

## Saudi Banking Sector – June 2025

Sector Weighting:  
**MARKET WEIGHT**

### Steady Policy Rates to Underpin Interest Margin Stability

We maintain our MARKET WEIGHT rating on the Saudi banking sector. Advances in the KSA Banking System are expected to moderate in 2025 from 14.4% growth in 2024, but are still expected to grow in low double digits. The banks have recorded a strong uptick in credit growth of 5.0% QOQ in 1Q25, driven by a 7% growth in corporate loans. Corporate loans are expected to slow down during the summer season and regain momentum in 2H25. Deposit growth lagged in 2024, growing by 8.9% 2024. The banks recorded 4.2% QOQ growth in deposits during 1Q25, while the CASA ratio fell from 53% in 2024 to 52% in 1Q25 as GREs moved their transitory deposits from current and call deposits to time deposits. To sustain momentum in profitability and support continued lending, banks will need to close the gap between loan and deposit growth. With a decline in policy rates and tight liquidity across the banking sector in KSA, the banks need to improve credit spread pricing to offset lower SAIBOR rates. In 1Q25, the banks exhibited a positive sign that the cost of interest-bearing liabilities fell below asset yields, as this will ease the negative margin pressure. Banks with higher retail exposures are expected to benefit due to the negative interest rate sensitivity gap, while margins for the banks with high corporate credit exposure are expected to decline. Risk-weighted assets are rising since the KSA Banks are increasing their funding to the corporate sector and large projects, which are riskier and require higher capital. The quality of the loans in the KSA banking sector has mostly stayed healthy; however, as the banks increase lending to the riskier sector, they might need to set aside additional provisions to cover against possible bad loans. In addition, due to the ongoing geopolitical conflicts, the banks might need to raise their provision buffers. The banks with higher provision buffer will be preferable.

#### Top Picks and Rating Changes:

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

**1) SNB:** SNB's advances grew 13.0% YOY to SAR 706.4 Bn in 1Q25, 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 74.5% in 1Q25 which benefits the NIMs. The Bank's asset quality improved as reported NPLs declined at 0.9% in 1Q25 from 1.2% in 4Q24. SNB's capitalization stood strong with a CET 1 ratio of 16.3% and CAR of 19.3% in 1Q25.

**2) BSF:** Net advances grew 2.4% QOQ and 12.7% YOY to SAR 209.0 Bn in 1Q25 owing to strong growth in consumer and commercial lending activity. The Bank anticipates its loan book to record low-teens growth in 2025, driven by robust demand from corporate and consumer lending. BSF's reported NPL marginally decreased from 0.94% in 1Q24 to 0.84% in 1Q25. The bank maintained a healthy Capitalization with a Tier 1 capital ratio of 19.2% and a total CAR of 20.1% in 1Q25.

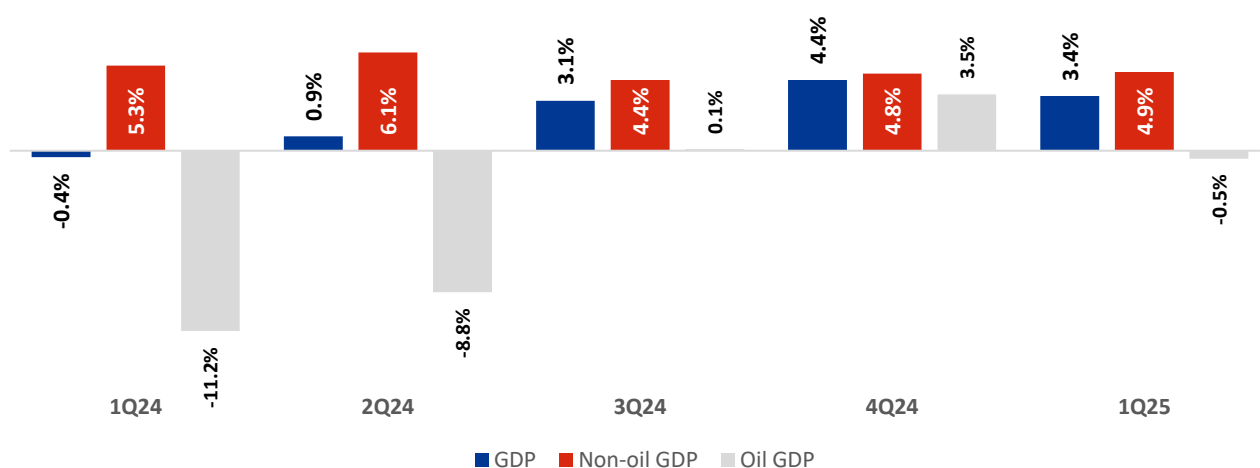
**3) RIYAD:** Riyadh Bank's net advances grew 19.8% YOY and 5.9% QOQ to SAR 339.0 Bn in 1Q25 attributed to robust corporate and SME credit growth. Riyadh Bank further estimates its loan book to grow by low double digits in 2025 owing to strong demand for credits from corporates and SMEs, alongside growth in retail mortgages. The Bank's asset quality remained stable as NPLs stood at 1.1% in 1Q25 compared to 1.0% in 4Q24 whereas, the provision coverage ratio stood strong at 133.0% in 1Q25. The Bank maintained a healthy capitalization with a Tier 1 Ratio of 16.4% and CAR of 17.5% in 1Q25.

## 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 April 2025 WEO report, the global economy is expected to grow 2.8% in 2025, which remains below the historical average of 3.7%. This forecast is lower than the January 2025 WEO report by 0.5 percentage point, reflecting the dual impact of escalating trade tensions and policy uncertainty. Furthermore, the IMF projects the global economy to grow 3.0% in 2026. The weaker outlook is primarily attributed to the imposition of historically high US tariffs, which have disrupted global supply chains and weighed on private consumption and investment. These headwinds due to trade tensions, along with unstable financial markets, have increased uncertainty about the global economy and caused central banks to delay monetary normalization plans. Advanced economies are projected to slowdown, with growth easing from 1.8% in 2024 to just 1.4% in 2025 (down 0.6 points) and 1.5% in 2026 (down 0.3) driven by weaker demand and tariff-related uncertainty in the US. Emerging and developing economies are similarly downgraded, with growth decelerating from 4.3% in 2024 to 3.7% in 2025 (a 0.5-point downward revision), before rebounding to 3.9% in 2026. China's GDP growth is now projected to grow at a weaker rate, due to its export vulnerabilities. On inflation, the IMF forecasts global headline inflation to moderate to 4.3% in 2025 and 3.6% in 2026, slightly higher than in January WEO report. In advanced economies, inflation in 2025 is revised upward by 0.4 percentage points, reflecting lingering services inflation and the impact of new tariffs, with notable upward adjustments for the US and UK.

According to the IMF's April 2025 World Economic Outlook, Saudi Arabia's 2025 real GDP growth forecast is revised downward to 3.0%, from the earlier projections of 3.3%. This downgrade reflects a more gradual recovery in oil production due to extended OPEC+ output constraints and ongoing global energy market volatility. While oil GDP is expected to rebound moderately in 2025, the non-oil sector remains the key driver of growth, supported by strong domestic demand, investment in Vision 2030 projects, and expansion in tourism and construction. The IMF projects KSA's growth to rise to 3.7% in 2026, assuming improved oil output and continued momentum in structural reforms. Inflation in the Kingdom remains controlled, while employment levels are strengthening. However, the IMF cautions that downside risks remain, including geopolitical tensions, slower reform execution, and fiscal challenges, making continued policy discipline and diversification efforts essential for sustaining long-term economic stability and inclusive growth.

### KSA GDP



Source: GASTAT

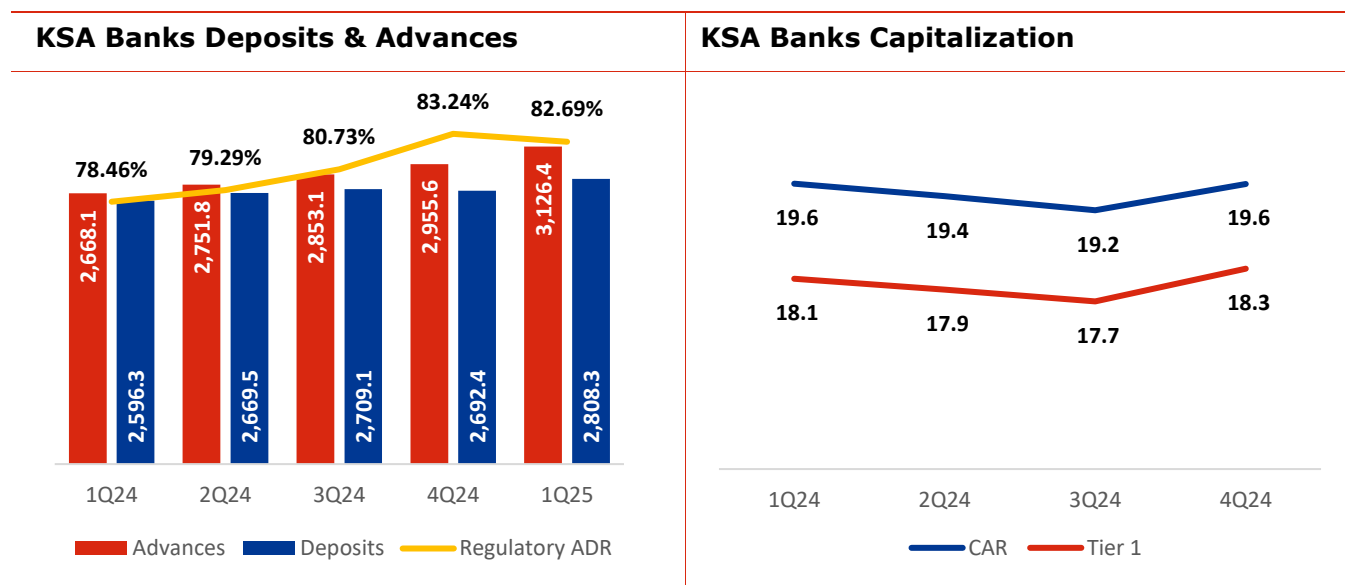
In the 1Q25, Saudi Arabia's economy posted a real GDP growth of 3.4% YOY, as reported by the General Authority for Statistics (GASTAT). This growth reflects a resilient non-oil sector, which expanded 4.9% YOY, making it the key engine of economic momentum. On a QOQ basis, seasonally adjusted real GDP rose 1.1% in 1Q25 compared to 4Q24, further signalling stable economic conditions. Notably, government activities contributed significantly, growing 3.2% YOY and 5.5% QOQ. Meanwhile, oil activities contracted slightly, declining 0.5% YOY and 1.2% QOQ, continuing the trend of output reductions aligned with OPEC+ obligations. The growth was driven by robust performances across several economic segments, with wholesale and retail trade, restaurants, and hotels recording the highest growth, followed by transport, storage, & communications, finance, insurance, and business services. The Riyadh Bank Saudi Arabia Non-Oil PMI for May 2025 indicated continued strength in the non-oil private sector. The PMI rose modestly to 55.8, up from 55.6 in April, remaining well above the neutral 50.0 threshold. The key driver of this uptick was a strong rebound in new orders, which increased at their fastest pace in seven months. Businesses attributed this increase to improved customer demand, new project launches, and effective marketing strategies. Despite a slight slowdown in output growth, firms expanded their workforce at one of the fastest rates seen in over a decade. Meanwhile, purchasing activity grew due to improved vendor delivery times, though firms showed caution regarding inventory accumulation. However, cost pressures persisted, with input prices, especially raw materials, rising sharply. Nonetheless, selling prices fell, particularly in the service sector, due to intensified competition, limiting firms' pricing power. The momentum in non-oil sector stood strong; however, oil market volatility and inflationary pressures remain important factors to monitor through the remainder of 2025.

