

Saudi Banking Sector – March 2025

Increasing government and private investment to support credit growth

Sector Weighting:
MARKET WEIGHT

Top Picks and Rating Changes

We maintain our MARKET WEIGHT rating on the Saudi banking sector. According to the IMF's World Economic Outlook (January 2025) Report, Saudi Arabia's economy is forecasted to grow by 3.3% in 2025, 1.3 percentage points lower compared to the IMF's October 2024 forecast. This decline is primarily attributed to a voluntary oil output cut agreed upon with OPEC+ to stabilize oil prices. Additionally, the GDP growth rate is expected to increase to 4.1% in 2026, owing to steady growth in the non-oil sector and recovery in the oil sector due to the expected normalization of oil production. According to the General Authority of Statistics (GASTAT), KSA's real GDP grew 4.5% YOY in 4Q24, mainly attributable to a 3.4% YOY growth in oil activities. Furthermore, non-oil activities expanded 4.7% YOY, while government activities rose 2.2% YOY in 4Q24. Oil activities declined 1.5% QoQ on a seasonally adjusted basis in 4Q24, owing to the voluntary oil output cut agreed with OPEC+ in June 2023. On the other hand, non-oil activities rose 1.6% QoQ, mainly due to the ongoing implementation of Vision 2030 Realization Programs, regional and sectoral strategies, and mega projects. The Riyadh Bank Saudi Arabia non-oil PMI declined from 58.4 in February 2025 to 58.1 in March 2025, however remained above the historic average of 56.9, indicating strong growth. The expansion in the non-oil sector is mainly driven by a significant rise in new order volumes. New sales growth was supported by lower selling prices and increased marketing efforts. Furthermore, employment levels increased at the fastest rate in 16 months, as firms continue to enhance their sales teams and overall capacity. Input costs decreased in March 2025, with the rate of inflation falling to its lowest level in over four years, resulting in a notably weaker increase in purchase prices. Additionally, wage inflation slowed down in March 2025, although it remained above the long-term average. This general easing of cost pressures offered some relief to firms and supported improved cost efficiency across the non-oil private sector. KSA banking system's total advances rose 14.9% YOY to SAR 3.0 Tn in February 2025, whereas deposits grew at a slower pace of 10.1% YOY to SAR 2.8 Tn.

Among the Saudi banks in our coverage, our preferred stocks are -

1) SNB: SNB's advances grew 8.8% YOY to SAR 654.3 Bn in 4Q24, owing to solid momentum across retail mortgages and wholesale financing. SNB is poised to benefit in the declining interest rate scenario as the Bank's primary lending focus is on the retail sector, which is expected to experience slower repricing than wholesale financing. SNB maintained a strong CASA ratio of 72.2% in 4Q24 which benefits the NIMs. The Bank's asset quality improved as reported NPLs remained stable at 1.2% in 4Q24 compared to 3Q24. SNB's capitalization stood strong with a Tier 1 ratio of 20.3% and CAR of 20.8% in 4Q24.

2) BSF: Net advances grew 1.6% QOQ and 13.8% YOY to SAR 204.2 Bn in 4Q24 owing to strong growth in consumer and commercial lending activity. The Bank further anticipates its loan book to record mid-teens growth in 2025 primarily driven by robust demand from corporate and consumer lending. BSF's NPL marginally decreased from 1.06% in 4Q23 to 0.93% in 4Q24. The bank maintained a healthy Capitalization with a Tier 1 capital ratio of 18.8% and a total CAR of 19.7% in 4Q24.

3) RIYAD: Riyadh Bank's net advances grew 16.7% YOY and 4.8% QOQ to SAR 320.1 Bn in 4Q24 attributed to robust corporate and SME credit growth. It further plans to double the credit attributed to the SME segment in the medium horizon. The Bank's asset quality remained stable as NPLs stood at 1.0% in 4Q24 compared to 1.2% in 3Q24 whereas, the provision coverage ratio stood strong at 167.1% in 4Q24. The Bank maintained a healthy capitalization with a CET 1 Ratio of 16.4% and CAR of 18.9% in 4Q24.

Key Industry Themes

KSA's Banking sector continues to record a solid performance in 4Q24 due to strong momentum in the non-oil sector and healthy loan growth. As per the IMF's January 2025 WEO report, the global economy is expected to grow 3.3% in 2025, which remains below the historical average of 3.7%. This forecast is largely unchanged from the October 2024 WEO report, mainly attributable to an upward revision in the United States economy that partially offsets downward revisions in other major economies. Furthermore, the IMF projects the global economy to grow 3.3% in 2026. The developed economy's growth is revised upwards by 0.1 percentage point in the January 2025 WEO report at 1.9% for 2025 and remained unchanged for 2026 at 1.8%, whereas the forecast for emerging markets and developing economies stood at 4.2% in 2025 and 4.3% in 2026 reflecting stable growth with an upward revision of 0.1% for 2026. As per the IMF, global headline inflation is estimated to moderate from an annual average of 6.7% in 2023 to 5.7% in 2024, 4.2% in 2025, and 3.5% in 2026, with advanced economies returning to their inflation targets sooner than emerging and developing economies. The IMF yet again revised Saudi Arabia's economic growth outlook in the January 2025 WEO report and expects the real GDP to rise from 1.4% in 2024 and further to 3.3% in 2025. This marks a 1.3 percentage point reduction from its previous projection in the October 2024 WEO report. Similarly, for 2026, the IMF revised KSA's real GDP forecast by 0.3 percentage point to 4.1%. The revision in the KSA's growth rate is mainly attributable to the voluntary oil output cut, while the projected recovery in 2025 and 2026 is linked to the anticipated normalisation of oil production. The Saudi Central Bank lowered the benchmark rates by 75 bps to 5.00% following the revision in the Fed's policy rates in December 2024.

According to the General Authority of Statistics (GASTAT), KSA's real GDP grew 4.5% YOY in 4Q24, mainly attributable to a 3.4% YOY growth in oil activities and a 4.7% YOY expansion in non-oil activities. Government activity expanded 2.2% YOY in 4Q24. The voluntary oil output cut agreed with OPEC+ in June 2023 resulted in a slowdown in the KSA's oil economy as oil activities declined 1.5% QoQ on a seasonally adjusted basis in 4Q24. On the other hand, non-oil activities grew 1.6% QoQ, mainly due to the ongoing implementation of Vision 2030 Realization Programs, regional and sectoral strategies, and mega projects. Saudi Arabia's banking sector recorded a strong growth in profitability during 4Q24, supported by interest rate cuts that boosted net interest margins alongside robust lending growth, which is anticipated to exceed that of its Gulf peers in 2025. The Riyadh Bank Saudi Arabia non-oil PMI declined from 58.4 in February 2025 to 58.1 in March 2025 but remained above the historic average of 56.9. The expansion in the non-oil sector is mainly driven by a significant rise in new order volumes, although the pace of growth eased from the 14-year high recorded in January 2025. The rise in sales is primarily attributable to the enhanced marketing efforts, lower selling prices, and a broader improvement in economic conditions. Moreover, the new orders from foreign markets also increased, although the rate of expansion remained moderate. Additionally, increased sales volumes resulted in an increase in the employment levels in March 2025, as firms continue to enhance their sales teams and overall capacity. Furthermore, businesses engaged in additional stockpiling in expectation of continued sales growth. As a result, purchasing activity surged, causing a notable increase in total inventories in March 2025. Input costs decreased in March 2025, with the rate of inflation falling to its lowest level in over four years, reflecting a notably weaker increase in purchase prices. Wage inflation also slowed down in March 2025, though it continued to exceed the long-term average. This general easing of cost pressures offered some relief to firms and supported improved cost efficiency across the non-oil private sector. As a result, non-oil companies lowered their selling prices for the first time in six months.

Furthermore, Saudi Arabia's banking sector is expected to benefit from strong growth in the non-oil sector. KSA's overall banking assets rose 14.9% YOY to SAR 4.7 Tn in February 2025. The growth in banking assets is attributable to a strong rise in all commercial bank assets, especially bank reserves, SAMA bills, foreign assets, private assets, government & quasi-government assets, non-monetary financial institution assets, and bank assets. Fixed assets rose 9.9% YOY to SAR 51.9 Bn in February 2025, while claims on private sector assets increased 13.8% YOY to SAR 2.9 Tn. Claims on the

government rose 16.8% YOY to SAR 821.3 Bn in February 2025, while claims on banks grew from SAR 34.5 Bn in February 2024 to SAR 42.7 Bn in February 2025. KSA banking system's total advances rose 14.9% YOY to SAR 3.0 Tn in February 2025, whereas deposits grew at a slower pace of 10.1% YOY to SAR 2.8 Tn. Deposits from businesses and individuals in the KSA Banking system rose 12.4% YOY to SAR 1.9 Tn in February 2025, constituting 67.3% of total deposits, whereas deposits from government entities rose 6.8% YOY to SAR 861.0 Bn, accounting for 30.8% of total deposits. On the other hand, time and savings deposits witnessed a growth of 23.0% YOY to SAR 1.0 Tn in February 2025. Demand deposits grew 9.1% YOY to SAR 1.4 Tn in February 2025, while demand deposits as a percentage of total deposits stood at 52.6% in February 2025 compared to 53.1% in February 2024.

Strong government and private sector investments in the region contributed positively toward credit growth in 4Q24. Advances in the KSA banking system recorded a strong growth of 14.4% YOY to SAR 3.0 Tn in 4Q24, whereas the KSA banking system's advances to the private sector rose 13.4% YOY to SAR 2.9 Tn. Advances to the public sector rose 15.7% YOY to SAR 794 Bn in 4Q24. All banks under our coverage recorded a solid growth in advances in 4Q24, out of which Al Rajhi Bank, Riyadh Bank, and Alinma Bank witnessed the highest growth. Saudi Arabia's regulatory loan-to-deposit ratio reduced from 82.78% in January 2025 to 81.67% in February 2025, well below the regulatory limit of 90.00%. KSA's banking system's NPL ratio improved to 1.2% in 4Q24 from 1.3% in 3Q24. Additionally, capitalization of Saudi banks stood healthy in 4Q24 with a CAR of 19.6% and a Tier 1 capital ratio of 18.3%.

The US Federal Reserve cut policy rates by 50 bps in September 2024 for the first time in four years. After that, the Fed reduced benchmark interest rates by 25 bps in November 2024 and 25 bps in December 2024 to a range of 4.25% to 4.50%. Furthermore, during its March 2025 meeting, the Federal Reserve kept interest rates unchanged. Additionally, the Fed announced to make fewer rate cuts in 2025. Since KSA's currency is pegged to the US dollar, SAMA closely monitors the Fed's monetary policy. SAMA also reduced its interest rates by 25 bps to 5.0% following the Fed's interest rate hike. The interest rate cut is expected to boost loan growth in the economy, with an improvement in asset quality, which will be beneficial for the banks.

Among the Saudi banks in our coverage, our preferred stocks are –

Riyad Bank will redeem Sukuk worth USD 1.5 Bn five years ahead of schedule

Riyad Bank, listed in Saudi Arabia, plans to redeem its USD 1.5 Bn 10-year Sukuk five years ahead of schedule. The redemption is related to the bank's announcement of issuing a new Sukuk under its SAR 10 Bn (USD 2.67 Bn) riyal-denominated programme.

Saudi National Bank approved the buyback of 16 Mn shares

The board of Saudi National Bank, the largest bank in Saudi Arabia by assets, proposed buying back 16 Mn treasury shares for its employees' equity programme. The buyback will be funded through the bank's internal resources. Treasury shares currently make up 0.92% of the total shares eligible for the programme.

Saudi National Bank Prices USD Denominated 5-Year Formosa FPG at SOFR+120bp

Saudi National Bank is marketing a USD-denominated five-year Formosa bond, under Regulation S with a final price fixed at SOFR plus 120 basis points. The Regulation S notes will be issued by SNB Funding and fully guaranteed by the Saudi National Bank. S&P and Fitch would assign a rating of A-/A-, consistent with the issuer's overall ratings of Aa3/A-/A-. Furthermore, Credit Agricole CIB Taipei branch, HSBC Bank (Taiwan), and KGI Securities are the joint managers for the issuance.

Saudi National Bank's USD 750 Mn Bond Draws USD 1.1 Bn in Orders

Saudi National Bank's USD 750 Mn five-year USD Regulation S Formosa bond secured a final order book of USD 1.1 Bn, including USD 121 Mn from joint lead managers. The Bond is priced at SOFR

plus 120 basis points and is set to launch on the Taipei Exchange. Banks including KGI Securities Co. Ltd and Crédit Agricole CIB are serving as joint managers, with HSBC acting as the lead manager.

Target price and rating

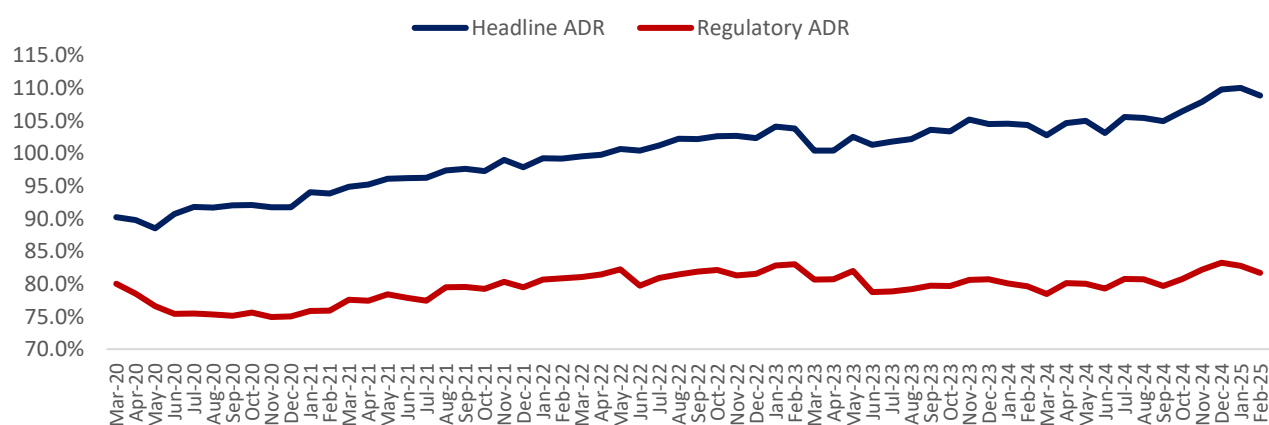
(SAR)	Target Price	Current Market Price	Potential change	Rating
RJHI	103	97.8	5.32%	HOLD
ALBI	38	35.1	8.26%	HOLD
RIBL	36	30.65	17.46%	BUY
ALINMA	37	28.8	28.47%	BUY
SNB	47	33.55	40.09%	BUY
ARNB	25	21.7	15.21%	BUY
BSF	21.7	16.84	28.86%	BUY

FABS Estimate

KSA Banking Liquidity

Credit growth in the KSA banking system rose 14.9% YOY and 1.2% MOM to SAR 3.0 Tn in February 2025, while deposits increased at a slower rate on YOY basis. KSA banking system deposits rose 10.1% YOY and 2.3% MOM to SAR 2.8 Tn in February 2025. As a result, the headline loan-to-deposit ratio (ADR) grew 449 bps YOY and declined 117 bps MOM to 108.8% in February 2025. KSA's economy experienced significant growth in investments, as a result of which overall banks in the KSA's banking sector recorded strong growth in advances on QOQ and YOY basis. All the banks under our coverage witnessed healthy growth in advances during 4Q24 on YOY basis, of which Al Rajhi Bank recorded the highest credit growth of 16.7% YOY and 6.8% QOQ to SAR 693.4 Bn in 4Q24 followed by Riyadh Bank with advances growth of 16.7% YOY and 4.8% QOQ to SAR 320.1 Bn. In terms of deposits, Riyadh Bank recorded the highest deposit growth of 20.2% YOY in 4Q24. The broader (M3) money supply rose 10.1% YOY and 2.3% MOM to SAR 3.0 Tn in February 2025, boosting the banking sector's liquidity. Mortgages in the KSA banking sector grew 15.1% YOY to SAR 883 Bn in 4Q24. According to the recent KSA census 2022, overall home ownership in KSA stood at 60.6% for the local Saudi population. The higher growth in advances compared to deposits on a YOY basis resulted in the expansion of regulated LDR, recording 81.7% in February 2025, as the banks are also resorting to other sources of funding, easing system liquidity pressure. We believe the corporate credit is expected to maintain pace going forward due to strong growth in the non-oil sector, driven by the government's initiative to boost the non-oil economy.

