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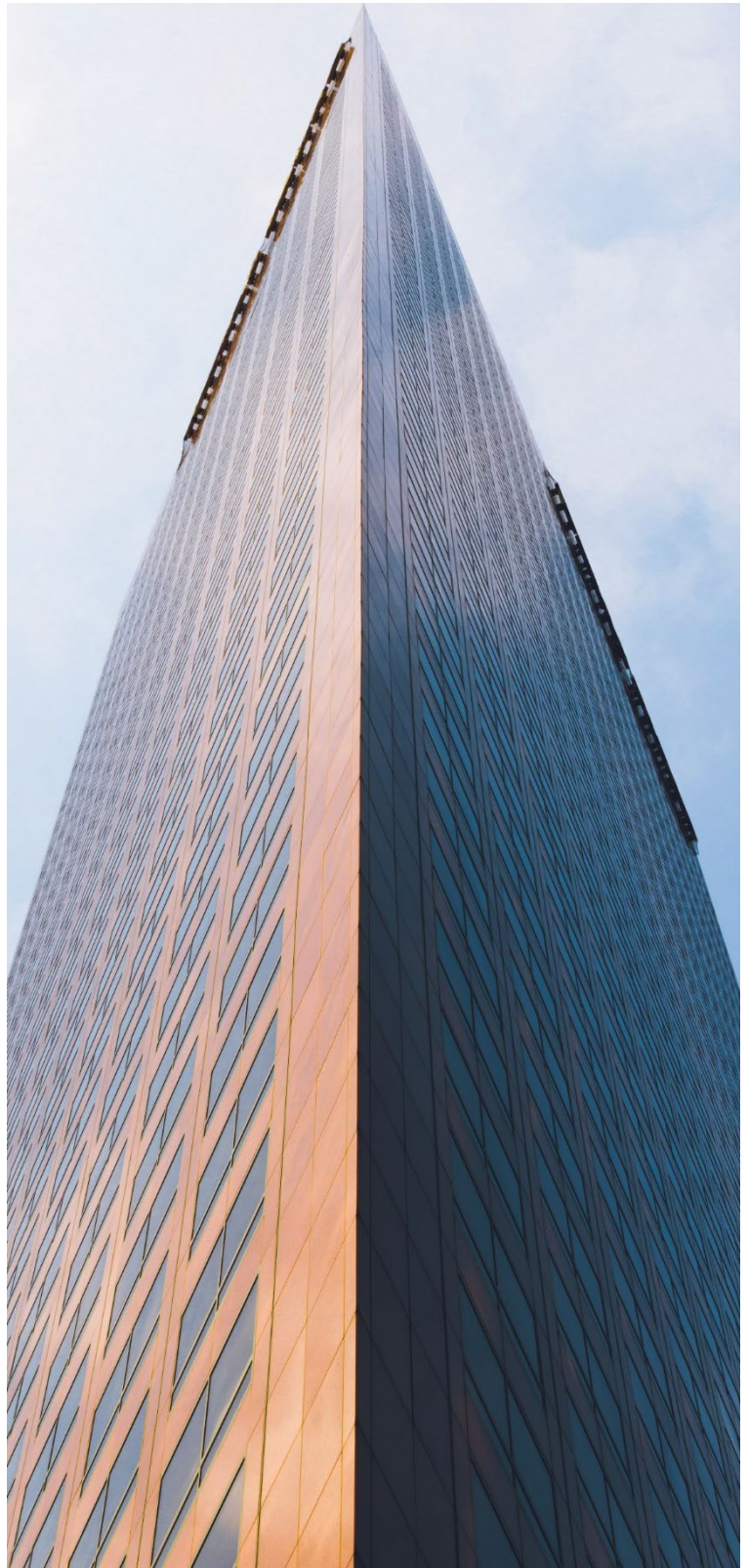
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Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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