Furthermore, Saudi Arabia's banking sector is expected to benefit from strong growth in the non-oil sector. KSA's overall banking assets rose 15.1% YOY to SAR 4.7 Tn in April 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, fixed assets, and bank assets. Fixed assets rose 13.8% YOY to SAR 52.6 Bn in April 2025, while claims on private sector assets increased 15.2% YOY to SAR 3.0 Tn. Claims on the government rose 17.6% YOY to SAR 835.2 Bn in April 2025, while claims on banks grew 21.2% YOY to SAR 46.8 Bn in April 2025. KSA banking system's total advances rose 16.5% YOY to SAR 3.1 Tn in April 2025, whereas deposits grew at a slower pace of 9.5% YOY to SAR 2.8 Tn. Deposits from businesses and individuals in the KSA Banking system rose 10.7% YOY to SAR 1.9 Tn in April 2025, constituting 67.0% of total deposits, whereas deposits from government entities rose 9.1% YOY to SAR 870.6 Bn, accounting for 31.0% of total deposits. On the other hand, time and savings deposits witnessed a growth of 26.1% YOY to SAR 1.1 Tn in April 2025. Demand deposits grew 5.8% YOY to SAR 1.5 Tn in April 2025, while demand deposits as a percentage of total deposits stood at 52.0% in April 2025 compared to 53.8% in April 2024.

Strong government and private sector investments in the region contributed positively toward credit growth in 1Q25. Advances in the KSA banking system recorded a strong growth of 16.3% YOY to SAR 3.1 Tn in 1Q25, whereas the KSA banking system's advances to the private sector rose 15.0% YOY to SAR 3.0 Tn. Advances to the public sector rose 17.2% YOY to SAR 830 Bn in 1Q25. All banks under our coverage recorded a solid growth in advances in 1Q25, out of which Riyadh Bank, Al Rajhi Bank, and Alinma Bank witnessed the highest growth. Saudi Arabia's regulatory loan-to-deposit ratio remained flat at 82.69% in April 2025 compared to 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 changes. No further changes have been made since.



Source: SAMA

### Banque Saudi Fransi successfully concludes USD 650 Mn AT1 bond offering

Banque Saudi Fransi (BSF) completed USD 650 Mn US dollar-denominated AT1 bond issuance. The 6-year non-callable perpetual bond was issued with at 6.375%, with a +252-bps reset margin. The transaction drew strong demand with the order book exceeding USD 1.9 Bn. The bond is a part of BSF's USD 3 Bn AT1 Capital Note Programme with listing on the London Stock Exchange. BSF holds A1 (Moody's) and A- (S&P and Fitch) ratings, with global banks like HSBC, ADCB, Saudi Fransi Capital, Citigroup Global Markets, etc. acting as joint lead managers.

### Al Rajhi Bank launched USD 500 Mn 5-year sukuk at T+95bps

Al Rajhi Banking and Investment Corp. issued a USD 500 Mn five-year USD sukuk, priced at T+95 basis points, narrowed from the initial guidance of c. T+125bps due to strong investor demand. The offering witnessed an order book of USD 1.2 Bn. The proceeds from the sukuk will be used to support general corporate activities. The sukuk is issued through Al Rajhi Sukuk Ltd., with Al Rajhi Bank serving as the obligor.

### Saudi National Bank to launch fresh sukuk issuance

Saudi National Bank (SNB) plans to launch a SAR-denominated sukuk to strengthen its capital position in line with the Basel III framework. The board approved the issuance on November 11, 2024, with the sukuk being offered to only eligible investors in Saudi Arabia, subject to market conditions and regulatory approvals. SNB Capital will serve as the sole bookrunner, lead arranger, and lead manager for the transaction.

### Saudi Awwal Bank sets preliminary pricing for USD green AT1 sukuk

Saudi Awwal Bank has appointed BofA Securities and HSBC to arrange its first USD-denominated green AT1 sukuk through private placement. The issue is a part of Saudi Awwal Bank's USD 5 Bn AT1 Capital Certificate Programme. The sukuk is structured as a mudaraba with an initial price of c. 6.875%. Meanwhile, HSBC will act as the sole green structurer. The proceeds will enhance the bank's capital base and support general corporate purposes. The sukuk is expected to be listed on the London Stock Exchange.

### Bank Albilad releases initial price guidance for its first AT1 sukuk offering

Bank Albilad launched its first USD-denominated AT1 sukuk, expected to be sized at USD 500 Mn, with initial price thoughts of c. 6.750%. The perpetual non-call 5.5-year mudaraba sukuk is issued under the bank's USD 2 Bn AT1 capital sukuk programme. Albilad Capital and HSBC Bank plc will serve as global coordinators and joint lead managers, respectively, with Emirates NBD Capital and Goldman Sachs International as joint lead managers. The sukuk will be listed on the London Stock Exchange.

### Alinma Bank plans 5.5-year USD AT1 sukuk offering

Saudi Arabia's Alinma Bank mandated issuing USD-denominated sustainable AT1 Capital Certificates under its USD 1 Bn issuance programme. The Reg S perpetual sukuk, featuring a 5.5-year non-call period and fixed-rate resettable structure, will be issued via a special purpose vehicle. The issue is priced at a 6.5%, lower than the initial price of c. 7% and has received over USD 1.75 Bn in excess orders. Proceeds will improve the Bank's Tier 1 capital and general banking needs. Alinma Bank is rated A2 (Stable) by Moody's and A- (Stable) by S&P and Fitch.

### Saudi Bank raises USD 461 Mn via 5-year sukuk

Saudi National Bank (SNB) raised SAR 1.73 Bn through a 5-year perpetual Additional Tier 1 sukuk with a 6% coupon rate to boost capital under Basel III standards. SNB Capital handled the exclusive bookrunner, lead arranger, and lead manager roles for the offering.

### Saudi National Bank to raise funds through USD-denominated Tier 2 capital notes

Saudi National Bank (SNB) is set to launch the issuance of US dollar-denominated Tier 2 capital notes as part of its ambitious USD 10 Bn EUR Medium Term Note programme. These 10-year notes are designated to be offered to domestic and international investors via a special purpose vehicle and are expected to be floated on the London Stock Exchange. Joint lead managers include major global banks, with the raised amount planned for general business needs.

### Target price and rating

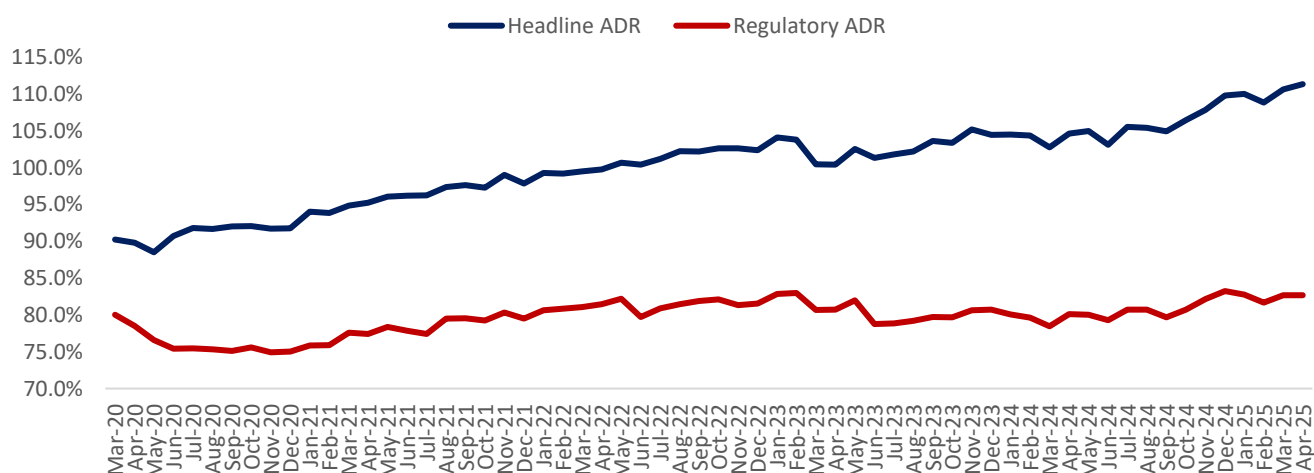
Bank Name	Target Price (SAR)	Current Price (SAR)	Gain/(-loss)	Rating
RJHI	105.00	91.50	+15%	BUY
ALBI	31.70	23.66	+34%	BUY
RIBL	36.00	26.35	+37%	BUY
ALINMA	37.00	25.00	+48%	BUY
SNB	47.00	34.35	+37%	BUY
ARNB	25.00	20.56	+22%	BUY
BSF	21.70	16.70	+30%	BUY

*FABS Estimate*

## KSA Banking Liquidity

Credit growth in the KSA banking system rose 16.5% YOY and 0.8% MOM to SAR 3.1 Tn in April 2025, while deposits increased at a slower rate on YOY basis. KSA banking system deposits rose 9.5% YOY and 0.1% MOM to SAR 2.8 Tn in April 2025. As a result, the headline loan-to-deposit ratio (ADR) grew 672 bps YOY and 72 bps MOM to 111.3% in April 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 1Q25 on YOY basis, of which, Riyadh Bank recorded the highest credit growth of 19.8% YOY and 5.9% QOQ to SAR 339.0 Bn in 1Q25 followed by Al Rajhi Bank with advances growth of 18.7% YOY and 4.2% QOQ to SAR 722.8 Bn. In terms of deposits, Alinma Bank recorded the highest deposit growth of 15.8% YOY in 1Q25. The broader (M3) money supply rose 9.3% YOY and declined 0.1% MOM to SAR 3.1 Tn in April 2025, boosting the banking sector's liquidity. Mortgages in the KSA banking sector grew 15.2% YOY to SAR 922 Bn in 1Q25. 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 82.7% in April 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