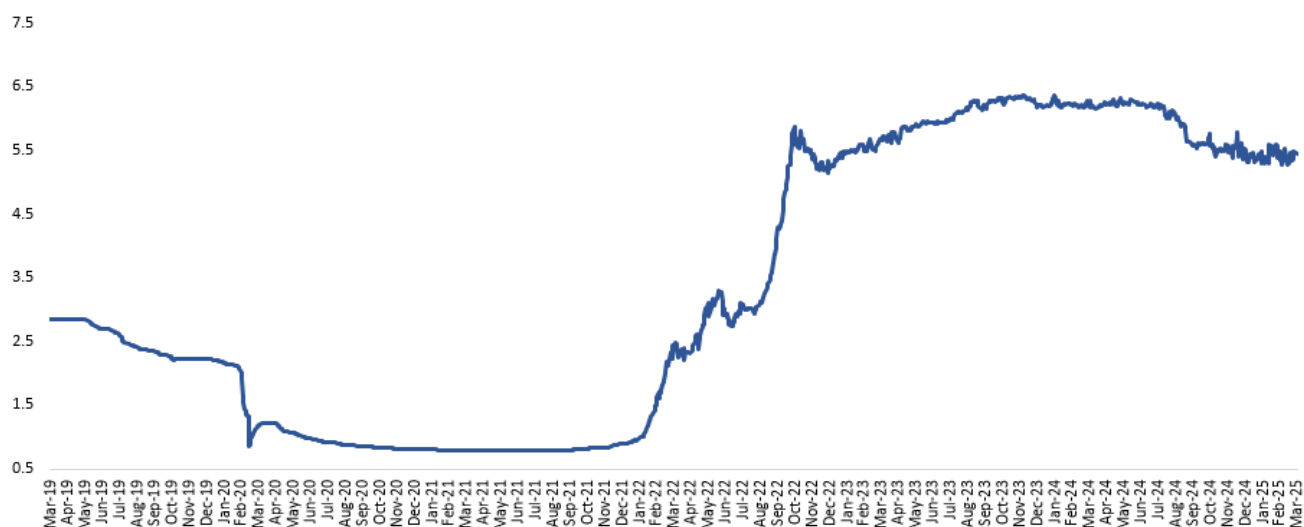
KSA banking system Headline and Regulatory Loan to Deposit Ratio



Source: FABS from SAMA data

The 3-Month SAIBOR rate during 1Q25 declined 428 bps to 5.50% on 31st March 2025 investor expectations about a future interest rate cut by the Fed. The rate averaged 5.4% in March 2025 compared to 5.5% in February 2025 due to anticipated interest rate cuts in 2025. SAMA kept its repo rate and reverse repo rate unchanged at 5.0% in February to support financial stability. The spread between SAIBOR and the repo rate declined marginally from negative 54 bps in December 2024 to negative 50 bps in March 2024, indicating a slight improvement in liquidity conditions across the overall banking system. KSA Banking system-regulated LDR increased to 81.7% in February 2025 as the banks are resorting to alternative funding sources to ease system liquidity pressure. The decline in the SAIBOR rate makes financing less expensive for borrowers and banks.

3-Month SAIBOR (%) March 2019 – March 2025



Source: Bloomberg

Contents:

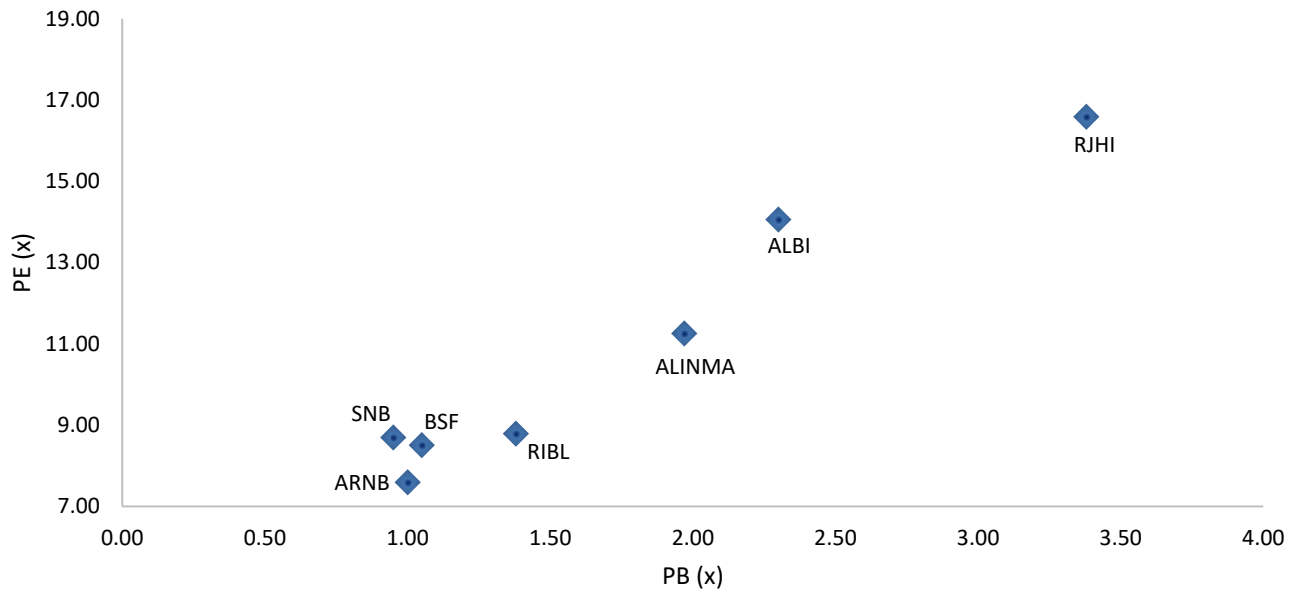
Relative valuation and rating	7
Banking indicators	8
Banking Stock performance	14
1Q25 preview: Saudi National Bank (SNB)	15
1Q25 preview: Banque Saudi Fransi (BSF)	18
1Q25 preview: Riyadh Bank (RIBL)	21
1Q25 preview: Arab National Bank (ARNB)	24
1Q25 preview: Alinma Bank	27
1Q25 preview: Al Bilad Bank (ALBI)	30
1Q25 preview: Al Rajhi Bank (RJHI)	33
FAB Securities Contacts:	36

Relative valuation and rating

ARNB and SNB's valuation is most attractive based on PE and PB basis respectively

All KSA banks under coverage are trading at an average book value of 1.72x. Among them, RJHI and ALBI are the most expensive trading at PB ratio of 3.38x and 2.30x, respectively based on 2025 estimated financials. RJHI and ALBI are the most expensive based on PE multiples trading at 16.59x and 14.06x, respectively based on FY2025 financials.

FY25 - P/E (x) vs. FY25 - P/B (x)



Source: FABS estimate

Market Weight

Based on 5x BUYs and 2x HOLD on the KSA banks under our coverage, we maintain our MARKET WEIGHT RATING. Yet, on a comparative basis, we remain inclined towards RIBL, BSF and SNB.

Target price and rating

(SAR)	Target Price	Current Market Price	Potential change	Rating
RJHI	103	97.8	5.32%	HOLD
ALBI	38	35.1	8.26%	HOLD
RIBL	36	30.65	17.46%	BUY
ALINMA	37	28.8	28.47%	BUY
SNB	47	33.55	40.09%	BUY
ARNB	25	21.7	15.21%	BUY
BSF	21.7	16.84	28.86%	BUY

FABS Estimate

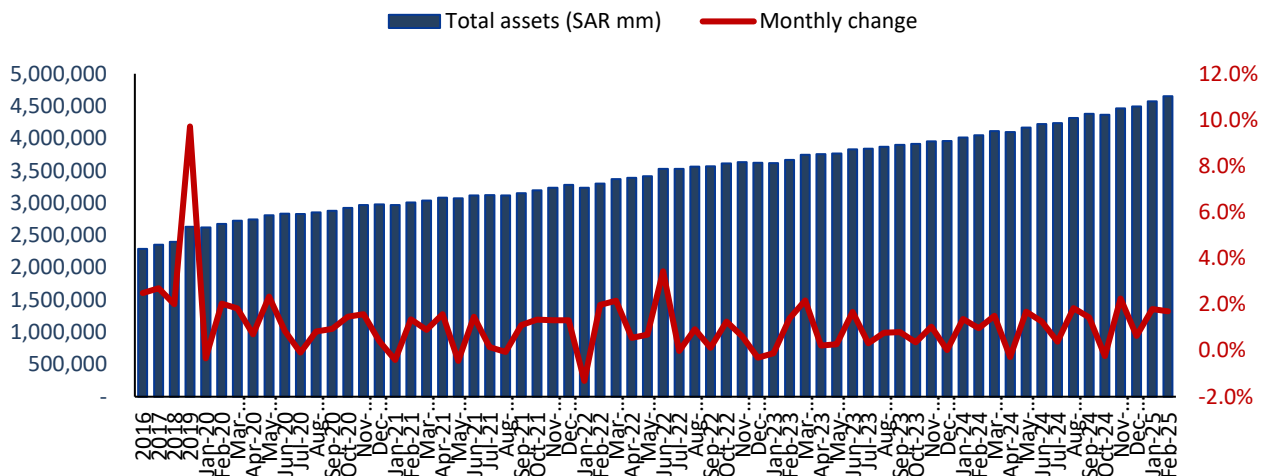
Banking indicators

1. Assets

Total banking assets rose 14.9% YOY in February 2025

KSA's total banking assets increased 14.9% YOY and 1.7% MOM to SAR 4,652.3 Bn in February 2025.

KSA banking system assets (SAR Mn) and Monthly change, 2016 - February 2025



Source: FABS from SAMA data

Al Rajhi reported the highest growth in total assets on YOY basis in 4Q24

All banks under our coverage continue to report strong growth in total assets on a YOY basis in 4Q24. Al Rajhi recorded the highest growth of 20.6% YOY to SAR 974.4 Bn in 4Q24. Alinma Bank recorded the second-highest growth of 16.9% YOY, followed by Riyadh Bank of 16.4% and Banque Saudi Fransi of 15.4% YOY during 4Q24. However, on a QOQ basis amongst all the banks, Saudi National Bank recorded a decline of 1.8% during 4Q24.

Total assets							
(SAR Mn)	4Q23	1Q24	2Q24	3Q24	4Q24	YOY%	QOQ%
Al Rajhi	808,098	835,992	866,960	902,571	974,387	20.6%	8.0%
Bank Al Bilad	143,106	143,700	145,291	153,722	154,965	8.3%	0.8%
Riyadh Bank	386,849	404,859	405,029	433,366	450,379	16.4%	3.9%
Alinma Bank	236,715	244,859	260,138	266,983	276,827	16.9%	3.7%
Saudi National Bank	1,037,081	1,072,144	1,088,112	1,124,608	1,104,155	6.5%	-1.8%
Arab National Bank	220,863	232,146	234,752	240,962	248,307	12.4%	3.0%
Banque Saudi Fransi	253,666	268,376	288,826	287,670	292,776	15.4%	1.8%
KSA banking system	3,957,024	4,110,962	4,220,852	4,377,284	4,494,151	13.6%	2.7%

FABS from co data and SAMA

Al Rajhi recorded the highest YOY growth in assets market share in 4Q24

Al Rajhi records the highest growth in asset market share of positive 126 bps YOY to 21.7% in 4Q24 followed by Riyadh Bank, Alinma Bank and Banque Saudi Fransi recording a growth in assets market share of 25 bps, 18 bps, and 10 bps YOY, respectively during 4Q24. The remaining three banks under coverage recorded a decline in market share. Saudi National Bank recorded the largest decline of 164 bps YOY to 24.6% in 4Q24. Bank Al Bilad and Arab National Bank also recorded a decline of 17 bps YOY and 6 bps YOY during 4Q24. Saudi National Bank holds the largest market share of assets at 24.6% in 4Q24, followed by Al Rajhi at 21.7% and Riyadh Bank at 10.0% during 4Q24.

Assets market share							
	4Q23	1Q24	2Q24	3Q24	4Q24	YOY (bps)	QOQ (bps)
Al Rajhi	20.4%	20.3%	20.5%	20.6%	21.7%	126	106
Bank Al Bilad	3.6%	3.5%	3.4%	3.5%	3.4%	-17	-6
Riyadh Bank	9.8%	9.8%	9.6%	9.9%	10.0%	25	12
Alinma Bank	6.0%	6.0%	6.2%	6.1%	6.2%	18	6
Saudi National Bank	26.2%	26.1%	25.8%	25.7%	24.6%	-164	-112
Arab National Bank	5.6%	5.6%	5.6%	5.5%	5.5%	-6	2
Banque Saudi Fransi	6.4%	6.5%	6.8%	6.6%	6.5%	10	-6

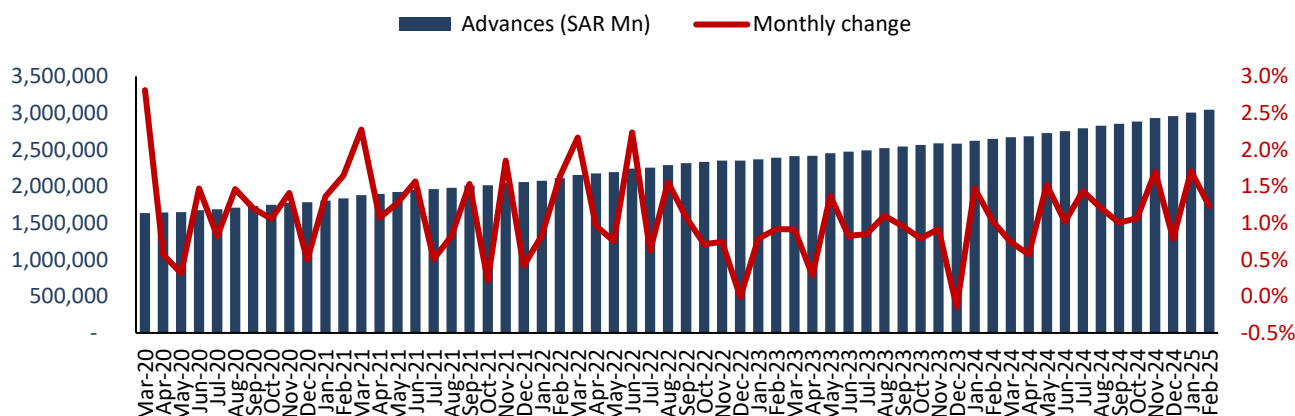
FABS from co-data

2. Advances

KSA banking system Advances grew 14.9% YOY in February 2025

KSA banking system net Advances increased 14.9% YOY and 1.2% MOM to SAR 3,043.0 Bn in February 2025.

KSA banking system net advances (SAR Mn) and Monthly change, 2020 – Feb 2025



Source: FABS from SAMA data

Five banks under our coverage recorded double-digit YOY growth in advances during 4Q24

Except Saudi National Bank, all the banks under our coverage reported a growth in net advances on both YOY and QOQ basis in 4Q24, and five out of seven banks under our coverage witnessed a double-digit YOY growth in advances in 4Q24. Al Rajhi and Riyadh Bank reported the highest growth of 16.7% YOY to SAR 693.4 Bn and SAR 320.1 Bn in 4Q24, followed by Alinma Bank with a growth of 16.5% YOY to SAR 202.3 Bn. Bank Al Bilad recorded the lowest growth in advances of 7.1% YOY in 4Q24. Al Rajhi's net advances stood highest at SAR 693.4 Bn in the KSA banking system, closely followed by Saudi National Bank with SAR 654.3 Bn in 4Q24.

Net advances

(SAR Mn)	4Q23	1Q24	2Q24	3Q24	4Q24	YOY%	QOQ%
Al Rajhi	594,205	608,990	621,891	649,024	693,410	16.7%	6.8%
Bank Al Bilad	102,080	103,306	104,310	106,695	109,304	7.1%	2.4%
Riyad Bank	274,398	282,854	291,051	305,408	320,089	16.7%	4.8%
Alinma Bank	173,624	180,702	189,912	195,895	202,308	16.5%	3.3%
Saudi National Bank	601,527	625,202	637,235	655,308	654,252	8.8%	-0.2%
Arab National Bank	152,235	157,875	161,612	166,330	169,495	11.3%	1.9%
Banque Saudi Fransi	179,391	185,408	197,160	201,008	204,168	13.8%	1.6%
KSA banking system	2,583,698	2,668,079	2,751,842	2,853,139	2,955,550	14.4%	3.6%

FABS from co-data

Al Rajhi recorded the highest advances in market share in 4Q24

Al Rajhi secured the top place in the advanced market share, holding a market share of 23.5%, closely followed by Saudi National Bank at 22.1%, and Riyad Bank at 10.8% during 4Q24. Amongst all the other banks, only Al Rajhi and Riyad Bank recorded growth on a YOY and QOQ basis in market share during 4Q24. Al Rajhi recorded the highest growth in advances market share on both YOY and QOQ basis by 46 bps and 71 bps in 4Q24, respectively. However, Saudi National Bank's advances market share declined the most 115 bps YOY, followed by Bank Al Bilad with 25 bps YOY declined and Arab National Bank with 16 bps declined in advances market share in 4Q24.

Advances market share

	4Q23	1Q24	2Q24	3Q24	4Q24	YOY (bps)	QOQ (bps)
Al Rajhi	23.0%	22.8%	22.6%	22.7%	23.5%	46	71
Bank Al Bilad	4.0%	3.9%	3.8%	3.7%	3.7%	-25	-4
Riyad Bank	10.6%	10.6%	10.6%	10.7%	10.8%	21	13
Alinma Bank	6.7%	6.8%	6.9%	6.9%	6.8%	13	-2
Saudi National Bank	23.3%	23.4%	23.2%	23.0%	22.1%	-115	-83
Arab National Bank	5.9%	5.9%	5.9%	5.8%	5.7%	-16	-9
Banque Saudi Fransi	6.9%	6.9%	7.2%	7.0%	6.9%	-4	-14

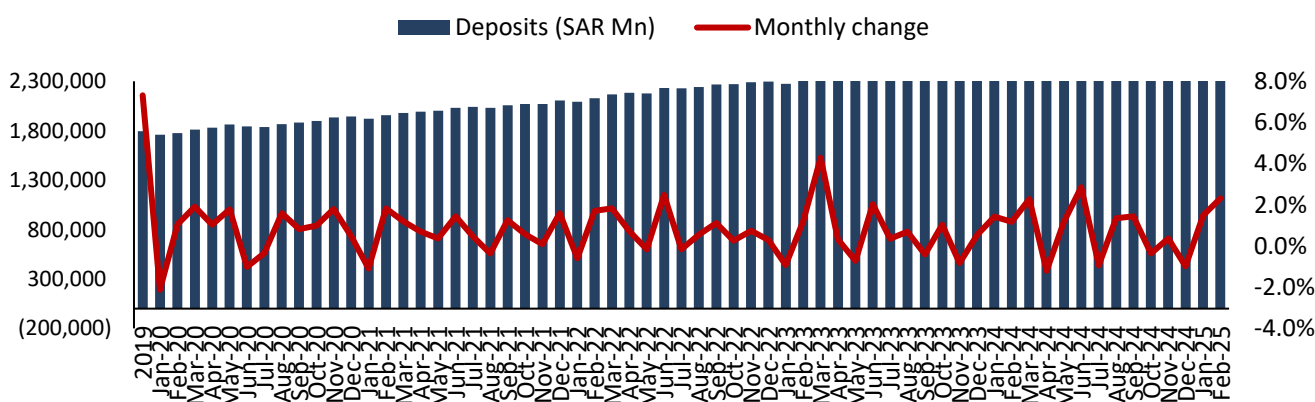
FABS from co data

3. Customer Deposits

KSA banking system customer deposits grew 10.1% YOY in February 2025

KSA banking system deposits reported a growth of 10.1% YOY and 2.3% MOM to SAR 2,795.8 Bn in February 2025.

KSA banking system customer deposits (SAR Mn) and Monthly change, 2019 – February 2025



Source: FABS from SAMA data

Riyad Bank recorded highest growth in deposits during 4Q24 on QOQ & YOY basis

Except Saudi National Bank, all the banks under our coverage experienced a growth in deposits on a YOY basis, only two out of seven banks recorded double digit YOY growth in 4Q24. Riyadh Bank witnessed the highest growth in deposits of 20.2% YOY to SAR 306.4 Bn in 4Q24. Alinma Bank recorded second highest YOY growth of 12.1% in deposits followed by Arab National Bank in 4Q24. Saudi National Bank witnessed the deposit decline on a YOY basis in 4Q24. Al Rajhi deposits stood highest at SAR 628.2 Bn followed by Saudi National Bank at SAR 579.8 Bn in 4Q24.

Deposits							
(SAR Mn)	4Q23	1Q24	2Q24	3Q24	4Q24	YOY%	QOQ%
Al Rajhi	573,101	603,978	622,572	622,572	628,239	9.6%	0.9%
Bank Al Bilad	112,831	113,741	114,530	122,342	121,776	7.9%	-0.5%
Riyad Bank	254,908	270,948	276,009	293,575	306,423	20.2%	4.4%
Alinma Bank	187,901	188,988	205,357	209,140	210,545	12.1%	0.7%
Saudi National Bank	590,051	656,261	632,693	634,195	579,762	-1.7%	-8.6%
Arab National Bank	165,861	174,541	175,586	180,843	182,198	9.8%	0.7%
Banque Saudi Fransi	172,209	174,828	196,248	193,342	185,118	7.5%	-4.3%
KSA banking system	2,473,458	2,596,255	2,669,519	2,718,880	2,692,384	8.9%	-1.0%

FABS from co-data and SAMA

Al Rajhi recorded the highest deposit market share during 4Q24

Al Rajhi led the KSA banking system deposits with a market share with a market share of 23.3%, followed by Saudi National Bank with 21.5% during 4Q24. Al Rajhi, Riyadh Bank, Alinma Bank and Arab National Bank recorded growth in deposits market share on YOY and QOQ basis in 4Q24. Riyadh Bank recorded the highest growth in deposit market share on YOY and QOQ basis of 108 bps and 58 bps respectively to 11.4% in 4Q24. Saudi National Bank recorded the highest decline in deposit market share by 232 bps YOY and 179 QOQ to 21.5% in 4Q24.

Deposits market share							
	4Q23	1Q24	2Q24	3Q24	4Q24	YOY (bps)	QOQ (bps)
Al Rajhi	23.2%	23.3%	23.3%	22.9%	23.3%	16	44
Bank Al Bilad	4.6%	4.4%	4.3%	4.5%	4.5%	-4	2
Riyad Bank	10.3%	10.4%	10.3%	10.8%	11.4%	108	58
Alinma Bank	7.6%	7.3%	7.7%	7.7%	7.8%	22	13
Saudi National Bank	23.9%	25.3%	23.7%	23.3%	21.5%	-232	-179
Arab National Bank	6.7%	6.7%	6.6%	6.7%	6.8%	6	12
Banque Saudi Fransi	7.0%	6.7%	7.4%	7.1%	6.9%	-9	-24

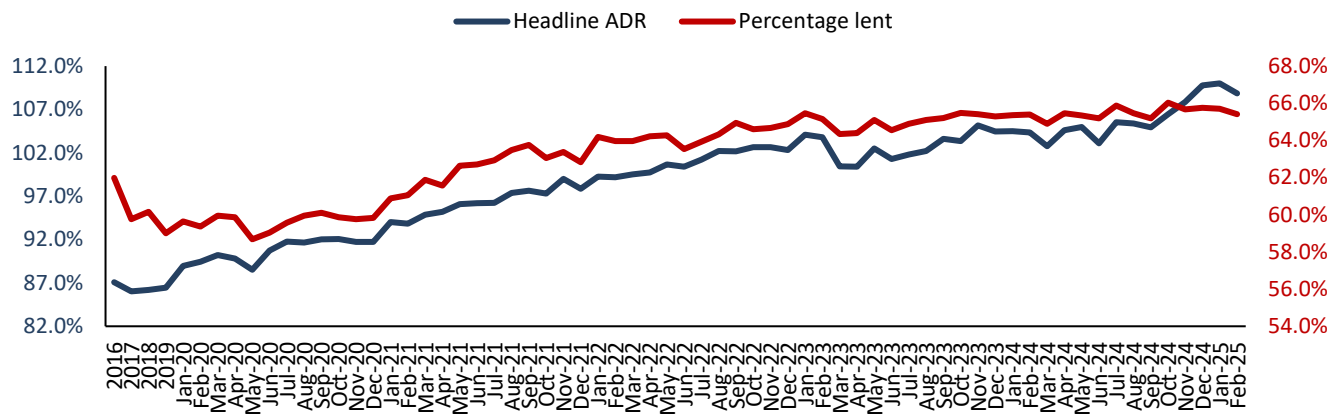
FABS from co data

4. Liquidity

KSA banking system's liquidity contracted in February 2025

KSA's banking system's headline ADR ratio declined from 110.0% in January 2025 to 108.8% in February 2025. The lending percentage to total assets declined 30 bps MOM and reached 65.4% in February 2025.

KSA banking system ADR and % lent, 2016 - February 2025



Source: FABS from SAMA data

Bank Al Bilad continued to record the lowest ADR in 4Q24

Except Bank Al Bilad all the other banks under our coverage continued to record a loan-to-deposit ratio of more than 90% in 4Q24. All the other banks except Bank Al Bilad and Riyadh Bank reported a growth in ADR on a YOY basis in 4Q24. Saudi National Bank saw the highest growth in ADR of 1,090 bps YOY to 112.8% in 4Q24. On the other hand, Riyadh Bank reported the highest decline in ADR of 319 bps YOY to 104.5% in 4Q24. Bank Al Bilad also recorded a decline of 71 bps on a YOY basis during 4Q24. On a QOQ basis, all the banks witnessed an increase in ADR. Saudi National Bank recorded the highest ADR of 112.8% in 4Q24, followed by both Al Rajhi of 110.4% and Banque Saudi Fransi of 110.3% in 4Q24. Bank Al Bilad's ADR stood the lowest at 89.8% compared to all the other banks in 4Q24.

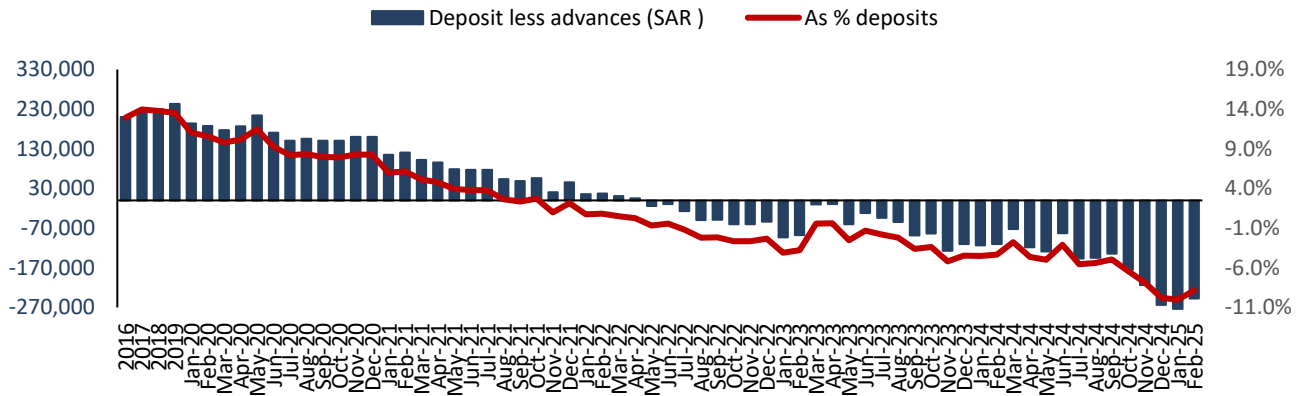
ADR	4Q23	1Q24	2Q24	3Q24	4Q24	YOY (bps)	QOQ (bps)
Al Rajhi	103.7%	100.8%	99.9%	104.2%	110.4%	669	612
Bank Al Bilad	90.5%	90.8%	91.1%	87.2%	89.8%	-71	255
Riyad Bank	107.6%	104.4%	105.5%	104.0%	104.5%	-319	43
Alinma Bank	92.4%	95.6%	92.5%	93.7%	96.1%	369	242
Saudi National Bank	101.9%	95.3%	100.7%	103.3%	112.8%	1090	952
Arab National Bank	91.8%	90.5%	92.0%	92.0%	93.0%	124	105
Banque Saudi Fransi	104.2%	106.1%	100.5%	104.0%	110.3%	612	633

FABS from co data

KSA banking system deposits less advances declined in February 2025

KSA banking deposits less advances declined from negative SAR 273.5 Bn in January 2025 to negative SAR 247.2 Bn in February 2025.

KSA banking system deposits less advances and as % of deposits, 2016 – Feb 2025



Source: FABS from SAMA data

Arab National Bank recorded the highest deposit surplus in 4Q24

Three out of seven banks under our coverage recorded a deposit surplus in 4Q24. Arab National Bank reported the highest surplus of SAR 12.7 Bn in 4Q24, followed by Bank Al Bilad with a deposit surplus of SAR 12.5 Bn and Alinma Bank with SAR 8.2 Bn. Saudi National Bank recorded the largest deposit deficit of SAR 74.5 Bn during 4Q24. Al Rajhi, Banque Saudi Fransi and Riyadh Bank also recorded a deposit deficit of SAR 65.1 Bn, SAR 19.05 Bn and 13.7 Bn, respectively, during 4Q24. Saudi National Bank recorded the highest increase in deposit surplus in 4Q24 on both YOY and QOQ basis.

Deposit surplus/-deficit

SAR Mn	4Q23	1Q24	2Q24	3Q24	4Q24	YOY%	QOQ%
Al Rajhi	-21,104	-5,012	681	-26,452	-65,171	208.8%	146.4%
Bank Al Bilad	10,751	10,435	10,220	15,647	12,472	16.0%	-20.3%
Riyad Bank	-19,491	-11,906	-15,043	-11,833	-13,666	-29.9%	15.5%
Alinma Bank	14,277	8,285	15,445	13,245	8,237	-42.3%	-37.8%
Saudi National Bank	-11,476	31,059	-4,542	-21,113	-74,490	549.1%	252.8%
Arab National Bank	13,626	16,666	13,974	14,513	12,703	-6.8%	-12.5%
Banque Saudi Fransi	-7,182	-10,580	-912	-7,666	-19,050	165.2%	148.5%

FABS from co data

Banking Stock performance

Five out of seven KSA banks generated negative YTD returns in April 2025

The average return generated by the KSA Banking Sector stood lower than EGX30 but higher than the other market headline indices such as DSM, TASI, ADX, and DFMGI. EGX30 recorded the highest growth rate among the below-listed indices. six out of seven KSA banks under our coverage registered a YTD rise as on 10 April 2025. RIBL (+7.2%), BSF (+6.1%), ARNB (+4.2%), RJHI (+3.3%), and flat ALINMA and SNB recorded an increase in the following order, whereas only ALBI (-10.4%) witnessed a decline during the period.