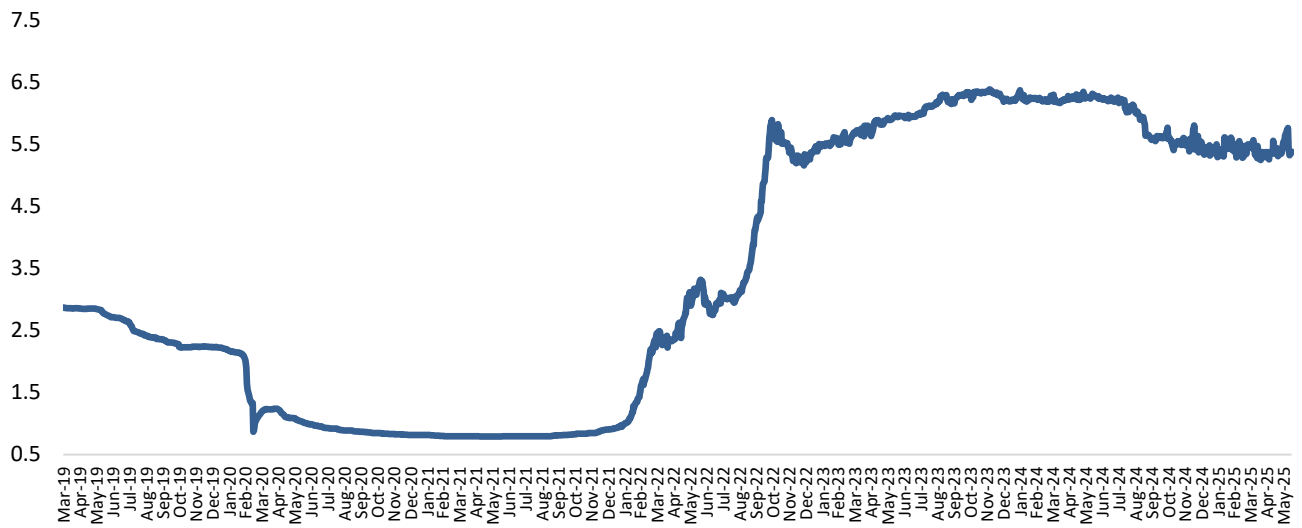


Source: FABS from SAMA data

The 3-Month SAIBOR rate declined 12 bps to 5.38% on 16 June 2025 from 5.50% in 31 March 2025. The rate averaged 5.37% in May 2025, similar to April 2025. SAMA kept its repo rate and reverse repo rate unchanged at 5.0% and 4.5%, respectively, in June 2025 to support financial stability. The spread between SAIBOR and the repo rate increased marginally from negative 37 bps in April 2025 to negative 38 bps in May 2025, indicating a slight tightening in liquidity conditions across the overall banking system. KSA Banking system-regulated LDR marginally fell to 82.4% in April 2025 while 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 – June 2025



Source: Bloomberg

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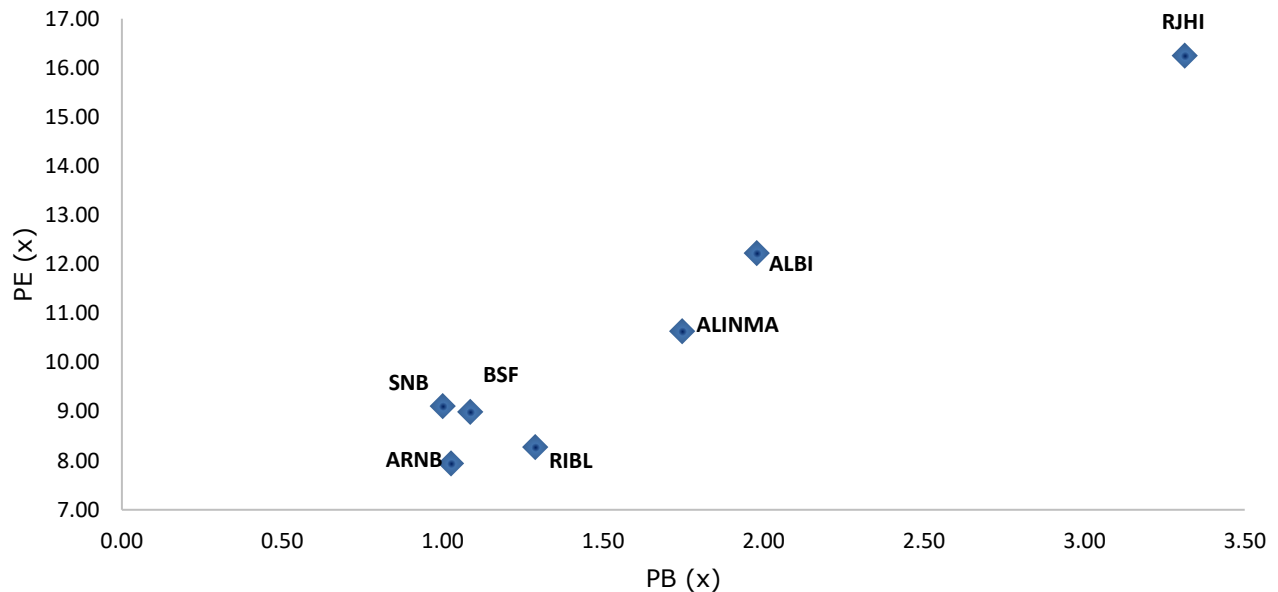


## Relative valuation and rating

### 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 1.63x. Among them, RJHI and ALBI are the most expensive trading at PB ratio of 3.31x and 1.98x, respectively based on 2025 estimated financials. RJHI and ALBI are the most expensive based on PE multiples trading at 16.25x and 12.23x, respectively based on FY2025 financials.

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



Source: FABS estimate

### Market Weight

Based on 7x BUYs 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

Bank Name	Target Price (SAR)	Current Price (SAR)	Gain/(-loss)	Rating
RJHI	105.00	91.50	+15%	BUY
ALBI	31.70	23.66	+34%	BUY
RIBL	36.00	26.35	+37%	BUY
ALINMA	37.00	25.00	+48%	BUY
SNB	47.00	34.35	+37%	BUY
ARNB	25.00	20.56	+22%	BUY
BSF	21.70	16.70	+30%	BUY

FABS Estimate

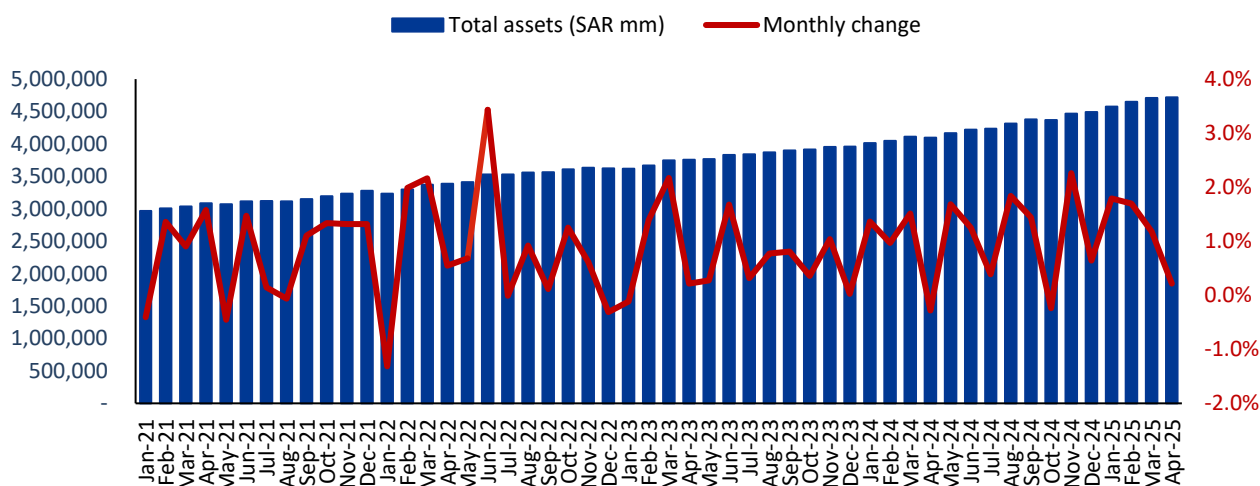
## Banking indicators

### 1. Assets

#### Total banking assets rose 15.1% YOY in April 2025

KSA's total banking assets increased 15.1% YOY and 0.2% MOM to SAR 4,717.4 Bn in April 2025.

#### KSA banking system assets (SAR Mn) and Monthly change, Jan 2021 - Apr 2025



Source: FABS from SAMA data

#### Al Rajhi reported the highest growth in total assets on YOY basis in 1Q25

All banks under our coverage recorded a double-digit growth in total assets on a YOY basis in 1Q25 except SNB. Al Rajhi recorded the highest growth of 22.4% YOY to SAR 1,023.1 Bn in 1Q25. Alinma Bank recorded the second-highest growth of 17.3% YOY in 1Q25, followed by Riyadh Bank with 14.9% YOY. SNB recorded the lowest growth in total assets of 9.2% YOY to SAR 1,171.1 Bn in 1Q25.

Total assets							
(SAR Mn)	1Q24	2Q24	3Q24	4Q24	1Q25	YOY%	QOQ%
Al Rajhi	835,992	866,960	902,571	974,387	1,023,080	22.4%	5.0%
Bank Al Bilad	143,700	145,291	153,722	154,965	159,103	10.7%	2.7%
Riyad Bank	404,859	405,029	433,366	450,379	465,345	14.9%	3.3%
Alinma Bank	244,859	260,138	266,983	276,827	287,222	17.3%	3.8%
Saudi National Bank	1,072,290	1,088,112	1,124,608	1,104,155	1,171,079	9.2%	6.1%
Arab National Bank	232,885	234,752	240,962	248,307	264,651	13.6%	6.6%
Banque Saudi Fransi	268,658	288,826	287,670	292,776	302,988	12.8%	3.5%
KSA banking system	4,110,962	4,220,852	4,377,284	4,494,151	4,707,258	14.5%	4.7%

FABS from co data and SAMA

## Al Rajhi recorded the highest YOY growth in assets market share in 1Q25

Al Rajhi Bank recorded the highest growth in asset market share of 140 bps YOY to 21.7% in 1Q25 followed by Alinma Bank, and Riyadh Bank with a growth in assets market share of 15 bps and 4 bps, respectively, in 1Q25. The remaining four banks under coverage recorded a decline in market share. Saudi National Bank recorded the largest decline of 121 bps YOY to 24.9% in 1Q25. Bank Al Bilad and Banque Saudi Fransi witnessed a 12 bps YOY and 10 bps YOY decline, respectively, during 1Q25. Furthermore, Arab National Bank's asset market share fell of 4 bps in 1Q25. Saudi National Bank holds the largest asset market share at 24.9% in 1Q25, followed by Al Rajhi at 21.7%.