27 MENA bank stocks: YE24 to 10th of Apr 2025, Ranked

		UAE	KSA	Qatar	Egypt	Ranking
QIBK	-4.5%			-4.5%		22
MARK	-10.5%			-10.5%		29
CBD	9.9%	9.9%				2
MASQ	7.3%	7.3%				3
QNBK	-9.0%			-9.0%		27
UAB	5.8%	5.8%				6
SIB	-8.0%	-8.0%				26
CBQK	-3.1%			-3.1%		19
DSM	-4.5%					23
RJHI	3.3%		3.3%			8
TASI	-4.6%					24
ADX	-3.1%					20
ALINMA	0.2%		0.2%			13
ALBI	-10.4%		-10.4%			28
BSF	6.1%		6.1%			5
RAKBANK	2.3%	2.3%				10
DHBK	-0.9%			-0.9%		15
COMI	-2.7%				-2.7%	17
FAB	-2.5%	-2.5%				16
EGX30	2.7%					9
BOS	1.7%	1.7%				11
SNB	0.1%		0.1%			14
DFMGI	-3.6%					21
ARNB	4.2%		4.2%			7
RIBL	7.2%		7.2%			4
CBI	-11.2%	-11.2%				31
ENBD	-10.7%	-10.7%				30
ADIB	15.8%	15.8%				1
DIB	1.7%	1.7%				12
AJMANBANK	-7.6%	-7.6%				25
ADCB	-2.9%	-2.9%				18
AVERAGE		0.1%	1.7%	-5.6%	-2.7%	

1Q25 preview: Saudi National Bank (SNB)

Growth in operating income and reduced impairments to drive profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 33.55	SAR 47.00	+40%	BUY

1Q25 Forecast

Saudi National Bank's (SNB/the Bank) net profit is projected to rise 11.0% YOY to SAR 5.6 Bn in 1Q25 mainly driven by an anticipated increase in net funded and non-funded income, reduction in impairment charges and non-controlling interest, partially offset by an estimated rise in operating expenses, and zakat expenses. The Bank's commission income is forecasted to rise 10.0% YOY to SAR 14.9 Bn in 1Q25, driven by anticipated growth in yield on assets and average interest earning assets. SNB's funded expense is expected to grow 19.2% YOY to SAR 7.9 Bn in 1Q25, attributable to forecasted higher cost of funds and average interest-bearing liabilities. Thus, net funded income is likely to grow marginally by 1.0% YOY to SAR 6.9 Bn in 1Q25. SNB's non-funded income is predicted to rise 11.9% YOY to SAR 2.3 Bn in 1Q25, due to an anticipated increase in exchange income, and income from FVIS investments, partially offset by estimated decrease in fees and commissions income, gains on non-trading investments, and higher other operating expenses. As a result, operating income is expected to increase 3.5% YOY to SAR 9.3 Bn in 1Q25. The Bank's total operating expenses are predicted to increase 6.0% YOY to SAR 2.8 Bn in 1Q25, due to an expected rise in rent and premises-related expenses, depreciation of property and equipment and other general and administrative expenses, partially offset by an expected decrease in salaries and employee-related expenses. We believe the Company will see other non-operating expenses of SAR 37 Mn in 1Q25 compared to other non-operating income of SAR 76 Mn in 1Q24. Impairment charge for financing losses is predicted to decline significantly from SAR 655 Mn in 1Q24 to SAR 134 Mn in 1Q25. Additionally, zakat expenses are anticipated to rise 7.4% YOY to SAR 688 Mn in 1Q25. Furthermore, the bank's non-controlling interest is projected to be negative SAR 28 Mn in 1Q25 compared to positive SAR 16 Mn in 1Q24.

2025 forecast

SNB's net profit is expected to grow 9.1% YOY to SAR 23.1 Bn in 2025, attributed to the expected increase in net funded and non-funded income, partially offset by a rise in operating expenses, impairment charges, and zakat expenses coupled with higher contribution to NCI. The Bank's commission income is forecasted to increase 8.8% YOY to SAR 62.9 Bn in 2025, driven by anticipated strong growth in net advances. SNB's funded expense is expected to grow 8.4% YOY to SAR 32.6 Bn in 2025, attributable to forecasted higher average interest-bearing liabilities. Thus, net funded income is likely to expand 9.2% YOY to SAR 30.3 Bn in 2025. SNB's non-funded income is predicted to rise 8.4% YOY to SAR 9.0 Bn in 2025, due to an anticipated increase in fees and commissions income, exchange income, income from FVIS investments, gains on non-trading investments, partially offset by expected growth in other operating expenses. As a result, operating income is predicted to boost 9.0% YOY to SAR 39.3 Bn in 2025. The Bank's total operating expenses is predicted to increase 3.8% YOY to SAR 11.5 Bn in 2025, due to expected rise in salaries and employee-related expenses, rent and premises-related expenses, depreciation of property and equipment and other general and administrative expenses. NIM is expected to expand by 6 bps YOY to 2.9% in 2025. Other non-operating expense is anticipated to rise 2.0% YOY to SAR 370 Mn in 2025. Additionally, impairment charges are predicted to rise 2.3% YOY to SAR 1.0 Bn in 2025. Furthermore, zakat expenses are expected to boost 25.7% YOY to SAR 3.2 Bn in 2025. The Bank's estimated contribution to the non-controlling interest of positive SAR 116 Mn in 2025 compared to negative SAR 99 Mn in 2024.

4Q24 Outturn

SNB's funded income rose 8.8% YOY to SAR 14,882 Mn in 4Q24, mainly driven by solid growth in interest earning assets on a YOY basis. Funded expenses also grew significantly from SAR 6,800 Mn in 4Q23 to SAR 7,978 Mn in 4Q24. Thus, net funded income rose marginally 0.4% YOY to SAR 6,904 Mn in 4Q24. As per our calculation, NIMs fell 20 bps YOY and remained flat on a QOQ basis in 4Q24 at 2.7%. The fees and commission income grew 36.7% YOY to SAR 1,085 Mn, while the exchange income rose 24.9% YOY to SAR 522 Mn in 4Q24. Income from FVIS investments increased 47.1% YOY to SAR 815 Mn in 4Q24. However, gains on non-trading investments declined 9.4% YOY to SAR 71 Mn in 4Q24. Other operating expenses rose significantly from SAR 297 Mn in 4Q23 to SAR 410 Mn in 4Q24. As a result, SNB's total non-funded income grew significantly 34.7% YOY to SAR 2,084 Mn in 4Q24. Thus, total operating income rose 6.7% YOY to SAR 8,988 Mn in 4Q24. Salaries and employee related expenses fell 5.8% YOY to SAR 1,048 Mn, while rent & premises related expenses declined 12.1% YOY to SAR 119 Mn in 4Q24. Depreciation charge grew 20.0% YOY to SAR 494 Mn in 4Q24. Amortization expense remained unchanged at SAR 205 Mn in 4Q24. Other G&A expenses rose from SAR 681 Mn in 4Q23 to SAR 887 Mn in 4Q24. Thus, total operating expenses increased 8.1% YOY to SAR 2,753 Mn in 4Q24. SNB's cost-to-income rose from 27.8% in 4Q23 to 28.3% in 4Q24. Furthermore, the Bank's other non-operating expenses dropped significantly from SAR 138 Mn in 4Q23 to SAR 35 Mn in 4Q24. SNB's impairment charges reduced significantly from SAR 431 Mn in 4Q23 to SAR 22 Mn in 4Q24. Zakat expense rose 14.2% YOY to SAR 658 Mn in 4Q24.

Target price and recommendation

We maintain our BUY rating on SNB with a target price of SAR 47.00. The Bank's recorded growth in net funded and non-funded income, reflecting its ability to generate income from core and non-core assets. The NIMs remained stable QOQ at 2.7% in 4Q24 despite a decline in interest rates. The Bank's NIMs are likely to benefit from the exposure to retail mortgages owing to slower asset repricing. SNB is expecting the net funded income to grow by mid-to-high single digit in FY2025 on a YOY basis. Moreover, the loan portfolio is anticipated to grow by low single digit in FY2025. The Bank's asset quality remained stable as the NPL ratio remained at similar levels as 3Q24 and 4Q23 at 1.2% in 4Q24. Moreover, the Provision coverage stood at 130.3% in 4Q24 providing sufficient cushion against potential bad loans. The stage 2 loans as a percentage of gross loans declined from 4.6% in FY2023 to 2.7% in FY2024, reflecting an improvement in the quality of loan portfolio. The Bank continues to maintain a healthy capitalisation level and a stable liquidity position with a CET 1 ratio of 20.3% and CAR of 20.8% in 4Q24. However, the Bank's customer deposits fell 1.7% YOY and 8.6% QOQ to SAR 579.8 Bn during 4Q24 attributable to a decline in time as well as CASA deposits. As a result, the liquidity coverage ratio fell from 283.9% in 3Q24 to 265.2% in 4Q24. However, SNB is likely to maintain a solid financial performance owing to its vast scale. SNB's investment portfolio stood at SAR 292.5 Bn in 4Q24 compared to SAR 269.1 Bn in 4Q23 which is likely to support the profitability in a declining interest rate scenario by generating solid returns. Moreover, the majority of SNB's investment portfolio consists of fixed rate securities benefitting NIMs. The Bank declared distribution of cash dividends of SAR 1.0 per share for 2H24, amounting to SAR 6,000 Mn. SNB completed the successful issuance of its SAR denominated additional tier-1 perpetual sukuk with an offer value of SAR 6,000 Mn with a coupon rate of 6.0%. Thus, based on the above analysis, we maintain our BUY rating on the stock.

SNB - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	11.77	14.45	10.64	10.01	9.52	8.70
PB (x)	2.81	1.23	1.17	1.11	1.01	0.95
Dividend yield %	1.8%	3.6%	3.9%	5.4%	5.8%	6.2%

FABS Estimates & Co Data

SNB - P&L

SAR mm	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Commission income	13,552	14,882	14,901	10.0%	0.1%	57,842	62,914	8.8%
Commission expense	6,641	7,978	7,919	19.2%	-0.7%	30,112	32,643	8.4%
Net funded income	6,911	6,904	6,982	1.0%	1.1%	27,730	30,271	9.2%
Fees and commissions	1,201	1,085	1,194	-0.6%	10.0%	4,600	5,060	10.0%
Exchange income, net	514	522	523	1.8%	0.1%	1,923	2,019	5.0%
Income from FVIS investment	454	815	831	83.3%	2.0%	2,875	3,077	7.0%
Gains/Loss on non-trading invst	217	71	143	-34.2%	100.0%	493	499	1.3%
Other Operating Income / Exp	-357	-410	-422	18.4%	3.0%	-1,583	-1,646	4.0%
Non-funded income	2,028	2,084	2,269	11.9%	8.8%	8,308	9,009	8.4%
Operating income	8,939	8,988	9,251	3.5%	2.9%	36,038	39,279	9.0%
Salaries and emp-related exps	1,221	1,048	1,101	-9.8%	5.0%	4,703	4,868	3.5%
Rent and premises-related exps	124	119	131	5.3%	10.0%	508	518	2.0%
Dep of property and equipment	412	494	483	17.2%	-2.1%	1,788	1,873	4.8%
Amort of intangible assets	205	205	205	0.1%	0.1%	820	821	0.1%
Other G&A expenses	703	887	905	28.7%	2.0%	3,218	3,379	5.0%
Total operating Expenses	2,665	2,753	2,825	6.0%	2.6%	11,037	11,459	3.8%
Other non-operating inc (exp), net	76	-35	-37	-148.7%	5.0%	-363	-370	2.0%
Pre-provision profit	6,351	6,200	6,389	0.6%	3.1%	24,639	27,450	11.4%
Impairment	655	22	134	-79.5%	518.1%	1,024	1,048	2.3%
PBT	5,696	6,178	6,255	9.8%	1.2%	23,615	26,402	11.8%
Zakat	640	658	688	7.4%	4.6%	2,521	3,168	25.7%
Profit after tax	5,056	5,520	5,567	10.1%	0.8%	21,094	23,234	10.1%
Non-controlling interest	16	-37	-28	-272.6%	-24.1%	-99	116	-216.9%
Net Profit attri. to equity	5,040	5,557	5,594	11.0%	0.7%	21,193	23,118	9.1%

FABS estimate & Co Data
SNB - P&L KPI

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	77.3%	76.8%	75.5%	-184	-133	76.9%	77.1%	12
NIM	2.8%	2.7%	2.8%	-9	5	2.8%	2.9%	6
NIS	2.4%	2.2%	2.2%	-16	4	2.1%	2.4%	25
Fees & comns/OI	13.4%	12.1%	12.9%	-52	83	12.8%	12.9%	12
Trading/OI	5.7%	5.8%	5.7%	-9	-16	5.3%	5.1%	-20
Cost to income	27.5%	28.3%	28.3%	80	-3	28.3%	27.1%	-127
Impairment/PPP	10.3%	0.4%	2.1%	-820	175	4.2%	3.8%	-34
NP/OI	56.4%	61.8%	60.5%	410	-135	58.8%	58.9%	5
Cost of risk - Calculated	0.4%	0.01%	0.08%	-33	7	0.16%	0.150%	-1
Loan-to-deposit (Headline)	95.3%	112.8%	112.0%	1,674	-84	112.8%	108.1%	-477
NPL (Reported)	1.2%	1.2%	1.3%	16	13	1.2%	1.7%	49
NPL Coverage - Calculated	150.5%	130.3%	130.3%	-2,021	0	130.3%	130.3%	0
Tier 1	19.2%	20.3%	20.2%	99	-13	20.3%	18.9%	-136
Capital adequacy	20.0%	20.8%	20.7%	66	-13	20.8%	19.4%	-140
ROAE	12.1%	11.5%	24.1%	1,199	1,262	12.6%	12.9%	24
ROAA	1.9%	2.0%	4.1%	212	208	2.0%	2.0%	4

FABS estimate & Co Data
SNB- Key BS Items

SAR mm	1Q24	2Q24	3Q24	4Q24	1Q25E	YOY Ch
Net advances	625,202	637,235	655,308	654,252	670,161	7.2%
<i>QOQ Change</i>	3.9%	1.9%	2.8%	-0.2%	2.4%	
Total assets	1,072,144	1,088,112	1,124,608	1,104,155	1,111,117	3.6%
<i>QOQ Change</i>	3.4%	1.5%	3.4%	-1.8%	0.6%	
Customer deposits	656,261	632,693	634,195	579,762	598,309	-8.8%
<i>QOQ Change</i>	11.2%	-3.6%	0.2%	-8.6%	3.2%	
Total equity	180,622	179,991	183,839	193,275	198,870	10.1%
<i>QOQ Change</i>	2.3%	-0.3%	2.1%	5.1%	2.9%	

FABS estimate & Co Data

1Q25 preview: Banque Saudi Fransi (BSF)

Significant growth in operating income to fuel profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 16.84	SAR 21.70	+29%	BUY

1Q25 estimate

Banque Saudi Fransi (BSF/ the Bank) is expected to report a growth of 3.9% YOY in net profit to SAR 1,194 Mn in 1Q25, owing to an anticipated rise in net funded income and non-funded income partially offset by an estimated increase in operating expenses, impairments and zakat expense. BSF's funded income is expected to grow 10.5% YOY to SAR 4,221 Mn in 1Q25, primarily driven by a strong growth in average interest earning assets. Conversely, the funded expense is estimated to increase from SAR 1,903 Mn in 1Q24 to SAR 2,159 Mn in 1Q25 due to increase in cost of funds and average interest-bearing liabilities. Thus, the Bank's net funded income is projected to grow 7.5% YOY to SAR 2,062 Mn in 1Q25. BSF's non-funded income is expected to rise 30.5% YOY to SAR 539 Mn in 1Q25, attributed to forecasted increase in fee and commission income, exchange income, trading income, gains on non-trading investments and other operating income. As a result, operating income is estimated to grow 11.6% YOY to SAR 2,601 Mn in 1Q25. Salaries and employee-related expenses are anticipated to rise 3.8% YOY to SAR 485 Mn in 1Q25. Meanwhile, rent and premises-related expenses are estimated to surge from SAR 16 Mn in 1Q24 to SAR 26 Mn in 1Q25. Furthermore, depreciation and amortization expenses are estimated to rise 7.7% YOY to SAR 72 Mn in 1Q25. Other G&A expenses are projected to rise from SAR 223 Mn in 1Q24 to SAR 342 Mn in 1Q25. Moreover, impairments are estimated to grow 24.3% YOY to SAR 343 Mn in 1Q25, while zakat expense is expected to increase 4.6% YOY to SAR 139 Mn in 1Q25.