<b>Assets market share</b>							
	<b>1Q24</b>	<b>2Q24</b>	<b>3Q24</b>	<b>4Q24</b>	<b>1Q25</b>	<b>YOY (bps)</b>	<b>QOQ (bps)</b>
Al Rajhi	20.3%	20.5%	20.6%	21.7%	21.7%	140	5
Bank Al Bilad	3.5%	3.4%	3.5%	3.4%	3.4%	-12	-7
Riyadh Bank	9.8%	9.6%	9.9%	10.0%	9.9%	4	-14
Alinma Bank	6.0%	6.2%	6.1%	6.2%	6.1%	15	-6
Saudi National Bank	26.1%	25.8%	25.7%	24.6%	24.9%	-121	31
Arab National Bank	5.7%	5.6%	5.5%	5.5%	5.6%	-4	10
Banque Saudi Fransi	6.5%	6.8%	6.6%	6.5%	6.4%	-10	-8

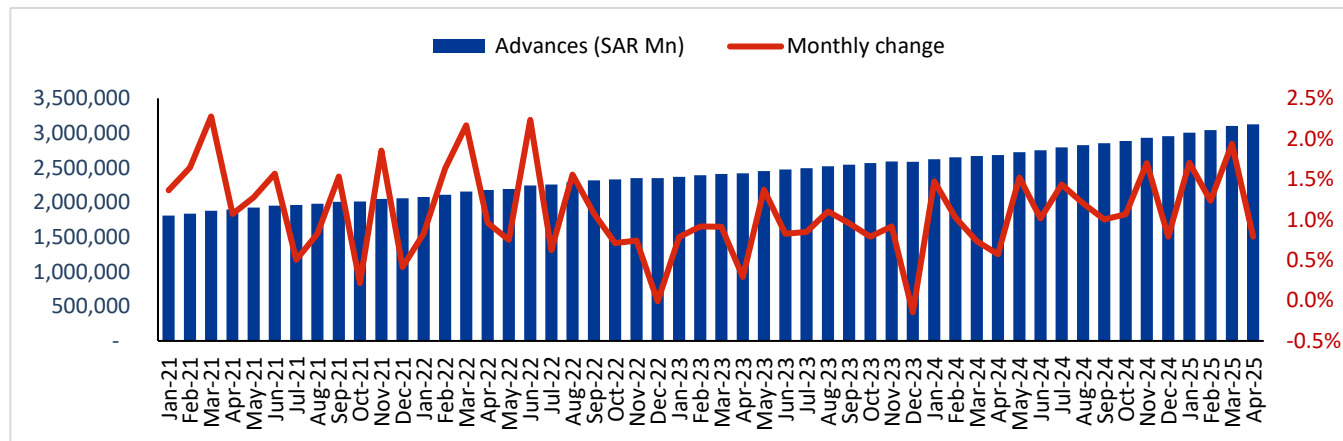
FABS from co-data

## 2. Advances

### KSA banking system Advances grew 16.5% YOY in April 2025

KSA banking system net Advances increased 16.5% YOY and 0.8% MOM to SAR 3,102.0 Bn in April 2025.

#### KSA banking system net advances (SAR Mn) and Monthly change, Jan 2021 – Apr 2025



Source: FABS from SAMA data

### Six banks under our coverage recorded double-digit YOY growth in advances during 1Q25

All the banks under our coverage reported a growth in net advances on both YOY and QOQ basis in 1Q25, and six out of seven banks witnessed a double-digit YOY growth in advances in 1Q25. Riyadh Bank and Al Rajhi reported the highest growth of 19.8% YOY and 18.7% YOY to SAR 339.0 Bn and SAR 722.8 Bn, respectively, in 1Q25. Alinma Bank recorded a 15.9% YOY growth in advances to SAR 209.4 Bn in 1Q25. Moreover, Bank Al Bilad recorded the lowest growth in advances of 8.8% YOY to SAR 112.4 Bn in 1Q25.

**Net advances**

(SAR Mn)	1Q24	2Q24	3Q24	4Q24	1Q25	YOY%	QOQ%
Al Rajhi	608,990	621,891	649,024	693,410	722,785	18.7%	4.2%
Bank Al Bilad	103,306	104,310	106,695	109,304	112,427	8.8%	2.9%
Riyad Bank	282,854	291,051	305,408	320,089	338,991	19.8%	5.9%
Alinma Bank	180,702	189,912	195,895	202,308	209,435	15.9%	3.5%
Saudi National Bank	625,202	637,235	655,308	654,252	706,430	13.0%	8.0%
Arab National Bank	157,875	161,612	166,330	169,495	179,057	13.4%	5.6%
Banque Saudi Fransi	185,408	197,160	201,008	204,168	208,978	12.7%	2.4%
KSA banking system	2,668,079	2,751,842	2,853,139	2,955,550	3,101,961	16.3%	5.0%

FABS from co-data

**Al Rajhi recorded the highest advances in market share in 1Q25**

Al Rajhi secured the top place in the advanced market share, holding a market share of 23.3% in 1Q25, followed by Saudi National Bank at 22.8%, and Riyad Bank at 10.9%. Among all banks, only Al Rajhi and Riyad Bank recorded positive growth in advances market share on YOY basis in 1Q25. Al Rajhi's advances market share grew the most by 48 bps YOY in 1Q25, while on QOQ basis, Saudi National Bank's share grew the most. However, Saudi National Bank's witnessed the highest decline of 66 bps YOY in advances market share during 1Q25, followed by Bank Al Bilad with 25 bps YOY fall.

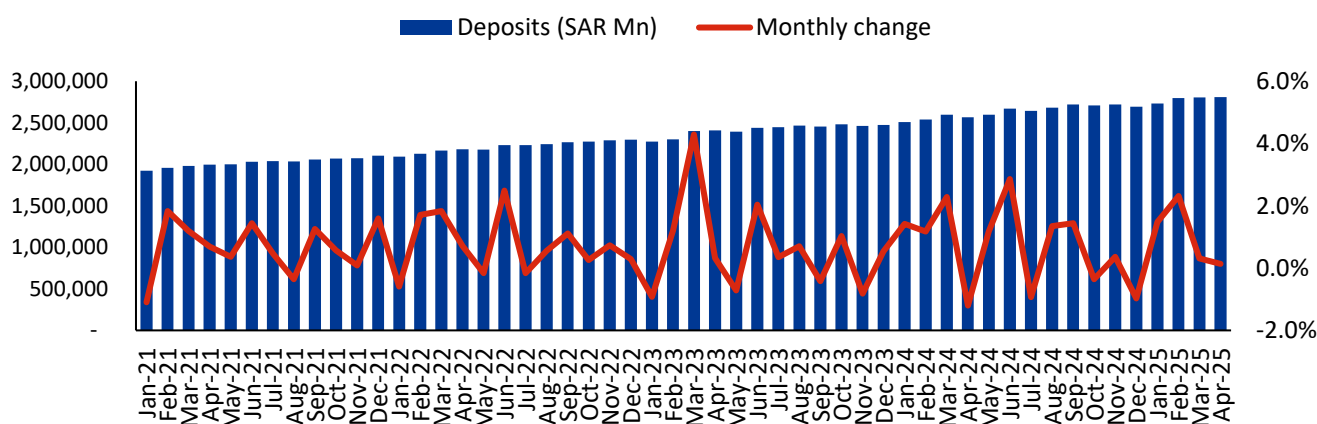
**Advances market share**

	1Q24	2Q24	3Q24	4Q24	1Q25	YOY (bps)	QOQ (bps)
Al Rajhi	22.8%	22.6%	22.7%	23.5%	23.3%	48	-16
Bank Al Bilad	3.9%	3.8%	3.7%	3.7%	3.6%	-25	-7
Riyad Bank	10.6%	10.6%	10.7%	10.8%	10.9%	33	10
Alinma Bank	6.8%	6.9%	6.9%	6.8%	6.8%	-2	-9
Saudi National Bank	23.4%	23.2%	23.0%	22.1%	22.8%	-66	64
Arab National Bank	5.9%	5.9%	5.8%	5.7%	5.8%	-14	4
Banque Saudi Fransi	6.9%	7.2%	7.0%	6.9%	6.7%	-21	-17

FABS from co data

**3. Customer Deposits**
**KSA banking system customer deposits grew 9.5% YOY in April 2025**

KSA banking system deposits reported a growth of 9.5% YOY and 0.1% MOM to SAR 2,808.2 Bn in April 2025.

**KSA banking system customer deposits (SAR Mn) and Monthly change, 2019 –March2025**


Source: FABS from SAMA data

### Except SNB, all Banks recorded growth in deposits on YOY basis 1Q25

Except Saudi National Bank, all the banks under our coverage experienced a growth in deposits on a YOY basis. Alinma Bank witnessed the highest growth in deposits of 15.8% YOY to SAR 218.8 Bn in 1Q25. Riyadh Bank recorded the second highest growth in deposits of 12.2% YOY, closely followed by Arab National Bank with 12.1% YOY in 1Q25. Conversely, Saudi National Bank witnessed a 4.6% YOY decline in deposits during 1Q25. Additionally, only Riyadh Bank's deposits fell on QOQ basis in 1Q25, while Saudi National Bank's deposits grew the most.

<b>Deposits</b>							
<b>(SAR Mn)</b>	<b>1Q24</b>	<b>2Q24</b>	<b>3Q24</b>	<b>4Q24</b>	<b>1Q25</b>	<b>YOY%</b>	<b>QOQ%</b>
Al Rajhi	603,978	622,572	622,572	628,239	629,229	4.2%	0.2%
Bank Al Bilad	113,741	114,530	122,342	121,776	124,018	9.0%	1.8%
Riyad Bank	270,948	276,009	293,575	306,423	304,092	12.2%	-0.8%
Alinma Bank	188,988	205,357	209,140	210,545	218,839	15.8%	3.9%
Saudi National Bank	656,261	632,693	634,195	579,762	626,394	-4.6%	8.0%
Arab National Bank	174,547	175,586	180,843	182,198	195,619	12.1%	7.4%
Banque Saudi Fransi	174,828	196,248	193,342	185,118	190,728	9.1%	3.0%
KSA banking system	2,596,255	2,669,519	2,718,880	2,692,384	2,804,337	8.0%	4.2%

*FABS from co-data and SAMA*

### Al Rajhi recorded the highest deposit market share in 1Q25

Al Rajhi led the KSA banking system deposits with a market share of 22.4%, closely followed by Saudi National Bank with 22.3% during 1Q25. Moreover, only Arab National Bank witnessed the growth in deposit market share on both, YOY and QOQ basis in 1Q25. Alinma Bank and Riyadh recorded the highest growth in deposit market share of 52 bps YOY and 41 bps YOY to 7.8% and 10.8%, respectively, in 1Q25. On the other hand, Saudi National Bank and Al Rajhi recorded a decline in deposit market share of 294 bps YOY and 83 bps YOY, respectively in 1Q25.

<b>Deposits market share</b>							
	<b>1Q24</b>	<b>2Q24</b>	<b>3Q24</b>	<b>4Q24</b>	<b>1Q25</b>	<b>YOY (bps)</b>	<b>QOQ (bps)</b>
Al Rajhi	23.3%	23.3%	22.9%	23.3%	22.4%	-83	-90
Bank Al Bilad	4.4%	4.3%	4.5%	4.5%	4.4%	4	-10
Riyad Bank	10.4%	10.3%	10.8%	11.4%	10.8%	41	-54
Alinma Bank	7.3%	7.7%	7.7%	7.8%	7.8%	52	-2
Saudi National Bank	25.3%	23.7%	23.3%	21.5%	22.3%	-294	80
Arab National Bank	6.7%	6.6%	6.7%	6.8%	7.0%	25	21
Banque Saudi Fransi	6.7%	7.4%	7.1%	6.9%	6.8%	7	-7

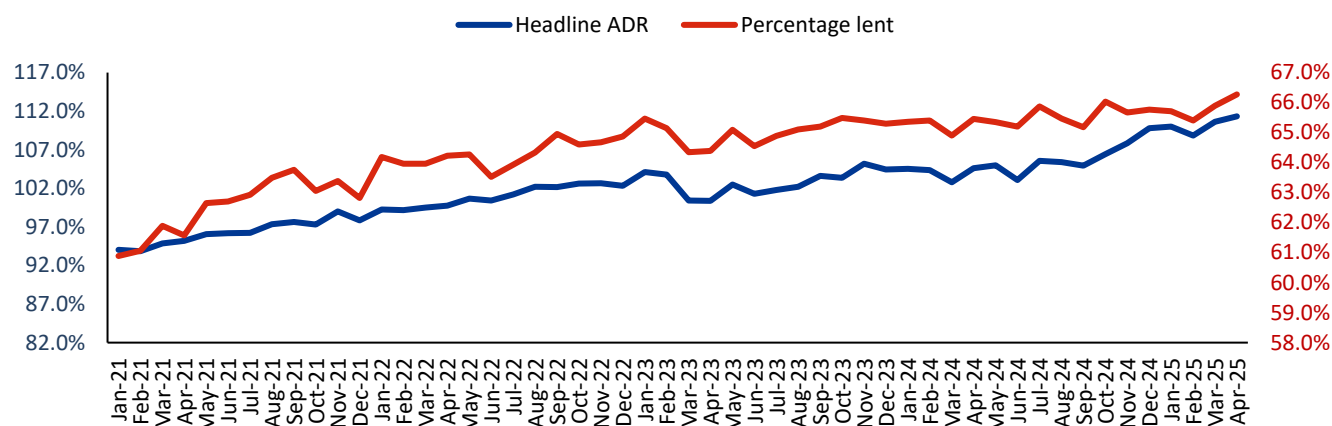
*FABS from co data*

## 4. Liquidity

### KSA banking system's liquidity contracted in April 2025

KSA's banking system's headline ADR ratio increased from 110.6% in March 2025 to 111.3% in April 2025. The lending percentage to total assets increased 38 bps MOM to 66.3% in April 2025.

#### KSA banking system ADR and % lent, Jan 2021 – April 2025



Source: FABS from SAMA data

### Saudi National Bank recorded the highest ADR growth on YOY basis in 1Q25

In 1Q25 all banks under our coverage recorded a loan-to-deposit ratio of more than 90% in 1Q25. Al Rajhi recorded the highest ADR of 114.9% in 1Q25, followed by Saudi National Bank with 112.8%. Bank Al Bilad's ADR stood the lowest at 90.7% among the banks under our coverage in 1Q25. Additionally, all other banks except Bank Al Bilad reported a growth in ADR on a YOY basis in 1Q25. Saudi National Bank saw the highest growth in ADR of 1,751 bps YOY in 1Q25 followed by Al Rajhi bank with 1,404 bps growth.

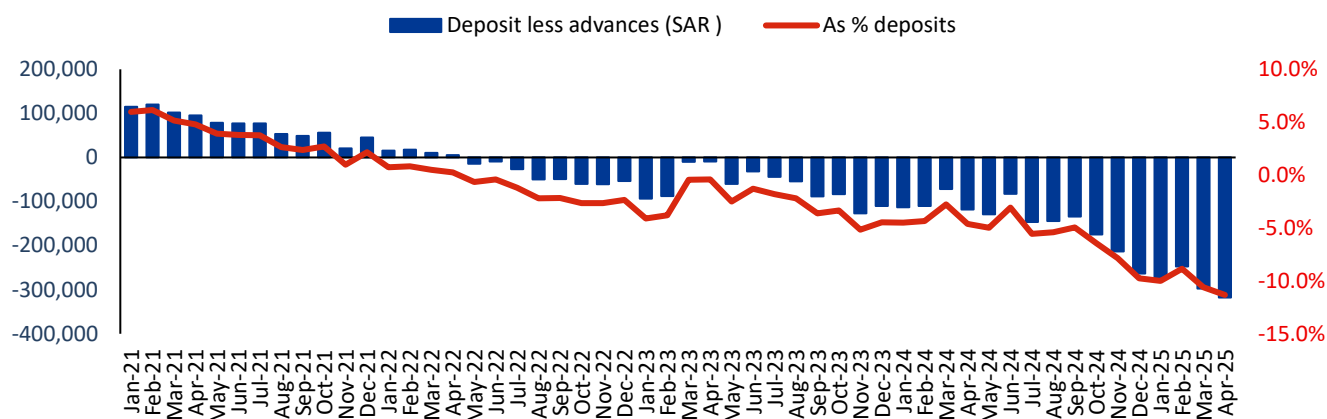
ADR	1Q24	2Q24	3Q24	4Q24	1Q25	YOY (bps)	QOQ (bps)
Al Rajhi	100.8%	99.9%	104.2%	110.4%	114.9%	1,404	449
Bank Al Bilad	90.8%	91.1%	87.2%	89.8%	90.7%	-17	90
Riyad Bank	104.4%	105.5%	104.0%	104.5%	111.5%	708	702
Alinma Bank	95.6%	92.5%	93.7%	96.1%	95.7%	9	-39
Saudi National Bank	95.3%	100.7%	103.3%	112.8%	112.8%	1,751	-7
Arab National Bank	90.4%	92.0%	92.0%	93.0%	91.5%	108	-149
Banque Saudi Fransi	106.1%	100.5%	104.0%	110.3%	109.6%	352	-72

FABS from co data

### KSA banking system deposits less advances increased in April 2025

KSA banking deposits less advances increased from negative SAR 297.6 Bn in March 2025 to negative SAR 318.1 Bn in April 2025.

#### KSA banking system deposits less advances and as % of deposits, Jan 2021 – Apr 2025



Source: FABS from SAMA data

### Arab National Bank recorded the highest deposit surplus in 1Q25

Three out of seven banks under our coverage recorded a deposit surplus in 1Q25. Arab National Bank reported the highest deposit surplus of SAR 16.6 Bn in 1Q25, followed by Bank Al Bilad with a deposit surplus of SAR 11.6 Bn. Al Rajhi recorded the largest deposit deficit of SAR 93.6 Bn during 1Q25. Saudi National Bank, Riyadh Bank and Banque Saudi Fransi also recorded a deposit deficit of SAR 80.0 Bn, SAR 34.9 Bn and SAR 18.3 Bn, respectively, during 1Q25. Al Rajhi recorded the highest increase in deposit surplus in 1Q25 YOY.

#### Deposit surplus/-deficit

SAR Mn	1Q24	2Q24	3Q24	4Q24	1Q25	YOY%	QOQ%
Al Rajhi	-5,012	681	-26,452	-65,171	-93,556	1766.7%	43.6%
Bank Al Bilad	10,435	10,220	15,647	12,472	11,591	11.1%	-7.1%
Riyadh Bank	-11,906	-15,043	-11,833	-13,666	-34,899	193.1%	155.4%
Alinma Bank	8,285	15,445	13,245	8,237	9,404	13.5%	14.2%
Saudi National Bank	31,059	-4,542	-21,113	-74,490	-80,036	-357.7%	7.4%
Arab National Bank	16,671	13,974	14,513	12,703	16,562	-0.7%	30.4%
Banque Saudi Fransi	-10,580	-912	-7,666	-19,050	-18,251	72.5%	-4.2%

FABS from co data



## Banking Stock performance:

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

The average return generated by the KSA Banking Sector stood lower than all market headline indices such as DSM, TASI, Abu Dhabi, Dubai, EGC30. DFM and EGX30 recorded the highest growth rate among the below-listed indices. Five out of seven KSA banks under our coverage registered a YTD decline as on 16 June 2025. ALBI (-24.4%), ALINMA (-12.3%), RIBL (-4.2%), RJHI (-2.0%), and ARNB (-0.2%) recorded a decline in the following order, whereas only BSF (+10.0%) and SNB (+2.4%) witnessed an increase during the period.