2025 forecast

BSF's net profit is projected to report significant growth of 16.7% YOY to SAR 5,305 Mn in 2025 primarily due to projected growth in net-funded income, and non-funded income, partially offset by an estimated rise in operating expenses, impairment losses and zakat charges. The Bank's funded income is anticipated to grow 8.2% YOY to SAR 17,716 Mn in 2025 due to expected increase in average interest earning assets. Similarly, funded expense is estimated to rise from SAR 8,489 Mn in 2024 to SAR 8,737 Mn in 2025, driven by forecasted increase in average interest-bearing liabilities. Thus, net funded income is likely to increase 13.9% YOY to SAR 8,979 Mn in 2025. Total non-funded income is expected to increase 1.8% YOY to SAR 1,807 Mn in 2025, supported by an anticipated rise in fee and commission, trading, and other operating income, partially offset by decline in exchange income. As a result, total operating income is estimated to grow 11.7% YOY to SAR 10,786 Mn in 2025. Operating expenses are anticipated to rise 3.9% YOY to SAR 3,541 Mn in 2025, mainly driven by an expected growth in depreciation and other G&A expenses. Moreover, impairments are expected to rise 12.2% YOY to SAR 1,324 Mn in 2025, while zakat charges are estimated to increase 17.2% YOY to SAR 616 Mn in 2025.

4Q24 outturn

Funded income grew 18.6% YOY to SAR 4,160 Mn in 4Q24 driven by strong loan growth and an increase in return from financing and investments partially offset by a decline in asset yield. On the other hand, funded expenses rose 29.4% YOY to SAR 2,120 Mn in 4Q24 owing to high benchmark rates. Thus, net funded income grew 9.2% YOY to SAR 2,039 Mn in 4Q24. Calculated NIMs moderated 65 bps YOY and 4 bps QOQ to 2.9% in 4Q24. Meanwhile, fee and commission income stood flat on YOY basis at SAR 238 Mn in 4Q24, while exchange income grew 28.1% YOY to SAR 151 Mn in 4Q24. BSF recorded trading gains of SAR 135 Mn in 4Q24 compared to a loss of SAR 38 Mn in 4Q23 driven by a one-off trading gain. Thus, the Bank's non-funded income grew 64.8% YOY to SAR 533 Mn in 4Q24. Total operating income increased 17.4% YOY to SAR 2,572 Mn in 4Q24. Furthermore, salaries and employee-related expenses increased 4.1% YOY to SAR 476 Mn in 4Q24, whereas rent and premises-related expenses rose 49.7% YOY to SAR 26 Mn. BSF's other G&A expenses rose 30.0% YOY to SAR 380 Mn in 4Q24. BSF witnessed an exceptional expense of SAR 117 Mn in 4Q24 out of

which 60% belongs to a discontinued investment loss, 25% to prior-period operation expenses, and 15% to staff-related costs. Total operating expenses rose 14.6% YOY to SAR 970 Mn in 4Q24. However, the Bank's cost to income fell 90 bps YOY to 37.7% in 4Q24. Additionally, impairments declined 14.0% YOY to SAR 355 Mn in 4Q24, while zakat charge increased 24.8% YOY to SAR 130 Mn in 4Q24.

Target price and recommendation

We maintain our BUY rating on BSF with a target price of SAR 21.70. The Bank continued to record strong momentum in loan book with 13.8% YOY and 1.6% QOQ growth to SAR 204.2 Bn in 4Q24. Commercial loans grew 13% YOY to SAR 166.5 Mn in 4Q24 driven by strong growth in commerce, utilities, and contracting sector, while consumer loans recorded a 16% YOY growth to SAR 37.7 Bn attributable to growth in mortgages, auto loans, and personal loans. The Bank expects its advances to grow by low teens in 2025. However, deposits declined 4.3% QOQ but rose 7.5% YOY to SAR 185.1 Bn in 4Q24 with CASA deposits accounting for 46.5% of total deposits. Thus, BSF's headline loan-to-deposit ratio increased from 104.0% in 3Q24 to 110.3% in 4Q24. Moreover, BSF's calculated NPL ratio increased from 0.9% in 3Q24 to 1.0% in 4Q24, whereas the calculated NPL coverage ratio fell to 168.3% in 4Q24 compared to 186.0% in 3Q24. A strong coverage ratio provides a healthy cushion to absorb losses in case of a loan default. Moreover, BSF's capitalization stood healthy with a Tier 1 capital ratio of 18.8% and a total CAR of 19.7% in 4Q24. As of 31 December 2024, BSF estimates its net interest income to change by SAR 90 Mn with a 100-bps change in interest rates. The Bank is mitigating its interest rate risk through a combination of balance sheet instruments including cash-flow hedges. Resultantly, BSF's notional amount of cash flow hedge declined 14% YOY in 2024 owing to an increase in fixed investments creating a natural hedge against interest rate risk. Furthermore, BSF launched its digital mobile application that features comprehensive functionality with additional services to be added in 2025. Mobile application launch will increase the Bank's offerings and boost its non-core income. It also launched a BSF 2030 Strategy aimed at strengthening its core business. With solid growth in profitability, the board proposed a final dividend of SAR 0.50 per share for 2024 amounting to SAR 1,246 Mn with a dividend yield of 5.9%. Thus, based on our analysis, we assign a BUY rating on the stock.

BSF – Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	28.29	12.99	12.57	10.50	9.80	8.51
PB	1.25	1.25	1.29	1.20	1.14	1.05
Dividend Yield	1.1%	4.3%	4.7%	5.6%	5.9%	6.4%

FABS Estimates & Co Data

BSF – P&L

SAR mm	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Special commission income	3,822	4,160	4,221	10.5%	1.5%	16,372	17,716	8.2%
Special commission expense	1,903	2,120	2,159	13.5%	1.8%	8,489	8,737	2.9%
Net Special Commission Inc	1,919	2,039	2,062	7.5%	1.1%	7,883	8,979	13.9%
Fee and commission income	247	238	252	1.8%	6.0%	972	1,050	8.0%
Exchange income, net	100	151	145	45.0%	-4.0%	482	458	-5.0%
Trading income, net	60	135	138	130.8%	2.0%	276	298	8.0%
Dividend Income	4	4	0	NM	NM	16	0	NM
Gains on non-trading investments	2	4	4	97.6%	-10.1%	27	0	NM
Other operating income	0	0	0	56.6%	0.0%	1	1	20.0%
Non-funded income	413	533	539	30.5%	1.1%	1,774	1,807	1.8%
Operating income	2,331	2,572	2,601	11.6%	1.1%	9,658	10,786	11.7%
Salaries & employee-related exp.	467	476	485	3.8%	2.0%	1,883	1,921	2.0%
Rent & premises related exp.	16	26	26	66.1%	1.0%	75	73	-2.0%
Depreciation and amortization	67	89	72	7.7%	-18.9%	299	326	9.0%
Other G&A expenses	223	380	342	53.1%	-10.0%	1,151	1,221	6.0%
Total operating Expenses	773	970	925	19.6%	-4.6%	3,409	3,541	3.9%
Pre-provision profit	1,558	1,602	1,676	7.5%	4.6%	6,249	7,245	15.9%
Impairment	276	355	343	24.3%	-3.5%	1,180	1,324	12.2%
PBT	1,282	1,247	1,333	3.9%	6.9%	5,069	5,921	16.8%
Zakat	132	130	139	4.6%	6.5%	525	616	17.2%
Net profit attributable	1,150	1,117	1,194	3.9%	6.9%	4,544	5,305	16.7%

FABS Estimates & Co Data

BSF - P&L KPI

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	82.3%	79.3%	79.3%	-301	0	81.6%	83.3%	162
NIM	3.1%	2.9%	2.9%	-18	-4	3.0%	3.0%	3
NIS	2.1%	1.9%	1.9%	-21	0	1.9%	2.0%	10
Fees & comms/OI	10.6%	9.2%	9.7%	-92	45	10.1%	9.7%	-33
Trading/OI	2.6%	5.2%	5.3%	273	5	2.9%	2.8%	-9
Cost to income	33.2%	37.7%	35.6%	240	-214	35.3%	32.8%	-247
Impairment/PPP	17.7%	22.2%	20.5%	276	-172	18.9%	18.3%	-60
NP/OI	49.3%	43.4%	45.9%	-340	250	47.1%	49.2%	213
Cost of risk	0.6%	0.7%	0.7%	5	-4	0.61%	0.60%	-1
Loan-to-deposit	106.1%	110.3%	106.3%	23	-401	110.3%	107.6%	-273
NPL calculated	1.0%	1.0%	1.0%	4	-1	1.0%	1.2%	19
Coverage excluding collateral	155.3%	168.3%	159.0%	370	-927	168.3%	185.0%	1,673
Tier 1	18.4%	18.8%	18.6%	18	-26	18.8%	18.2%	-60
Capital Adequacy	19.0%	19.7%	19.4%	37	-30	19.7%	19.0%	-68
ROAE	11.7%	11.7%	11.5%	-20	-24	11.7%	13.7%	198
ROAA	1.7%	1.7%	1.6%	-8	-5	1.7%	1.7%	6

FABS estimate & Co Data
BSF- Key BS Items

SAR mm	1Q24	2Q24	3Q24	4Q24	1Q25F	YOY Ch
Net advances	185,408	197,160	201,008	204,168	211,023	13.8%
QOQ Change	3.4%	6.3%	2.0%	1.6%	3.4%	
Total assets	268,376	288,826	287,670	292,776	301,870	12.5%
QOQ Change	5.8%	7.6%	-0.4%	1.8%	3.1%	
Customer deposits	174,828	196,248	193,342	185,118	198,549	13.6%
QOQ Change	1.5%	12.3%	-1.5%	-4.3%	7.3%	
Total equity	41,928	41,809	46,117	46,607	46,556	11.0%
QOQ Change	1.3%	-0.3%	10.3%	1.1%	-0.1%	

FABS estimate & Co Data

1Q25 preview: Riyadh Bank (RIBL)

Rise in net advances and other operating income to boost profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 30.65	SAR 36.00	+17%	BUY

1Q25 estimate

Riyadh Bank (RIBL/ the Bank) is projected to report a strong growth net profit of 22.9% YOY to SAR 2,548 Mn in 1Q25. The growth in net profit will be primarily driven by an expected rise in net funded and non-funded income coupled with decline in impairment charges, partially offset by an estimated increase in operating expenses and tax charges. Special commission income is expected to grow strongly by 16.9% YOY to SAR 6,626 Mn in 1Q25, attributing to an expected increase in the Bank's net advances. Special commission expense is expected to increase 20.7% YOY to SAR 3,161 Mn in 1Q25, owing to the high cost of funds and rise in average total funding. Thus, net special commission income is anticipated to rise 13.6% YOY to SAR 3,465 Mn in 1Q25. Total non-funded income is likely to grow 21.6% YOY to SAR 1,261 Mn in 1Q25, driven by an estimated increase in fee & commission income and other operating income, partially offset by decline in trading income. As a result, operating income is expected to grow 15.6% YOY to SAR 4,726 Mn in 1Q25. The Bank's operating expenses are estimated to rise 9.4% YOY to SAR 1,473 Mn in 1Q25. Moreover, we forecast the cost-to-income ratio to decline 176 bps YOY to 31.2% in 1Q25. Impairment charges are projected to decline 5.4% YOY to SAR 413 Mn in 1Q25. Furthermore, tax expense is expected to rise 22.8% YOY to SAR 293 Mn in 1Q25, in line with growth in profit before tax.

2025 forecast

We forecast Riyadh Bank to grow at 10.7% YOY growth in net profit to SAR 10,322 Mn in 2025, primarily due to an estimated increase in net funded and non-funded income coupled with lower impairments partially offset by an estimated rise in operating expenses and tax charges. Special commission income is expected to grow 7.2% YOY to SAR 25,914 Mn in 2025, due to forecasted growth in interest earning assets, whereas special commission expense is likely to rise 9.5% YOY to SAR 12,389 Mn in 2025, due to predicted rise in interest bearing liabilities. As a result, net special commission income is forecasted to rise 5.1% YOY to SAR 13,526 Mn in 2025. Additionally, the Bank's total non-funded income is expected to rise 7.0% YOY to SAR 4,722 Mn in 2025, attributing to an anticipated growth in fees & commission, trading, and other operating income. As a result, operating income is projected to grow 5.6% YOY to SAR 18,248 Mn in 2025. Furthermore, operating expenses are estimated to rise 4.7% YOY to SAR 5,533 Mn in 2025. RIBL's cost-to-income ratio is expected to decrease 26 bps YOY to 30.3% in 2025. Impairment charges are anticipated to fall 26.0% YOY to SAR 1,207 Mn in 2025. Zakat expense is expected to increase 10.3% YOY to SAR 1,185 Mn in 2025, impacting profitability.

4Q24 outturn

Riyadh Bank's special commission income increased 16.2% YOY to SAR 6,508 Mn in 4Q24 due to a strong growth in special commission income. The Bank's special commission expense rose 25.1% YOY to SAR 3,075 Mn in 4Q24, primarily due to a higher cost of funds and rise in deposits. As a result, the net special commission income increased 9.2% YOY to SAR 3,432 Mn in 4Q24. Fee and commission income recorded a strong growth of 48.9% YOY to SAR 825 Mn in 4Q24 owing to an increase in fees from banking services driven by growth in fees from credit facilities & advisory, and trade finance, while trading income rose 72.8% YOY to SAR 124 Mn owing to higher FX income. Furthermore, other income increased significantly from SAR 164 Mn in 4Q23 to SAR 273 Mn in 4Q24 owing to solid growth in investment related income. As a result, the Bank's non-funded income surged 54.7% YOY to SAR 1,222 Mn in 4Q24. Hence, Riyadh Bank's total operating income rose 18.4% YOY to SAR 4,655 Mn in 4Q24. The Bank's operating expenses increased 10.5% YOY to SAR 1,408 Mn in 4Q24 due to a rise in other operating and other general and administrative expenses due to higher

employee-related costs. Impairment charges rose 52.2% YOY to SAR 735 Mn in 4Q24 due to an increased impairment charge on investments and a substantial charge for credit losses. Zakat expense rose 17.1% YOY to SAR 263 Mn in 4Q24 in line with growth in profitability.

Target price and recommendation

We maintain our BUY rating on Riyadh Bank with a target price of SAR 36.0 per share. The Bank's net advances increased significantly 16.7% YOY to SAR 320.1 Bn in 4Q24 owing to a strong growth in corporate loans which grew 25% YOY. Riyadh Bank further estimates its loan book to grow by low double digits in 2025 owing to healthy volumes expected in the corporate and SME loans. The Bank's interest rate sensitivity remained unchanged as of December 2024 with a SAR 25.3 Mn impact on net funded income for a 25-bps change in interest rate. The Bank's cost to income declined 215 bps YOY to 30.2% in 4Q24 driven by solid cost efficiency. Additionally, we project 30.3% cost to income considering FY2025 guidance owing to investments in digital initiatives. Riyadh Bank asset quality improved with a healthy decline in NPL ratio to 1.0% in 4Q24 from 1.2% in 3Q24 driven by solid improvement across the manufacturing and construction sector partially offset by increase in the commerce sector, whereas the provision coverage ratio rose from 144.9% in 3Q24 to 167.1% in 4Q24. In addition, the Bank's capitalization improved with a CET 1 ratio of 16.4% and CAR of 18.9% in 4Q24. RIBL proposed a dividend of SAR 0.90 per share for 2H24 equivalent to SAR 2.7 Bn resulting in a total dividend of SAR 5.1 Bn for 2024 with a dividend yield of 5.7%. Thus, looking at the positives, we maintain our BUY rating on the stock.