### 27 MENA bank stocks: YE24 to 16th of June 2025, Ranked

			UAE	KSA	Qatar	Egypt	Ranking
QIBK QD Equity	QIBK	2.7%			2.7%		15
MARK QD Equity	MARK	-8.4%			-8.4%		27
CBD UH Equity	CBD	21.0%	21.0%				3
MASQ UH Equity	MASQ	9.2%	9.2%				9
QNBK QD Equity	QNBK	-2.7%			-2.7%		24
UAB UH Equity	UAB	-1.5%	-1.5%				22
SIB UH Equity	SIB	3.6%	3.6%				14
CBQK QD Equity	CBQK	4.6%			4.6%		13
DSM Index	<b>DSM</b>	-1.0%					21
RJHI AB Equity	RJHI	-2.0%		-2.0%			23
SASEIDX Index	<b>TASI</b>	-9.5%					28
ADSMI Index	<b>ADI</b>	1.7%					17
ALINMA AB Equity	ALINMA	-12.3%		-12.3%			29
ALBI AB Equity	ALBI	-24.4%		-24.4%			31
BSF AB Equity	BSFR	10.0%		10.0%			8
RAKBANK UH Equity	RAKBANK	11.4%	11.4%				7
DHBK QD Equity	DHBK	24.7%			24.7%		2
COMI EC Equity	COMI	1.3%				1.3%	18
FAB UH Equity	FAB	13.2%	13.2%				5
EGX30 Index	<b>EGX30</b>	5.1%					11
BOS UH Equity	BOS	-7.2%	-7.2%				26
SNB AB Equity	NCB	2.4%		2.4%			16
DFMGI Index	<b>DFM</b>	5.1%					12
ARNB AB Equity	ARNB	-0.2%		-0.2%			19
RIBL AB Equity	RIBL	-4.2%		-4.2%			25
CBI UH Equity	CBI	6.2%	6.2%				10
EMIRATES UH Equity	ENBD	-0.9%	-0.9%				20
ADIB UH Equity	ADIB	40.1%	40.1%				1
DIB UH Equity	DIB	19.3%	19.3%				4
AJMANBAN UH Equity	AJMANBANK	-17.0%	-17.0%				30
ADCB UH Equity	ADCB	12.1%	12.1%				6
<b>AVERAGE</b>	<b>AVERAGE</b>		<b>8.4%</b>	<b>-4.4%</b>	<b>4.2%</b>	<b>1.3%</b>	

FABS from Bloomberg

## 2Q25 preview: Saudi National Bank

Interest income and non-interest income to boost profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 34.35	SAR 47.00	+37%	BUY

### 2Q25 Forecast

Saudi National Bank's (SNB/the Bank) net profit is projected to rise 13.9% YOY to SAR 6.0 Bn in 2Q25, mainly driven by an anticipated increase in net funded and non-funded income, along with an expected reduction in non-controlling interest, partially offset by an estimated rise in operating expenses, impairments charges and zakat expenses. The Bank's commission income is forecasted to rise 2.9% YOY to SAR 14.8 Bn in 2Q25, driven by anticipated growth in net loans and advances. SNB's funded expense is expected to marginally increase 0.3% YOY to SAR 7.3 Bn in 2Q25, attributable to a forecasted increase in interest-bearing liabilities. Thus, net funded income is likely to grow 5.7% YOY to SAR 7.5 Bn in 2Q25. SNB's non-funded income is predicted to rise 33.1% YOY to SAR 2.5 Bn in 2Q25, due to an anticipated increase in fees and commissions income, exchange income, income from FVIS investments, and gain on non-trading investments, coupled with lower net other operating expenses. As a result, operating income is anticipated to increase 11.4% YOY to SAR 9.9 Bn in 2Q25. The Banks' total operating expenses are predicted to increase 6.9% YOY to SAR 2.9 Bn in 2Q25, due to an expected rise in salaries and employee-related expenses, rent and premises-related expenses, depreciation of property and equipment and other general and administrative expenses. We believe the Company's other non-operating expenses will decline from SAR 317 Mn in 2Q24 to SAR 148 Mn in 2Q25. Impairment charge for financing losses is predicted to increase significantly from SAR 120 Mn in 2Q24 to SAR 256 Mn in 2Q25. Additionally, zakat expenses are anticipated to rise 17.4% YOY to SAR 659 Mn in 2Q25. The Bank's non-controlling interest is expected to decrease substantially from SAR 63 Mn in 2Q24 to SAR 24 Mn in 2Q25.

### 2025 forecast

SNB's net profit is expected to grow 9.1% YOY to SAR 23.1 Bn in 2025, attributed to the anticipated increase in net funded and non-funded income, partially offset by a rise in operating expenses, impairment charges, and a 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 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 interest-bearing liabilities. Thus, net funded income is likely to expand 9.2% YOY to SAR 30.3 Bn in 2025. We forecast NIMs to expand by 6 bps YOY to 2.9% 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 Banks'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. 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 is estimated to share a profit of SAR 116 Mn in 2025 to the non-controlling interest compared to a loss of SAR 99 Mn in 2024.

### 1Q25 Outturn

SNB's funded income rose 5.7% YOY to SAR 14,323 Mn in 1Q25, largely as a result of increased income from investment by 12.6% YOY and financing by 13.0% YOY in 1Q25. Funded expenses also grew significantly from SAR 6,641 Mn in 1Q24 to SAR 7,069 Mn in 1Q25. Thus, net funded income grew 5.0% YOY to SAR 7,254 Mn in 1Q25. SNB's non-funded income also grew 16.4% YOY to SAR

2,361 Mn in 1Q25, mainly due to strong growth across fees and commissions income, exchange income, and income from FVIS, partially offset by lower gains in non-trading investments. Thus, total operating income rose 7.6% YOY to SAR 9,615 Mn in 1Q25. Total operating expenses also increased 2.4% YOY to SAR 2,727 Mn in 1Q25. However, the Bank's cost-to-income ratio declined 128 bps YOY to 26.2% in 1Q25. Furthermore, SNB recorded other non-operating expenses of SAR 134 Mn in 1Q25, compared to other non-operating income of SAR 73 Mn in 1Q24. Impairment charges reduced significantly from SAR 655 Mn in 1Q24 to SAR 34 Mn in 1Q25. Zakat charges grew 14.7% YOY to SAR 735 Mn in 1Q25.

### Target price and recommendation

We maintain our BUY rating on SNB with a target price of SAR 47.00. SNB reported its highest-ever quarterly earnings in 1Q25, driven by robust growth in net funded and non-funded income and a significant decline in impairment charges. The Bank's non-funded income grew strongly 16.4% YOY in 1Q25, primarily driven by increased domestic banking service fees and higher investment income. Non-funded income as a percentage of total operating income grew from 22.7% in 1Q24 to 24.6% in 1Q25, reflecting the Bank's continued efforts to diversify its revenue base. SNB's net advances grew 13.0% YOY and 8.0% QOQ to SAR 706.4 Bn in 1Q25, owing to an increase in Wholesale and Retail financing portfolio. Wholesale lending experienced strong growth across key segments, including mid-sized corporates, SMEs, Vision 2030 projects, large corporates, and financial institutions. On the other hand, Retail lending growth was primarily driven by personal and mortgage loans. The Bank further expects the loan book to grow at a low double-digit in 2025. Customer deposits declined 4.6% YOY but grew 8.0% QOQ to SAR 626.4 Bn in 1Q25. SNB's investment portfolio grew 12.6% YOY to SAR 310.3 Bn in 1Q25. This expansion is expected to support profitability in a declining interest rate environment by delivering stable returns. Moreover, the majority of SNB's investment portfolio consists of fixed-rate securities, benefiting NIMS. The Bank's reported NIMs stood at 3.05% in 1Q25, owing to the Bank's efforts of effectively managing its funding cost. Cost-to-income ratio decreased from 27.5% in 1Q24 to 26.2% in 1Q25, indicating enhanced operational efficiency. Furthermore, asset quality improved as reported NPL declined from 1.2% in 4Q24 to 0.9% in 1Q25. Moreover, our calculated Provision coverage also grew from 130.3% in 4Q24 to 135.5% in 1Q25, providing a sufficient cushion against potential bad loans. The Bank also reported a strong capital adequacy ratio of 19.3% and a CET 1 ratio of 16.3% during 1Q25. SNB also distributed cash dividend of SAR 1.00, which is equivalent to SAR 6,000 Mn for 2H24. The Bank further targets a dividend payout ratio of 50-60% for 2025-2027. Thus, based on the above analysis, we maintain BUY rating on the stock.

#### SNB - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	12.33	15.14	11.15	10.49	9.97	9.11
PB (x)	2.94	1.29	1.23	1.16	1.06	1.00
DPS (SAR)	0.597	1.157	1.269	1.750	1.900	2.012
Dividend yield %	1.7%	3.4%	3.7%	5.1%	5.5%	5.9%

FABS Estimates & Co Data

**SNB - P&L**

SAR mm	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025	Change
Commission income	14,379	14,323	14,800	2.9%	3.3%	57,842	62,914	8.8%
Commission expense	7,328	7,069	7,347	0.3%	3.9%	30,112	32,643	8.4%
<b>Net funded income</b>	<b>7,051</b>	<b>7,254</b>	<b>7,452</b>	<b>5.7%</b>	<b>2.7%</b>	<b>27,730</b>	<b>30,271</b>	<b>9.2%</b>
Fees and commissions	1,097	1,237	1,348	22.9%	9.0%	4,600	5,060	10.0%
Exchange income, net	418	534	539	28.8%	1.0%	1,923	2,019	5.0%
Income from FVIS investment	719	757	741	3.1%	-2.0%	2,875	3,077	7.0%
Gains/Loss on non-trading invst	59	148	178	202.6%	20.0%	493	499	1.3%
Other Operating Income / Exp	-428	-315	-324	-24.2%	3.0%	-1,583	-1,646	4.0%
<b>Non-funded income</b>	<b>1,866</b>	<b>2,361</b>	<b>2,482</b>	<b>33.1%</b>	<b>5.2%</b>	<b>8,308</b>	<b>9,009</b>	<b>8.4%</b>
<b>Operating income</b>	<b>8,916</b>	<b>9,615</b>	<b>9,935</b>	<b>11.4%</b>	<b>3.3%</b>	<b>36,038</b>	<b>39,279</b>	<b>9.0%</b>
Salaries and emp-related exps	1,213	1,255	1,306	7.7%	4.0%	4,703	4,868	3.5%
Rent and premises-related exps	128	123	130	1.6%	5.0%	508	518	2.0%
Dep of property and equipment	435	349	489	12.5%	40.3%	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	769	794	810	5.3%	2.0%	3,218	3,379	5.0%
<b>Total operating Expenses</b>	<b>2,750</b>	<b>2,727</b>	<b>2,940</b>	<b>6.9%</b>	<b>7.8%</b>	<b>11,037</b>	<b>11,459</b>	<b>3.8%</b>
Other non-operating inc (exp), net	-317	-134	-148	-53.3%	10.0%	-363	-370	2.0%
<b>Pre-provision profit</b>	<b>5,850</b>	<b>6,754</b>	<b>6,847</b>	<b>17.0%</b>	<b>1.4%</b>	<b>24,639</b>	<b>27,450</b>	<b>11.4%</b>
Impairment	120	34	256	NM	NM	1,024	1,048	2.3%
<b>PBT</b>	<b>5,729</b>	<b>6,719</b>	<b>6,591</b>	<b>15.0%</b>	<b>-1.9%</b>	<b>23,615</b>	<b>26,402</b>	<b>11.8%</b>
Zakat	561	735	659	17.4%	-10.3%	2,521	3,168	25.7%
<b>Profit after tax</b>	<b>5,168</b>	<b>5,984</b>	<b>5,932</b>	<b>14.8%</b>	<b>-0.9%</b>	<b>21,094</b>	<b>23,234</b>	<b>10.1%</b>
Non-controlling interest	-63	-38	-24	-62.1%	-36.8%	-99	116	NM
<b>Net Profit attri. to equity</b>	<b>5,231</b>	<b>6,022</b>	<b>5,956</b>	<b>13.9%</b>	<b>-1.1%</b>	<b>21,193</b>	<b>23,118</b>	<b>9.1%</b>

FABS estimate & Co Data

**SNB - P&L KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	79.1%	75.4%	75.0%	-407	-43	76.9%	77.1%	12
NIM	2.8%	2.8%	2.7%	-8	7	2.8%	2.9%	6
NIS	2.4%	2.3%	2.3%	-8	11	2.1%	2.4%	25
Fees & comns/OI	12.3%	12.9%	13.6%	-12	34	12.8%	12.9%	12
Trading/OI	4.7%	5.6%	5.4%	-19	-26	5.3%	5.1%	-20
Cost to income	28.5%	26.2%	26.2%	-128	-219	28.3%	27.1%	-127
Impairment/PPP	2.1%	0.5%	3.7%	168	323	4.2%	3.8%	-34
NP/OI	58.7%	62.6%	59.9%	129	-268	58.8%	58.9%	5
Cost of risk - Calculated	0.07%	0.02%	0.04%	-4	2	0.161%	0.150%	-1
Loan-to-deposit (Headline)	100.7%	112.8%	113.3%	1,257	51	112.8%	108.1%	-477
NPL (Calculated)	1.1%	1.0%	1.1%	-5	12	1.2%	1.7%	49
NPL Coverage - Calculated	151.4%	135.5%	135.5%	-1,593	0	130.3%	130.3%	0
Tier 1	18.5%	18.8%	18.8%	32	0	20.3%	18.9%	-136
Capital adequacy	19.3%	19.3%	19.3%	-2	0	20.8%	19.4%	-140
ROAE	12.1%	24.6%	25.4%	1,336	89	12.6%	12.9%	24
ROAA	1.9%	4.1%	4.2%	229	7	2.0%	2.0%	4

FABS estimate & Co Data

**SNB- Key BS Items**

	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
SAR mm						
Net advances	637,235	655,308	654,252	706,430	737,926	15.8%
QOQ Change	1.9%	2.8%	-0.2%	8.0%	4.5%	
Total assets	1,088,112	1,124,608	1,104,155	1,171,079	1,199,782	10.3%
QOQ Change	1.5%	3.4%	-1.8%	6.1%	2.5%	
Customer deposits	632,693	634,195	579,762	626,394	651,382	3.0%
QOQ Change	-3.6%	0.2%	-8.6%	8.0%	4.0%	
Total equity	179,991	183,839	193,275	194,119	194,715	8.2%
QOQ Change	-0.3%	2.1%	5.1%	0.4%	0.3%	

FABS estimate & Co Data

## 2Q25 preview: Banque Saudi Fransi

Strong growth in operating income to drive profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 16.70	SAR 21.70	+30%	BUY

### 2Q25 estimate

Banque Saudi Fransi (BSF/ the Bank) is expected to report a growth of 16.8% YOY in net profit to SAR 1,319 Mn in 2Q25, 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 2.7% YOY to SAR 4,281 Mn in 2Q25, primarily driven by a growth in net advances. On the other hand, funded expense is estimated to decrease 5.3% YOY to SAR 2,111 Mn in 2Q25 due to decrease in cost of funds. Thus, the Bank's net funded income is projected to grow 11.8% YOY to SAR 2,169 Mn in 2Q25. The Bank's NIMs will be mainly driven by CASA deposits and lending growth. BSF's non-funded income is expected to rise 17.6% YOY to SAR 473 Mn in 2Q25, attributed to forecasted increase in fee and commission income, exchange income and trading income. As a result, operating income is estimated to grow 12.8% YOY to SAR 2,642 Mn in 2Q25. Salaries and employee-related expenses are anticipated to rise 1.8% YOY to SAR 469 Mn in 2Q25. Meanwhile, rent and premises-related expenses are estimated to surge from SAR 15 Mn in 2Q24 to SAR 20 Mn in 2Q25. Furthermore, depreciation and amortization expenses are estimated to rise 10.6% YOY to SAR 74 Mn in 2Q25. Other G&A expenses are projected to rise from SAR 266 Mn in 2Q24 to SAR 306 Mn in 2Q25. Moreover, impairments are estimated to grow 12.3% YOY to SAR 307 Mn in 2Q25, while zakat expense is expected to increase 12.6% YOY to SAR 147 Mn.

### 2025 forecast

BSF's net profit is projected to report significant growth of 14.9% YOY to SAR 5,220 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 4.7% YOY to SAR 17,147 Mn in 2025 due to an expected increase in average interest earning assets. Similarly, funded expense is estimated to decrease from SAR 8,489 Mn in 2024 to SAR 8,409 Mn in 2025. Thus, net funded income is likely to increase 10.8% YOY to SAR 8,738 Mn in 2025. Total non-funded income is expected to grow 6.9% YOY to SAR 1,897 Mn in 2025, supported by an anticipated rise in fee and commission, trading, and other operating income, partially offset by a decline in exchange income. As a result, total operating income is estimated to grow 10.1% YOY to SAR 10,635 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 7.5% YOY to SAR 1,269 Mn in 2025, while zakat charges are estimated to increase 15.4% YOY to SAR 606 Mn in 2025.

### 1Q25 outturn

BSF's funded income grew 9.8% YOY to SAR 4,196 Mn in 1Q25 driven by an increase in return from financing and investments. On the other hand, funded expenses rose 9.2% YOY to SAR 2,078 Mn in 1Q25 owing to higher benchmark rates. Thus, net funded income expanded 10.4% YOY to SAR 2,118 Mn in 1Q25. The bank's non-funded income increased 25.9% YOY to SAR 520 Mn in 1Q25 due to increase in exchange income, gains on non-trading investments, net fee and commission income and trading income. As a result, operating income rose 13.2% YOY to SAR 2,638 Mn in 1Q25. Operating expenses grew 12.1% YOY to SAR 867 Mn in 1Q25, owing to growth in other operating and G&A expenses. Net impairment increased 1.4% YOY to SAR 280 Mn in 1Q25, driven by higher impairment charge for financials assets, investments, and others partially offset by lower charge on loans and advances. The Bank's zakat expenses increased 16.1% YOY to SAR 154 Mn in 1Q25.



### Target price and recommendation

We maintain our BUY rating on BSF with an unchanged target price of SAR 21.70. The Bank continued to record strong momentum in loan book with 12.7% YOY and 2.4% QOQ growth to SAR 209.0 Bn in 1Q25. Commercial loans grew 12% YOY to SAR 169.5 Mn in 1Q25, driven by strong growth in commerce, agriculture and financial sector, while consumer loans recorded a 16% YOY growth to SAR 39.5 Bn, attributable to growth in mortgages and personal loans. The bank's deposits increased 3.0% QOQ and 9.1% YOY to SAR 190.7 Bn in 1Q25 with CASA deposits accounting for 44.5% of total deposits. Thus, BSF's headline loan-to-deposit ratio decreased from 110.3% in 4Q24 to 109.6% in 1Q25. Moreover, BSF's calculated NPL ratio decreased from 1.0% in 4Q24 to 0.9% in 1Q25 whereas, the calculated NPL coverage ratio increased to 177.5% in 1Q25 from 168.3% in 4Q24. 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 19.2% and a total CAR of 20.1% in 1Q25. 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 16% YOY in 1Q25 driven by a rise in fixed investments, providing 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. 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	29.10	13.36	12.92	10.80	10.08	9.00
PB	1.29	1.29	1.33	1.23	1.18	1.09
DPS	0.192	0.719	0.792	0.935	1.013	1.085
Dividend Yield	1.1%	4.3%	4.7%	5.6%	6.1%	6.5%

FABS Estimates & Co Data

### BSF – P&L

SAR mm	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Special commission income	4,170	4,196	4,281	2.7%	2.0%	16,372	17,147	4.7%
Special commission expense	2,230	2,078	2,111	-5.3%	1.6%	8,489	8,409	-0.9%
<b>Net Special Commission Inc</b>	<b>1,940</b>	<b>2,118</b>	<b>2,169</b>	<b>11.8%</b>	<b>2.4%</b>	<b>7,883</b>	<b>8,738</b>	<b>10.8%</b>
Fee and commission income	264	262	280	6.1%	7.0%	972	1,050	8.0%
Exchange income, net	93	121	115	23.2%	-5.0%	482	458	-5.0%
Trading income, net	28	70	56	96.2%	-20.0%	276	298	8.0%
Dividend Income	4	9	22	NM	NM	16	31	NM
Gains on non-trading investments	12	53	0	NM	NM	27	53	NM
Other operating income	0	5	0	NM	NM	1	8	NM
<b>Non-funded income</b>	<b>402</b>	<b>520</b>	<b>473</b>	<b>17.6%</b>	<b>-9.0%</b>	<b>1,774</b>	<b>1,897</b>	<b>6.9%</b>
<b>Operating income</b>	<b>2,342</b>	<b>2,638</b>	<b>2,642</b>	<b>12.8%</b>	<b>0.2%</b>	<b>9,658</b>	<b>10,635</b>	<b>10.1%</b>
Salaries & employee-related exp.	460	471	469	1.8%	-0.5%	1,883	1,921	2.0%
Rent & premises related exp.	15	20	20	31.3%	-0.1%	75	73	-2.0%
Depreciation and amortization	67	68	74	10.6%	9.4%	299	326	9.0%
Other G&A expenses	266	308	306	14.8%	-0.5%	1,151	1,221	6.0%
<b>Total operating Expenses</b>	<b>809</b>	<b>867</b>	<b>869</b>	<b>7.4%</b>	<b>0.3%</b>	<b>3,409</b>	<b>3,541</b>	<b>3.9%</b>
<b>Pre-provision profit</b>	<b>1,533</b>	<b>1,772</b>	<b>1,773</b>	<b>15.7%</b>	<b>0.1%</b>	<b>6,249</b>	<b>7,094</b>	<b>13.5%</b>
Impairment	274	280	307	12.3%	9.9%	1,180	1,269	7.5%
<b>PBT</b>	<b>1,259</b>	<b>1,492</b>	<b>1,466</b>	<b>16.4%</b>	<b>-1.7%</b>	<b>5,069</b>	<b>5,826</b>	<b>14.9%</b>
Zakat	130	154	147	12.6%	-4.7%	525	606	15.4%
<b>Net profit attributable</b>	<b>1,129</b>	<b>1,338</b>	<b>1,319</b>	<b>16.8%</b>	<b>-1.4%</b>	<b>4,544</b>	<b>5,220</b>	<b>14.9%</b>