RIBL - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	18.67	14.61	12.66	11.37	9.76	8.79
P/B (x)	1.99	1.93	1.95	1.64	1.50	1.38
Dividend Yield	1.7%	3.5%	3.9%	4.8%	5.7%	6.1%

FABS Estimates & Co Data

RIBL - P&L

SAR mm	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Special commission income	5,669	6,508	6,626	16.9%	1.8%	24,182	25,914	7.2%
Special commission expense	-2,619	-3,075	-3,161	20.7%	2.8%	-11,309	-12,389	9.5%
Net special commission income	3,051	3,432	3,465	13.6%	0.9%	12,873	13,526	5.1%
Fees and commissions	703	825	842	19.7%	2.0%	2,991	3,170	6.0%
Trading gain/(loss)	159	124	134	-15.7%	8.0%	529	572	8.0%
Other non-funded income	175	273	285	63.2%	4.4%	891	980	10.0%
Total other operating income	1,037	1,222	1,261	21.6%	3.2%	4,411	4,722	7.0%
Operating income	4,088	4,655	4,726	15.6%	1.5%	17,285	18,248	5.6%
Operating expenses	-1,346	-1,408	-1,473	9.4%	4.6%	-5,286	-5,533	4.7%
Pre-provision profit	2,742	3,247	3,253	18.6%	0.2%	11,999	12,715	6.0%
Impairment	-437	-735	-413	-5.4%	-43.8%	-1,632	-1,207	-26.0%
Share of profit of associates	6	8	0	NM	NM	30	0	NM
Profit Before Tax	2,311	2,520	2,840	22.9%	12.7%	10,397	11,508	10.7%
Zakat	-238	-263	-293	22.8%	11.2%	-1,075	-1,185	10.3%
Net profit attributable	2,073	2,257	2,548	22.9%	12.9%	9,322	10,322	10.7%

FABS estimate & Co Data

RIBL - KPI

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	74.6%	73.7%	73.3%	-131	-42	74.5%	74.1%	-36
NIM	3.2%	3.2%	3.1%	-8	-11	3.1%	2.9%	-24
NIS	2.6%	2.7%	2.5%	-14	-16	2.6%	2.3%	-25
Fees & comms/OI	17.2%	17.7%	17.8%	61	8	17.3%	17.4%	7
Trading/OI	3.9%	2.7%	2.8%	-105	17	3.1%	3.1%	7
Cost to income	32.9%	30.2%	31.2%	-176	92	30.6%	30.3%	-26
Impairment/PPP	15.9%	22.6%	12.7%	-323	-995	13.6%	9.5%	-411
NP/OI	50.7%	48.5%	53.9%	320	541	53.9%	56.6%	264
Cost of risk	0.6%	0.9%	0.5%	-11	-40	0.5%	0.4%	-15
Loan-to-deposit	104.4%	104.5%	106.0%	161	154	104.5%	106.0%	154
NPL	1.2%	1.0%	1.0%	-24	-3	1.0%	1.3%	32
NPL Coverage	140.8%	167.1%	168.0%	2,724	94	167.1%	170.0%	294
CET1	16.5%	16.4%	16.6%	11	19	16.4%	16.1%	-32
Capital Adequacy	19.3%	18.9%	19.1%	-25	12	18.9%	18.4%	-55
ROAE	15.2%	16.0%	16.5%	131	42	16.0%	16.4%	31
ROAA	2.1%	2.2%	2.3%	19	3	2.2%	2.2%	-5

FABS estimate & Co Data

RIBL - Key B/S items

	1Q24	2Q24	3Q24	4Q24	1Q25F	YOY Ch
SAR mm						
Net advances	282,854	291,051	305,408	320,089	329,790	16.6%
QOQ change	3.1%	2.9%	4.9%	4.8%	3.0%	
Total assets	404,859	405,029	433,366	450,379	464,403	14.7%
QOQ change	4.7%	0.0%	7.0%	3.9%	3.1%	
Customer deposits	270,948	276,009	293,575	306,423	311,123	14.8%
QOQ change	6.3%	1.9%	6.4%	4.4%	1.5%	
Total equity	53,514	55,783	56,577	58,556	61,104	14.2%
QOQ change	-0.3%	4.2%	1.4%	3.5%	4.4%	

FABS estimate & Co Data

1Q25 preview: Arab National Bank (ARNB)

Strong Growth in operating income to support profitability

Current Price SAR 21.70	12-m Target Price SAR 25.00	Upside/Downside (%) +15%	Rating BUY
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1Q25 Forecast

Arab National Bank's (ARNB/ the Bank) net profit is estimated to rise 5.2% YOY to SAR 1,300 Mn in 1Q25. The growth in net profit will mainly be driven by expected growth in net funded and non-funded income partially offset by a forecasted rise in operating expenses, impairment charges and higher tax charges. Funded income is anticipated to increase 8.6% YOY to SAR 3,786 Mn in 1Q25 due to an expected rise in average interest earning assets. On the other hand, funded expense is predicted to grow 8.0% YOY to SAR 1,684 Mn in 1Q25, mainly due to a rise in average interest-bearing liabilities. Resultantly, net funded income is expected to grow 9.0% YOY to SAR 2,102 Mn in 1Q25. Non-funded income is estimated to rise 22.3% YOY to SAR 467 Mn in 1Q25. The growth will be mainly driven by an expected rise in exchange income, unrealised gain on FVIS investments, net, and other non-funded income, supported by increase in fees and commission, trading income, dividend income and other operating income. Hence, operating income is forecasted to rise 11.2% YOY to SAR 2,569 Mn in 1Q25. Operating expenses are expected to increase 16.7% YOY to SAR 852 Mn in 1Q25. We expect the cost-to-income ratio to grow 156 bps YOY to 33.2% in 1Q25. Impairment charges are anticipated to increase 25.1% YOY to SAR 202 Mn in 1Q25. The Bank is expected to see share of results of associates amounting to SAR 15 Mn in 1Q25 compared to negative SAR 1 Mn in 1Q24. Tax expense is estimated to grow 26.0% YOY to SAR 228 Mn in 1Q25. Similarly, we expect the Bank to see the non-controlling interest to be SAR 1 Mn in 1Q25 compared to Nil in 1Q24.

2025 Forecast

ARNB's net profit is anticipated to grow 7.7% YOY to SAR 5,351 Mn in 2025, mainly due to an increase in net funded and non-funded income, partially offset by a rise in operating expenses, impairment charges, decrease in Share of results of associates, increase in tax expenses and non-controlling interest. Funded income is estimated to grow 10.5% YOY to SAR 15,968 Mn in 2025, mainly due to anticipated growth in average interest earning assets. Funded expense is expected to rise 10.8% YOY to SAR 7,179 Mn in 2025, attributed to projected growth in interest bearing liabilities. Resultantly, net funded income is expected to grow 10.3% YOY to SAR 8,790 Mn in 2025. Total non-funded income is forecasted to grow 8.5% YOY to SAR 1,658 Mn in 2025, primarily due to an anticipated increase in fees & commission income, exchange income, dividend income, other operating income and other non-funded income, partially offset by decline in trading income. Thus, operating income is likely to rise 10.0% YOY to SAR 10,448 Mn in 2025. Operating expenses are projected to grow 6.5% YOY to SAR 3,332 Mn in 2025. Cost-to-income is expected to fall 104 bps YOY to 31.9% in 2025. Impairment charges are estimated to increase 15.5% YOY to SAR 883 Mn in 2025. Share of results of associates is predicted to fall significantly from SAR 145 Mn in 2024 to SAR 60 Mn in 2025. Tax expense is anticipated to grow 19.4% YOY to SAR 938 Mn in 2025, due to an increase in profitability. The Company's non-controlling interest is projected to increase substantially from SAR 1 Mn in 2024 to SAR 5 Mn in 2025.

4Q24 Outturn

ARNB's funded income grew 7.2% YOY to SAR 3,639 Mn in 4Q24 attributable to strong growth in advances and investments. On the other hand, funded expenses increased 5.3% YOY to SAR 1,610 Mn in 4Q24 due to growth in deposits and other interest-bearing liabilities. Thus, net funded income grew 8.7% YOY to SAR 2,028 Mn in 4Q24. Fee & commission rose 16.1% YOY to SAR 105 Mn, while Exchange income grew 22.6% YOY to SAR 104 Mn in 4Q24. The Bank recorded a loss from trading activities of SAR 3 Mn in 4Q24, compared to SAR 1 Mn in 4Q23. Dividend income fell 5.3% YOY to SAR 31 Mn in 4Q24. Unrealised gain of FVIS investments stood at SAR 157 Mn in 4Q24 compared to an unrealized loss of SAR 5 Mn in 4Q24. Other operating income fell 20.5% YOY to SAR 23 Mn in 4Q24. Other non-funded income grew significantly from SAR 141 Mn in 4Q23 to SAR 314 Mn in 4Q24.

As a result, non-funded income rose from SAR 231 Mn in 4Q23 to SAR 418 Mn in 4Q24. The operating income expanded 16.7% YOY to SAR 2,446 Mn in 4Q24. Operating expenses grew 10.2% YOY to SAR 872 Mn in 4Q24 due to a growth in salaries and employee-related expenses, partially offset by decline in other G&A expenses. Thus, cost-to-income ratio improved from 37.8% in 4Q23 to 35.7% in 4Q24. Impairment charges increased substantially 48.7% YOY to SAR 271 Mn in 4Q24. Share of results of associates grew from negative SAR 17 Mn in 4Q23 to positive SAR 132 Mn in 4Q24. Hence, profit before tax surged 29.8% to SAR 1,435 Mn in 4Q24. ARNB recorded a tax expense of SAR 178 Mn in 4Q24 compared to SAR 144 Mn in 4Q23.

Target Price and Recommendation

We maintain our BUY rating on Arab National Bank with a target price of SAR 25.00. Arab National Bank recorded a growth in profitability in 4Q24 owing to a growth in net funded as well as non-funded income. It witnessed a contraction in the asset yield which was partially offset by a decline in the cost of funds. As per our calculation, NIMs declined 8 bps YOY & 17 bps QOQ to 3.5% in 4Q24. The share of time deposits also declined from SAR 83.6 Bn in 3Q24 to SAR 82.2 Bn in 4Q24 which is likely to benefit the NIMs since time deposits are a costlier source of funding. ARNB holds a well-diversified loan portfolio with exposure to corporate as well as retail sectors. The management expects advances to grow by the mid-teens in FY2025. The Bank is poised to benefit from its growing investment portfolio in a declining interest rate scenario. ARNB witnessed an improvement in the cost to income ratio in FY2024 despite significant strategic investments in staff, infrastructure, technology, and continued digitalization initiatives. It further expects the cost to income ratio to be recorded below 32.0% in FY2025, which is likely to benefit the profitability. Furthermore, ARNB's asset quality improved as Stage 2 loans as a percentage of total loans declined from 9.3% in FY2023 to 7.1% in FY2024. The reported NPL ratio improved from 1.3% in 3Q24 to 1.2% in 4Q24. Provision coverage ratio improved from 144.5% in 3Q24 to 148.5% in 4Q24, providing cushion against potential bad loans. Moreover, strong underwriting standards led to an improvement in the quality of new loans issued. The Bank's capitalization stood well above the regulatory limits with a Tier 1 ratio of 17.2% and CAR of 18.9% in 4Q24. The regulatory liquidity coverage ratio stood at 132.0% in 4Q24, well above the limit of 100.0%. ARNB expects to record ROE of more than 13.0% in FY2025. The board of directors have decided to distribute cash dividends of SAR 0.65 per share for 2H24. Thus, based on our analysis, we maintain our BUY rating to BUY on the stock.

ARNB - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	19.63	18.69	13.25	9.99	8.19	7.60
P/B (x)	1.37	1.34	1.29	1.14	1.07	1.00
Dividend yield	1.5%	2.9%	4.1%	6.6%	6.2%	6.8%

FABS Estimates & Co Data

ARNB- P&L

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
SAR mm								
Funded income	3,487	3,639	3,786	8.6%	4.1%	14,454	15,968	10.5%
Funded expense	-1,560	-1,610	-1,684	8.0%	4.6%	-6,482	-7,179	10.8%
Net funded income	1,928	2,028	2,102	9.0%	3.6%	7,972	8,790	10.3%
Fees and commissions	204	105	157	-23.0%	50.0%	709	780	10.0%
Exchange income, net	69	104	91	33.0%	-12.5%	326	399	22.4%
Unrealised gain on FVIS invt, net	19	157	157	725.3%	0.0%	174	174	0.0%
Trading Income	14	-3	4	-73.5%	-210.0%	59	41	-30.0%
Dividend income	40	31	34	-16.0%	10.0%	158	166	5.0%
Other operating income	33	23	24	-26.3%	5.0%	96	99	3.0%
Other non-funded income	178	314	310	74.3%	-1.2%	819	879	7.3%
Non-funded income	382	418	467	22.3%	11.6%	1,528	1,658	8.5%
Operating income	2,309	2,446	2,569	11.2%	5.0%	9,500	10,448	10.0%
Operating expenses	-730	-872	-852	16.7%	-2.3%	-3,128	-3,332	6.5%
Pre-provision profit	1,579	1,574	1,717	8.7%	9.1%	6,372	7,116	11.7%
Impairment	-162	-271	-202	25.1%	-25.5%	-764	-883	15.5%
Share of results of associates	-1	132	15	NM	-88.6%	145	60	-58.6%
PBT	1,417	1,435	1,529	7.9%	6.6%	5,753	6,294	9.4%
Zakat	-181	-178	-228	26.0%	28.2%	-786	-938	19.4%
Profit after tax	1,236	1,257	1,301	5.3%	3.5%	4,967	5,356	7.8%
Non-controlling int.	0	-1	-1	NM	NM	-1	-5	NM
Net profit attributable	1,236	1,256	1,300	5.2%	3.5%	4,966	5,351	7.7%

FABS estimate & Co Data

ARNB - KPI

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	83.5%	82.9%	81.8%	-164	-107	83.9%	84.1%	21
NIM	3.5%	3.5%	3.5%	-5	2	3.6%	3.5%	-4
NIS	3.0%	3.0%	3.0%	-2	1	3.0%	3.0%	-2
Fees & comms/OI	8.8%	4.3%	6.1%	-272	183	7.5%	7.5%	0
Impairment/PPP	10.2%	17.2%	11.8%	154	-545	12.0%	12.4%	41
Cost to income	31.6%	35.7%	33.2%	156	-249	32.9%	31.9%	-104
NP/OI	53.5%	51.4%	50.6%	-288	-74	52.3%	51.2%	-106
Cost of risk	0.4%	0.4%	0.5%	4	3	0.4%	0.5%	4
Loan-to-deposit calculated	90.5%	93.0%	93.1%	266	9	93.0%	93.1%	9
NPL calculated	1.3%	1.2%	1.4%	2	15	1.2%	1.4%	15
NPL coverage calculated	156.3%	148.5%	149.0%	-734	52	148.5%	149.0%	52
Tier 1	17.9%	17.2%	17.3%	-60	8	17.2%	16.6%	-57
Capital adequacy	19.8%	18.9%	19.0%	-84	3	18.9%	18.2%	-74
ROAE	12.5%	13.4%	13.5%	97	5	13.4%	13.6%	12
ROAA	1.9%	2.1%	2.1%	16	-5	2.1%	2.0%	-7

FABS estimate & Co data

ARNB - Key B/S items

	1Q24	2Q24	3Q24	4Q24	1Q25F	YOY Ch
SAR mm						
Net advances	157,875	161,612	166,330	169,495	176,144	11.6%
QOQ change	3.7%	2.4%	2.9%	1.9%	3.9%	
Total assets	232,146	234,752	240,962	248,307	255,533	10.1%
QOQ change	4.8%	1.1%	2.6%	3.0%	2.9%	
Customer deposits	174,541	175,586	180,843	182,198	189,169	8.4%
QOQ change	5.2%	0.6%	3.0%	0.7%	3.8%	
Total equity	35,170	36,172	36,381	38,218	39,518	12.4%
QOQ change	-1.7%	2.9%	0.6%	5.0%	3.4%	

FABS estimate & Co data

1Q25 preview: Alinma Bank

Growth in net advances and lower cost of funds to drive profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 28.80	SAR 37.00	+28%	BUY

1Q25 estimate

Alinma Bank (Alinma/the Bank) is expected to report a 24.0% YOY rise in net profit to SAR 1,631 Mn in 1Q25. The growth in net profit will mainly be driven by an expected rise in net funded and non-funded income, coupled with anticipated lower impairment charges, partially offset by a projected increase in operating expenses. Funded income is predicted to expand 13.5% YOY to SAR 4,313 Mn in 1Q25 as the bank is projected to witness an increase in average interest-earning assets. On the other hand, the funded expense is expected to grow 9.7% YOY to SAR 1,961 Mn in 1Q25 due to an estimated rise in average interest-bearing liabilities. Thus, net funded income is likely to grow 16.9% YOY to SAR 2,352 Mn in 1Q25. Fee and commission income is anticipated to expand 5.6% YOY to SAR 416 Mn in 1Q25. Trading gains are forecasted to rise 41.2% YOY to SAR 109 Mn in 1Q25. However, other non-funded income is projected to decline 14.6% YOY to SAR 69 Mn in 1Q25. Thus, total non-funded income is expected to increase 7.6% YOY to SAR 594 Mn in 1Q25. As a result, operating income is likely to grow 14.9% YOY to SAR 2,947 Mn in 1Q25. Operating expenses are anticipated to grow 4.6% YOY to SAR 872 Mn in 1Q25. Moreover, we expect the cost-to-income ratio to decline 291 bps YOY to 29.6% in 1Q25. Impairment charges are anticipated to fall 3.5% YOY to SAR 257 Mn in 1Q25. Zakat expense is forecasted to increase 23.9% YOY to SAR 187 Mn in 1Q25 in line with growth in profit before tax.

2025 forecast

We forecast Alinma's net profit to rise significantly by 15.9% YOY to SAR 6,756 Mn in 2025. The growth in net profit is mainly driven by an expected growth in net funded and non-funded income, partially offset by an estimated growth in operating expenses and impairment charges. Funded income is anticipated to increase 10.4% YOY to SAR 17,836 Mn in 2025 due to growth in average interest-earning assets. On the other hand, the funded expense is expected to rise 6.6% YOY to SAR 8,002 Mn in 2025, attributed to a rise in average interest-bearing liabilities. Thus, net funded income is expected to grow 13.7% YOY to SAR 9,833 Mn in 2025. Fees and commission income is predicted to rise 8.0% YOY to SAR 1,737 Mn in 2025. Trading gains are projected to expand 5.0% YOY to SAR 399 Mn in 2025, while the other non-funded income is estimated to decline 8.5% YOY to SAR 278 Mn in 2025. Thus, non-funded income is expected to grow 5.3% YOY to SAR 2,413 Mn in 2025. As a result, total operating income is estimated to increase 11.9% YOY to SAR 12,247 Mn in 2025. Operating expenses are anticipated to increase 6.8% YOY to SAR 3,612 Mn in 2025. Moreover, we expect the cost-to-income ratio to decline 143 bps YOY to 29.5% in 2025. Impairment expense is anticipated to grow 5.0% YOY to SAR 1,102 Mn in 2025. Zakat expense is expected to grow 15.7% YOY to SAR 776 Mn in 2025 in line with growth in profit before tax.

4Q24 outturn

Alinma Bank reported a 15.8% YOY growth in net profit to SAR 1,529 Mn in 4Q24 due to growth in net funded and non-funded income, and a decline in impairment charges, partially offset by an increase in operating expenses. Funded income grew 12.1% YOY to SAR 4,207 Mn in 4Q24, primarily due to an expansion in net advances and other interest-bearing assets, partially offset by a softening in asset yield. Funded expenses grew from SAR 1,700 Mn in 4Q23 to SAR 1,941 Mn in 4Q24, mainly due to higher liabilities offset by lower funding costs owing to a decline in benchmark rates. Thus, net funded income rose 10.3% YOY to SAR 2,266 Mn in 4Q24. Fees and commission income rose 13.8% YOY to SAR 408 Mn in 4Q24, whereas trading income expanded 35.3% YOY to SAR 107 Mn. Furthermore, other non-funded income fell from SAR 76 Mn in 4Q23 to SAR 33 Mn in 4Q24 owing to a drop in valuation of investments. As a result, the Bank's non-funded income grew 6.7% YOY to

SAR 549 Mn in 4Q24. Total operating income rose 9.6% YOY to SAR 2,815 Mn in 4Q24. Moreover, total operating expenses increased 11.6% YOY to SAR 864 Mn in 4Q24, primarily due to a rise in personnel costs and other G&A expenses. However, the cost-to-income ratio improved 57 bps YOY to 30.7% in 4Q24, while the company expects it to remain below 30% in 2025. Besides, impairment charges declined 16.8% YOY to SAR 252 Mn in 4Q24. Zakat expenses rose 15.8% YOY to SAR 176 Mn in 4Q24 due to the growth in pre-tax profit.

Target price and recommendation

We maintain our BUY rating on Alinma Bank with a target price of SAR 37.00. The Bank reported almost in-line profitability growth in 4Q24 owing to a growth in funded and non-funded income and a decline in provisioning. It further expects strong mid-teens growth in advances in 2025 followed by strong growth recorded in the previous year. Alinma also expects flat NIMs in 2025 owing to faster repricing of liabilities compared to assets, retail advances comprising 24% of the total loan book in 2024 and higher advances attributed to the mid-corporates and SMEs sector. The Bank has sizable exposure in investments which amounted to SAR 48.6 Bn in 4Q24 equivalent to 17.6% of total assets. The majority of the investment is of a long-term nature which benefits in a declining interest rate scenario. It also expects the cost-to-income ratio to remain below 30% in the forecasted period. Alinma is expected to benefit from the growth in economic activity and expects a cost of risk of 45-55 bps in 2025. In addition, it expects no significant change in cost of risk in the next three to five years given the robust economic activity expected going forward. ALINMA maintained a healthy capitalization, with a CAR of 17.7% & Tier 1 capital ratio of 16.7% in 4Q24. The Bank declared a dividend of SAR 0.30 per share amounting to a total dividend of SAR 1.10 per share in 2024. Thus, based on the above-mentioned factors, we maintain a BUY rating on the stock.

Alinma - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	36.37	26.39	19.87	14.78	12.90	11.26
P/B (x)	2.93	2.87	2.76	2.44	2.19	1.97
Dividend Yield	0.8%	2.1%	2.6%	3.2%	3.8%	4.2%

FABS Estimates & Co Data

Alinma Bank- P&L

SAR mm	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	3,799	4,207	4,313	13.5%	2.5%	16,155	17,836	10.4%
Funded expense	-1,787	-1,941	-1,961	9.7%	1.0%	-7,506	-8,002	6.6%
Net funded income	2,012	2,266	2,352	16.9%	3.8%	8,649	9,833	13.7%
Fees and commissions	394	408	416	5.6%	2.0%	1,608	1,737	8.0%
Trading gain/(loss)	77	107	109	41.2%	1.3%	380	399	5.0%
Other non-funded income	81	33	69	-14.6%	107.9%	304	278	-8.5%
Non-funded income	553	549	594	7.6%	8.3%	2,291	2,413	5.3%
Operating income	2,565	2,815	2,947	14.9%	4.7%	10,940	12,247	11.9%
Operating expenses	-834	-864	-872	4.6%	1.0%	-3,384	-3,612	6.8%
Pre-provision profit	1,731	1,951	2,075	19.9%	6.3%	7,556	8,635	14.3%
Impairment	-266	-252	-257	-3.5%	1.8%	-1,050	-1,102	5.0%
Impair on other financial assets	-2	-3	0	NM	NM	-1	0	NM
Share of profit of assoc	-1	3	0	NM	NM	-5	0	NM
Net profit before zakat	1,466	1,705	1,818	24.0%	6.6%	6,502	7,532	15.8%
Zakat	-151	-176	-187	23.9%	6.5%	-670	-776	15.7%
Net profit attributable	1,315	1,529	1,631	24.0%	6.7%	5,832	6,756	15.9%

FABS estimate & Co Data

Alinma Bank - KPI

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	78.5%	80.5%	79.8%	137	-67	79.1%	80.3%	124
NIM	3.4%	3.4%	3.5%	3	3	3.5%	3.5%	2
NIS	2.8%	2.8%	2.9%	6	4	2.9%	2.9%	5
Fees & comms/OI	15.4%	14.5%	14.1%	-125	-37	14.7%	14.2%	-52
Trading/OI	3.0%	3.8%	3.7%	69	-13	3.5%	3.3%	-22
Cost to income	32.5%	30.7%	29.6%	-291	-109	30.9%	29.5%	-143
Impairment/PPP	15.4%	12.9%	12.4%	-300	-55	13.9%	12.8%	-113
NP/OI	51.3%	54.3%	55.3%	407	102	53.3%	55.2%	186
Cost of risk (calculated)	0.6%	0.5%	0.5%	-10	-1	0.5%	0.5%	-5
Loan-to-deposit	95.6%	96.1%	96.5%	92	45	97.9%	99.8%	193
NPL (calculated)	1.3%	1.1%	1.3%	2	24	1.1%	1.8%	69
NPL Coverage	181.1%	172.3%	165.0%	-1610	-726	172.3%	157.0%	-1526
Tier 1	17.9%	16.7%	16.9%	-101	17	16.7%	16.8%	12
Capital adequacy	19.1%	17.7%	17.9%	-118	15	17.7%	17.8%	3
ROAE	17.3%	17.8%	17.8%	52	2	18.9%	18.3%	-60
ROAA	2.3%	2.3%	2.3%	7	6	2.3%	2.3%	6

FABS estimate & Co Data

Alinma Bank - Key B/S items

SAR mm	1Q24	2Q24	3Q24	4Q24	1Q25F	YOY Ch
Net advances	180,702	189,912	195,895	202,308	208,705	15.5%
QOQ change	4.1%	5.1%	3.2%	3.3%	3.2%	
Total assets	244,859	260,138	266,983	276,827	283,399	15.7%
QOQ change	3.4%	6.2%	2.6%	3.7%	2.4%	
Customer deposits	188,988	205,357	209,140	210,545	216,198	14.4%
QOQ change	0.6%	8.7%	1.8%	0.7%	2.7%	
Total equity	39,348	40,037	41,158	41,442	42,961	9.2%
QOQ change	14.6%	1.8%	2.8%	0.7%	3.7%	

FABS estimate & Co Data

1Q25 preview: Al Bilad Bank (ALBI)

Increase in net funded income to drive profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 35.1	SAR 38.00	+8%	HOLD

1Q25 Estimate

Bank Albilad's (ALBI/ the Bank) net profit is expected to grow 17.5% YOY to SAR 756 Mn in 1Q25, mainly driven by an anticipated increase in net funded and non-funded income, partially offset by an estimated rise in opex and impairment losses. ALBI's net-funded income is forecasted to grow 16.0% YOY to SAR 1,212 Mn in 1Q25, driven by a projected rise in income from investing and financing, partially offset by a forecasted increase in return on deposits and finance liabilities. Income from investing and financing is anticipated to rise 11.7% YOY to SAR 2,300 Mn in 1Q25 due to expected growth in average interest-earning assets. Return on deposits and finance liabilities is predicted to expand 7.2% YOY to SAR 1,089 Mn in 1Q25, attributed to the projected rise in average interest-bearing liabilities. The Bank's fees and commission income is projected to grow 33.0% YOY to SAR 209 Mn and exchange income is forecasted to increase significantly from SAR 55 Mn in 1Q24 to SAR 106 Mn in 1Q25. However, other non-funded income is anticipated to fall from SAR 85 Mn in 1Q24 to SAR 38 Mn in 1Q25. Thus, total non-funded income is expected to rise 19.0% YOY to SAR 353 Mn in 1Q25. As a result, ALBI's total operating income is expected to increase 16.6% YOY to SAR 1,565 Mn in 1Q25. Opex is predicted to increase 16.3% YOY to SAR 666 Mn in 1Q25. Impairment charges are anticipated to boost 8.1% YOY to SAR 56 Mn in 1Q25. The Bank's zakat expenses are expected to increase 17.5% YOY to SAR 87 Mn in 1Q25, which is in line with growth in profit before tax.

2025 Forecast

ALBI's net profit is estimated to increase 9.9% YOY to SAR 3,084 Mn in 2025, driven by a healthy growth expected in net funded and non-funded income, partially offset by a rise in G&A expenses and impairment losses. Net funded income is projected to grow 13.3% YOY to SAR 5,021 Mn in 2025, driven by an anticipated rise in income from investing and financing, partially offset by a forecasted increase in return on deposits and finance liabilities. Income from investing and financing is anticipated to grow 11.0% YOY to SAR 9,500 Mn in 2025, attributed to projected growth in average interest-earning assets. Return on deposits and finance liabilities is anticipated to rise 8.6% YOY to SAR 4,479 Mn in 2025, mainly due to an increase in the cost of funds and average interest-bearing liabilities. The Bank's fees and commission income and exchange income are projected to grow 5.0% YOY to SAR 736 Mn and SAR 332 Mn, respectively in 2025. Other non-funded income is forecasted to increase 3.3% YOY to SAR 229 Mn in 2025. Thus, the total non-funded income is likely to grow 4.7% YOY to SAR 1,296 Mn in 2025. As a result, total operating income is expected to increase 11.4% YOY to SAR 6,318 Mn in 2025. Opex is predicted to rise 7.1% YOY to SAR 2,584 Mn in 2025. Impairment charges are anticipated to surge significantly from SAR 130 Mn in 2024 to SAR 295 Mn in 2025. The Bank's zakat expense is projected to increase 9.9% YOY to SAR 354 Mn in 2025, which is in line with growth in profit before tax.

4Q24 Outturn

ALBI's funded income grew 7.8% YOY to SAR 2,190 Mn in 4Q24, driven by growth in advances and other interest-bearing assets partially offset by lower asset yield. On the other hand, funded expenses inched up 1.8% YOY to SAR 1,045 Mn in 4Q24. Thus, net funded income grew 13.9% YOY to SAR 1,144 Mn in 4Q24. Fees and commission income rose 28.9% YOY to SAR 206 Mn in 4Q24. Exchange income fell 10.0% YOY to SAR 105 Mn while other non-funded income declined from SAR 56 Mn in 4Q23 to SAR 21 Mn in 4Q24. As a result, total non-funded income marginally fell 0.2% YOY to SAR 332 Mn in 4Q24. Thus, the Bank's total operating income rose 10.4% YOY to SAR 1,477 Mn in 4Q24. Furthermore, the Bank's operating expenses rose 6.5% YOY to SAR 654 Mn in 4Q24 mainly due to the increase in salaries and employee-related expense and other G&A expenses partially offset by

lower D&A expenses. However, the Bank's cost-to-income ratio improved 162 bps YOY to 44.3% in 4Q24. The Bank recorded an impairment reversal of SAR 58 Mn in 4Q24 compared to an impairment charge of SAR 47 Mn in 4Q23. Zakat expenses grew 30.1% YOY to SAR 91 Mn in 4Q24 in line with growth in profitability.

Target price and recommendation

We maintain our HOLD rating on the ALBI stock with a target price of SAR 38.00. ALBI reported robust financial performance in 4Q24. NIMs grew 11 bps YOY but fell 14 bps QOQ to 3.0% in 4Q24. In addition, the cost-to-income ratio improved from 45.9% in 4Q23 to 44.3% in 4Q24 reflecting its robust cost control which is likely to benefit the profitability. Moreover, its investment portfolio is witnessing solid growth and majority of the investments are in long term fixed income securities which is likely to benefit the Bank in a declining interest rate scenario. Asset quality improved as NPLs declined from 1.4% in 4Q23 to 1.2% in 4Q24 with a coverage ratio of 198.4% in 4Q24, compared to 203.0% in 4Q23. The coverage provides a cushion in case of potential bad loans. ALBI is poised to benefit from its balanced loan portfolio with exposure to retail as well as the corporate sector. The Bank continued to preserve capital to maintain growth with CET 1 and CAR ratios of 14.6% and 18.3%, respectively in 4Q24. The Headline Loan-to-deposit ratio rose from 87.2% in 3Q24 to 89.8% in 4Q24. ALBI's board of directors recommended the issuance of one bonus share for every five shares held. It will increase the share capital from SAR 12.5 Bn to SAR 15.0 Bn, with SAR 1.5 Bn being transferred from retained earnings and SAR 1.0 Bn from statutory reserves. Thus, based on our analysis, we maintain a HOLD rating on the stock.

Bank Al Bilad - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	32.16	25.72	20.84	18.31	15.46	14.06
PB	4.04	3.62	3.36	2.84	2.60	2.30
Dividend Yield	NA	NA	1.2%	1.2%	2.2%	2.2%

FABS Estimates & Co Data

Bank Al Bilad - P&L

SAR mm	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Income from invest & fin.	2,060	2,190	2,300	11.7%	5.0%	8,559	9,500	11.0%
Return on deposits & fin. liab.	-1,016	-1,045	-1,089	7.2%	4.1%	-4,126	-4,479	8.6%
Net funded income	1,045	1,144	1,212	16.0%	5.9%	4,434	5,021	13.3%
Fees and commissions	157	206	209	33.0%	1.3%	701	736	5.0%
Exchange income	55	105	106	94.0%	1.3%	316	332	5.0%
Other non-funded income	85	21	38	-55.7%	80.8%	221	229	3.3%
Total non-funded income	297	332	353	19.0%	6.2%	1,238	1,296	4.7%
Total operating income	1,341	1,477	1,565	16.6%	6.0%	5,672	6,318	11.4%
General & admin. Expenses	-573	-654	-666	16.3%	2.0%	-2,413	-2,584	7.1%
Pre provision profit	768	823	898	16.9%	9.1%	3,258	3,734	14.6%
Impairment	-52	58	-56	8.1%	-196.6%	-130	-295	127.7%
Profit before zakat	717	881	842	17.5%	-4.3%	3,129	3,438	9.9%
Zakat expenses	-74	-91	-87	17.5%	-4.3%	-322	-354	9.9%
Net profit attributable	643	790	756	17.5%	-4.3%	2,807	3,084	9.9%

FABS Estimates & Co Data

Bank Al Bilad - P&L KPI

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	77.9%	77.5%	77.4%	-44	-5	78.2%	79.5%	131
NIM	3.0%	3.0%	3.2%	20	14	3.1%	3.2%	17
NIS	2.5%	2.6%	2.7%	21	12	2.6%	2.8%	14
Fees & comms/OI	11.7%	14.0%	13.4%	164	-62	12.4%	11.6%	-71
Other Operating Inc/OI	10.4%	8.5%	9.2%	-120	68	9.5%	8.9%	-60
Cost to income	42.7%	44.3%	42.6%	-12	-167	42.6%	40.9%	-165
Impairment/PPP	6.7%	-7.0%	6.2%	-50	1322	4.0%	7.9%	393
NP/OI	47.9%	53.5%	48.3%	36	-520	49.5%	48.8%	-67
Cost of risk	0.2%	-0.2%	0.2%	0	41	0.1%	0.3%	13
Loan-to-deposit	90.8%	89.8%	91.6%	80	187	89.8%	95.4%	562
NPL (calculated)	1.4%	1.2%	1.3%	-7	12	1.2%	1.3%	11
Coverage excluding collateral	199.8%	198.4%	202.0%	224	361	198.4%	206.0%	761
CET1	14.0%	14.6%	15.1%	114	57	14.6%	15.7%	110
Capital Adequacy	17.8%	18.3%	18.9%	109	55	18.3%	19.3%	93
ROAE	18.7%	17.6%	19.4%	71	180	17.6%	17.4%	-21
ROAA	1.8%	1.9%	1.9%	18	5	1.9%	1.9%	5

FABS estimate & Co Data

Bank Al Bilad-Key BS Items

	1Q24	2Q24	3Q24	4Q24	1Q25F	Change
SAR mm						
Net advances	103,306	104,310	106,695	109,304	112,808	9.2%
QOQ Change	1.2%	1.0%	2.3%	2.4%	3.2%	
Total assets	143,700	145,291	153,722	154,965	157,776	9.8%
QOQ Change	0.4%	1.1%	5.8%	0.8%	1.8%	
Customer deposits	113,741	114,530	122,342	121,776	123,114	8.2%
QOQ Change	0.8%	0.7%	6.8%	-0.5%	1.1%	
Total equity	15,701	15,806	16,132	16,693	17,449	11.1%
QOQ Change	2.9%	0.7%	2.1%	3.5%	4.5%	

FABS estimate & Co Data

1Q25 preview: Al Rajhi Bank (RJHI)

Strong growth in asset yield to boost the bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 97.80	SAR 103.00	+5.0%	HOLD

1Q25 estimate

Al Rajhi Bank (Al Rajhi/the Bank) net profit is expected to grow 28.3% YOY to SAR 5,652 Mn in 1Q25. The increase is attributed to the anticipated rise in net-funded and non-funded income, partially offset by an expected increase in operating expenses, impairment charges, and zakat expenses. Net funded income is anticipated to grow 25.3% YOY to SAR 7,077 Mn in 1Q25, due to strong growth expected in financing and investment income, partially offset by a projected rise in financing and investment expense. Financing and investment income is projected to grow 21.6% YOY to SAR 13,133 Mn in 1Q25, driven by expected growth in average interest-earning assets. On the other hand, financing and investment expenses are forecasted to grow 17.4% YOY to SAR 6,055 Mn in 1Q25 due to an expected rise in average interest-bearing liabilities. Net fees from banking services are forecasted to expand 25.3% YOY to SAR 1,301 Mn, while net exchange income is estimated to grow 21.3% YOY to SAR 357 Mn in 1Q25. Furthermore, other operating income is expected to fall 8.1% YOY to SAR 229 Mn in 1Q25. As a result, total non-funded income is predicted to increase 19.3% YOY to SAR 1,888 Mn in 1Q25. Hence, Al Rajhi's total operating income is likely to rise 24.0% YOY to SAR 8,965 Mn in 1Q25. Salaries and employee-related expenses are projected to rise 9.4% YOY to SAR 983 Mn in 1Q25. Other G&A expenses are expected to increase 5.8% YOY to SAR 576 Mn in 1Q25. Depreciation and amortization charges are anticipated to increase 11.1% YOY to SAR 500 Mn in 1Q25. Thus, total operating expenses are predicted to increase 8.8% YOY to SAR 2,060 Mn in 1Q25. Impairment charges are expected to grow significantly from SAR 421 Mn in 1Q24 to SAR 620 Mn in 1Q25. Additionally, the zakat expense is predicted to grow 23.4% YOY to SAR 628 Mn in 1Q25 considering the growth in the Profit before zakat.

2025 forecast

Al Rajhi Bank is expected to report a 20.3% YOY growth in net profit to SAR 23,725 Mn in 2025, primarily due to an anticipated increase in net funded and non-funded income, partially offset by a rise in operating expenses and impairment charges. Financing and investment income is expected to increase 11.2% YOY to SAR 52,289 Mn in 2025, driven by expected growth in average interest-earning assets. However, financing and investment expenses are anticipated to rise 3.2% YOY to SAR 22,892 Mn in 2025, attributed to an increase in average interest-bearing liabilities. Resultantly, net financing and investment income is likely to grow 18.3% YOY to SAR 29,397 Mn in 2025. Total non-funded income is likely to increase 8.8% YOY to SAR 7,849 Mn in 2025, due to an expected increase in fee & commission, exchange, and other operating income. Net fees from banking services are anticipated to grow 8.0% YOY to SAR 5,068 Mn in 2025, while net exchange income is estimated to increase 7.0% YOY to SAR 1,383 Mn in 2025. Additionally, other operating income is expected to rise 13.9% YOY to SAR 1,397 Mn in 2025. Thus, total operating income will likely increase 16.2% YOY to SAR 37,246 Mn in 2025. The Bank's salaries and employee-related benefits are projected to increase 5.0% YOY to SAR 3,910 Mn, whereas other G&A expenses are anticipated to rise 6.0% YOY to SAR 2,401 Mn in 2025. Additionally, D&A charges are forecasted to increase marginally by 0.9% YOY to SAR 2,000 Mn in 2025. Hence, total operating expenses are anticipated to increase 4.3% YOY to SAR 8,311 Mn in 2025. Impairment charges are expected to rise 20.7% YOY to SAR 2,555 Mn in 2025. Zakat expense is anticipated to increase 17.9% YOY to SAR 2,638 Mn in 2025. Al Rajhi's non-controlling interest is predicted to rise significantly from SAR 9 Mn in 2024 to SAR 17 Mn in 2025.

4Q24 outturn

Al Rajhi Bank's net profit increased 32.3% YOY to SAR 5,516 Mn in 4Q24 was attributable to a substantial rise in funded and non-funded income, partially offset by higher impairment and zakat

charges. ALRAJHI's funded income rose 19.8% YOY to SAR 12,828 Mn in 4Q24 driven by a healthy growth in net advances and other interest-earning assets. On the other hand, funded expenses increased significantly by 14.2% YOY to SAR 5,886 Mn in 4Q24 primarily due to a rise in the customer deposits and other interest-bearing liabilities. Thus, ALRAJHI's net funded income grew 25.1% YOY to SAR 6,941 Mn in 4Q24. Net fees from banking services increased 30.4% YOY to SAR 1,288 Mn in 4Q24, while exchange income grew 4.9% YOY to SAR 337 Mn in 4Q24. However, the Bank's other operating income fell 4.4% YOY to SAR 183 Mn in 4Q24. Thus, the Bank's total non-funded income rose significantly by 20.5% YOY to SAR 1,809 Mn in 4Q24. ALRAJHI's total operating income expanded 24.1% YOY to SAR 8,750 Mn in 4Q24. Salaries & employee-related benefits expenses rose 6.8% YOY to SAR 946 Mn in 4Q24, whereas other general and administrative expenses declined 19.2% YOY to SAR 544 Mn in 4Q24. Additionally, D&A expenses grew significantly by 27.7% YOY to SAR 561 Mn in 4Q24. Resultantly, the Bank's total operating expenses increased 2.6% YOY to SAR 2,050 Mn in 4Q24. Thus, the cost-to-income ratio improved to 23.4% in 4Q24 compared to 28.3% in 4Q23. The Bank's impairment charges increased significantly from SAR 406 Mn in 4Q23 to SAR 553 Mn in 4Q24. Additionally, the Bank zakat expenses rose 31.3% YOY to SAR 626 Mn in 4Q24. Share of profit attributable to non-controlling interest holders stood at SAR 5 Mn in 4Q24.

Target price and recommendation

We maintain our HOLD rating on ALRAJHI with a target price of SAR 103.00. ALRAJHI witnessed strong growth in profitability driven by a substantial rise in funded and non-funded income in 4Q24. NIMs expanded 21 bps YOY and 7 bps QOQ to 3.1% in 4Q24 despite a decline in interest rates. The Bank's 2025 loan guidance stood at high-single-digit for 2025. Moreover, its high exposure to long-term fixed-rate mortgages and the retail sector will benefit ALRAJHI owing to slower asset repricing in a declining interest rate scenario. Moreover, the Bank NIMs are poised to benefit from the CASA deposits, which represent 73.4% of the total deposits in 4Q24. CASA deposits are a cheaper source of funding compared to time deposits. The Bank's NIMs are expected to expand by 5-15 bps YOY in 2025. It expects one rate cut by 2H25. Al Rajhi's cost-to-income ratio also declined significantly in 4Q24 reflecting solid efficiencies likely to benefit the profitability in the long term. Moreover, the cost-to-income ratio is anticipated to be lower than 24.5% in 2025. The Bank's asset quality remained stable as NPLs improved 3 bps QOQ to 0.8% in 4Q24, while the provision coverage stood at 159.4% in 4Q24, reflecting its prudent risk management approach. The cost of risk guidance for 2025 stood at 0.3-0.5%. ALRAJHI's capitalization remained strong with a Tier 1 ratio of 19.3% and CAR of 20.2% in 4Q24. ALRAJHI Bank completed the issuance of US dollar-denominated additional tier 1 capital sustainable sukuk valued at USD 1.5 Bn with a coupon of 6.25%. The Sukuk is perpetual and callable after five years. The Bank declared a cash dividend of SAR 1.46 per share for 2H24, amounting to SAR 5.8 Bn, generating a dividend yield of 2.8% for 2024. Thus, based on our analysis, we assign a HOLD rating on the stock.

Al Rajhi Bank - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	35.68	25.63	22.29	23.92	20.23	16.59
P/B (x)	6.50	5.62	4.80	4.19	4.03	3.38
Dividend yield	0.7%	0.9%	1.3%	2.4%	2.8%	3.3%

FABS Estimates & Co Data

Al Rajhi Bank - P&L

SAR mm	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	10,803	12,828	13,133	21.6%	2.4%	47,018	52,289	11.2%
Funded expense	-5,156	-5,886	-6,055	17.4%	2.9%	-22,175	-22,892	3.2%
Net Funded Income	5,647	6,941	7,077	25.3%	2.0%	24,843	29,397	18.3%
Fees from banking services	1,039	1,288	1,301	25.3%	1.0%	4,693	5,068	8.0%
Exchange income, net	295	337	357	21.3%	6.0%	1,293	1,383	7.0%
Other operating income	249	183	229	-8.1%	25.0%	1,227	1,397	13.9%
Total non-funded Income	1,582	1,809	1,888	19.3%	4.4%	7,212	7,849	8.8%
Total Operating Income	7,229	8,750	8,965	24.0%	2.5%	32,055	37,246	16.2%
Salaries & employee benefits	-899	-946	-983	9.4%	4.0%	-3,724	-3,910	5.0%
Rent and premises related exp	0	0	0	NM	NM	0	0	NM
Other G&A expenses	-545	-544	-576	5.8%	6.0%	-2,265	-2,401	6.0%
Depreciation and amortization	-450	-561	-500	11.1%	-10.9%	-1,982	-2,000	0.9%
Total operating Expenses	-1,894	-2,050	-2,060	8.8%	0.5%	-7,971	-8,311	4.3%
Profit before provisions	5,335	6,700	6,905	29.4%	3.1%	24,085	28,935	20.1%
Impairment charge	-421	-553	-620	47.3%	12.3%	-2,117	-2,555	20.7%
Total Operating Expenses	-2,315	-2,603	-2,680	15.8%	3.0%	-10,087	-10,866	7.7%
Net income before zakat	4,914	6,147	6,285	27.9%	2.2%	21,968	26,380	20.1%
Zakat	-509	-626	-628	23.4%	0.4%	-2,237	-2,638	17.9%
Net profit for the year	4,405	5,516	5,652	28.3%	2.5%	19,722	23,725	20.3%

FABS estimate & Co Data
Al Rajhi Bank - P&L KPI

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	78.1%	79.3%	78.9%	83	-39	77.5%	78.9%	143
NIM	2.9%	3.1%	3.0%	12	-9	2.9%	3.0%	12
NIS	2.4%	2.6%	2.5%	11	-9	2.5%	2.6%	13
Fees & comms/OI	14.4%	14.7%	14.5%	15	-21	14.6%	13.6%	-103
Exchange Income/OI	4.1%	3.9%	4.0%	-9	13	4.0%	3.7%	-32
Cost to income	26.2%	23.4%	23.0%	-322	-46	24.9%	22.3%	-255
Impairment/PPP	-7.9%	-8.2%	-9.0%	-109	-74	-8.8%	-8.8%	-4
NP/OI	60.9%	63.0%	63.1%	212	1	61.5%	63.7%	217
Cost of risk	0.3%	0.3%	0.35%	8	2	0.3%	0.35%	3
Loan-to-deposit	100.8%	110.4%	109.0%	817	-137	110.4%	107.0%	-337
NPL (Reported)	0.8%	0.8%	0.8%	1	2	0.8%	0.8%	3
Coverage excluding collateral	175.3%	159.4%	161.0%	-1,429	156	159.4%	162.4%	300
Tier 1	19.2%	19.3%	19.8%	62	53	19.3%	19.8%	55
Capital Adequacy	20.2%	20.2%	20.7%	53	51	20.2%	20.7%	49
ROAA	2.1%	2.2%	2.3%	24	8	2.2%	2.3%	13
ROAE	18.6%	19.7%	20.5%	183	77	19.7%	21.6%	189

FABS estimate & Co Data
Al Rajhi Bank - Key B/S Items

SAR mm	1Q24	2Q24	3Q24	4Q24	1Q25F	Change
Net advances	608,990	621,891	649,024	693,410	706,962	16.1%
<i>QOQ change</i>	<i>2.5%</i>	<i>2.1%</i>	<i>4.4%</i>	<i>6.8%</i>	<i>2.0%</i>	
Total assets	835,992	866,960	902,571	974,387	993,734	18.9%
<i>QOQ change</i>	<i>3.5%</i>	<i>3.7%</i>	<i>4.1%</i>	<i>8.0%</i>	<i>2.0%</i>	
Customer deposits	603,978	622,572	622,572	628,239	648,589	7.4%
<i>QOQ change</i>	<i>5.4%</i>	<i>3.1%</i>	<i>0.0%</i>	<i>0.9%</i>	<i>3.2%</i>	
Total Equity	108,272	116,396	117,879	123,139	128,792	19.0%
<i>QOQ change</i>	<i>1.4%</i>	<i>7.5%</i>	<i>1.3%</i>	<i>4.5%</i>	<i>4.6%</i>	

FABS estimate & Co Data

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