FABS Estimates & Co Data

**BSF - P&L KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	82.8%	80.3%	82.1%	-72	180	81.6%	82.2%	53
NIM	2.9%	3.0%	3.0%	4	-1	3.01%	2.96%	-5
NIS	1.8%	1.8%	1.8%	5	0	1.9%	2.0%	5
Fees & comms/OI	11.3%	9.9%	10.6%	-67	68	10.1%	9.9%	-19
Trading/OI	1.2%	2.6%	2.1%	90	-53	2.9%	2.8%	-6
Cost to income	34.5%	32.8%	32.9%	-166	4	35.3%	33.3%	-200
Impairment/PPP	17.9%	15.8%	17.3%	-52	154	18.9%	17.9%	-100
NP/OI	48.2%	50.7%	49.9%	172	-79	47.1%	49.1%	203
Cost of risk	0.6%	0.5%	0.6%	1	4	0.61%	0.57%	-4
Loan-to-deposit	100.5%	109.6%	106.1%	565	-346	110.3%	107.9%	-241
NPL calculated	1.0%	0.9%	1.0%	3	6	1.0%	1.1%	9
Coverage excluding collateral	155.8%	177.5%	175.0%	1,916	-253	168.3%	175.0%	673
Tier 1	17.4%	19.2%	19.3%	194	7	18.8%	18.1%	-68
Capital Adequacy	18.1%	20.1%	20.2%	211	4	19.7%	18.9%	-76
ROAE	11.5%	11.7%	11.8%	22	5	11.7%	13.5%	177
ROAA	1.6%	1.7%	1.6%	2	-1	1.7%	1.7%	3

*FABS estimate & Co Data*

**BSF- Key BS Items**

	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
<b>SAR mm</b>						
Net advances	197,160	201,008	204,168	208,978	215,087	9.1%
QOQ Change	6.3%	2.0%	1.6%	2.4%	2.9%	
Total assets	288,826	287,670	292,776	302,988	308,726	6.9%
QOQ Change	7.5%	-0.4%	1.8%	3.5%	1.9%	
Customer deposits	196,248	193,342	185,118	190,728	202,702	3.3%
QOQ Change	12.3%	-1.5%	-4.3%	3.0%	6.3%	
Total equity	41,809	46,117	46,607	48,430	48,503	16.0%
QOQ Change	-1.0%	10.3%	1.1%	3.9%	0.2%	

*FABS estimate & Co Data*



## 2Q25 preview: Riyadh Bank

Strong growth in non-funded income to drive bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 26.35	SAR 36.00	+37%	BUY

### 2Q25 estimate

Riyad Bank (RIBL/ the Bank) is projected to report a strong growth net profit of 6.5% YOY to SAR 2,491 Mn in 2Q25. The growth in net profit will be primarily driven by an expected rise in net funded and non-funded income, partially offset by an estimated increase in operating expenses, impairment charges, and tax charges. Special commission income is expected to grow 11.4% YOY to SAR 6,467 Mn in 2Q25, attributing to a forecasted increase in average interest earning assets, partially offset by projected decline in asset yield. Special commission expense is predicted to increase 16.9% YOY to SAR 3,165 Mn in 2Q25, owing to the anticipated rise in average total funding. Thus, net special commission income is likely to rise 6.6% YOY to SAR 3,301 Mn in 2Q25. The Bank's fee and commission income, net is predicted to grow 13.8% YOY to SAR 827 Mn in 2Q25. Additionally, trading income is predicted to increase significantly from SAR 7 Mn in 2Q24 to SAR 231 Mn in 2Q25. Furthermore, other operating income is forecasted to increase 23.1% YOY to SAR 205 Mn in 2Q25. As a result, RIBL total other operating income to rise 40.3% YOY to SAR 1,263 Mn in 2Q25. Thus, the Bank operating income is projected to increase 14.2% YOY to SAR 4,565 Mn in 2Q25. On the other hand, operating expenses is predicted to boost 16.0% YOY to SAR 1,420 Mn in 2Q25. The Bank's impairment charges are anticipated to increase from SAR 175 Mn in 2Q24 to SAR 368 Mn in 2Q25. In addition, tax expenses are projected to increase 6.5% YOY to SAR 286 Mn in 2Q25.

### 2025 forecast

We forecast Riyadh Bank to grow at 9.6% YOY growth in net profit to SAR 10,213 Mn in 2025, primarily due to an estimated increase in net funded and non-funded income coupled with forecasted lower impairment charges, 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 average interest earning assets, partially offset by predicted decrease in asset yield. Whereas special commission expense is likely to rise 9.5% YOY to SAR 12,389 Mn in 2025, due to anticipated rise in average interest-bearing liabilities, partially offset by projected 10 bps YOY decline in cost of funds. As a result, net special commission income is likely to rise 5.1% YOY to SAR 13,526 Mn in 2025. The Bank's fee and commission income, net is predicted to grow 6.0% YOY to SAR 3,170 Mn in 2025. Additionally, trading income is forecasted to increase 8.0% YOY to SAR 572 Mn in 2025. Furthermore, other operating income is forecasted to increase 10.0% YOY to SAR 980 Mn in 2025. As a result, total other operating income is likely to increase 7.0% YOY to SAR 4,722 Mn in 2025. Hence, the Banks, operating income is predicted to increase 5.6% YOY to SAR 18,248 Mn in 2025. Furthermore, operating expenses are estimated to rise 5.2% YOY to SAR 5,560 Mn in 2025. RIBL's cost-to-income ratio is expected to decrease 11 bps YOY to 30.5% in 2025. Impairment charges are anticipated to fall 19.7% YOY to SAR 1,311 Mn in 2025. Tax expense is expected to increase 9.1% YOY to SAR 1,173 Mn in 2025, impacting profitability.

### 1Q25 outturn

Riyad Bank's special commission income increased 12.0% YOY to SAR 6,351 Mn in 1Q25 due to a strong growth in loans and investments. The Bank's special commission expense rose 17.2% YOY to SAR 3,068 Mn in 1Q25, primarily due to rise in deposits. As a result, the net special commission income increased 7.6% YOY to SAR 3,282 Mn in 1Q25. The Bank's non-funded income surged 17.8% YOY to SAR 1,221 Mn in 1Q25. Hence, Riyadh Bank's total operating income rose 10.2% YOY to SAR 4,504 Mn in 1Q25 due to growth in net special commission income, net fee and commission income, trading income, exchange income, and net other operating income. The Bank's operating expenses increased 2.5% YOY to SAR 1,379 Mn in 1Q25 due to a rise in an increase in salaries and employee

related expenses, rent and premises-related expenses, other operating expenses, and depreciation of property, equipment and right of use assets. Impairment charges declined 17.1% YOY to SAR 362 Mn in 1Q25 due to a decrease in impairment charge for credit losses and other financial assets. Share in earnings of associate also increased 55.6% YOY to SAR 9 Mn in 1Q25. Zakat expense rose 19.9% YOY to SAR 286 Mn in 1Q25 in line with growth in profitability.

### Target price and recommendation

We maintain our BUY rating on Riyadh Bank with an unchanged target price of SAR 36.0 per share. The Bank's net advances increased significantly 19.8% YOY to SAR 339.0 Bn in 1Q25 owing to a strong growth in corporate loans which grew 31% YOY. Riyadh Bank further estimates its loan book to grow by low double digits in 2025 owing to strong demand for credits from corporates and SMEs, alongside growth in retail mortgages. The Bank's total regulatory capital increased from SAR 70.1 Bn in 1Q24 to SAR 77.0 Bn in 1Q25, demonstrated a strengthening of the bank's financial foundation and its ability to absorb potential losses. Riyadh Bank COR declined from 0.62% in 1Q24 to 0.4% in 1Q25, due to better asset quality, proactive risk management and strong recoveries. The Bank's customer deposits and debt securities supported the overall liquidity position. RIBL maintained solid liquidity position, driven by diversified funding from interbank loans, customer deposits, and debt securities. Additionally, NSCI witnessed a robust growth, fueled by an increase in volume and effective management of funding costs. The bank's nonfunded income including fee & other income saw a strong momentum due to strategic emphasis on cross-sell activities. The Bank's cost to income declined from 32.9% in 1Q24 to 30.6% in 1Q25, driven by solid cost efficiency with FY2025 guidance of below 30.5%, driven by strategic investments in digital initiatives, people, and systems. 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)	17.40	13.62	11.80	10.60	9.10	8.28
P/B (x)	1.85	1.80	1.95	1.53	1.40	1.29
DPS	0.500	1.040	1.150	1.398	1.700	1.784
Dividend Yield	1.9%	3.9%	4.4%	5.3%	6.5%	6.8%

FABS Estimates & Co Data

### RIBL - P&L

SAR mm	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Special commission income	5,805	6,351	6,467	11.4%	1.8%	24,182	25,914	7.2%
Special commission expense	-2,708	-3,068	-3,165	16.9%	3.2%	-11,309	-12,389	9.5%
<b>Net special commission income</b>	<b>3,097</b>	<b>3,282</b>	<b>3,301</b>	<b>6.6%</b>	<b>0.6%</b>	<b>12,873</b>	<b>13,526</b>	<b>5.1%</b>
Fees and commissions	727	811	827	13.8%	2.0%	2,991	3,170	6.0%
Trading income, net	7	216	231	NM	7.0%	529	572	8.0%
Other Operating Income	166	194	205	23.1%	5.6%	891	980	10.0%
<b>Total other operating income</b>	<b>901</b>	<b>1,221</b>	<b>1,263</b>	<b>40.3%</b>	<b>3.5%</b>	<b>4,411</b>	<b>4,722</b>	<b>7.0%</b>
<b>Operating income</b>	<b>3,997</b>	<b>4,504</b>	<b>4,565</b>	<b>14.2%</b>	<b>1.4%</b>	<b>17,285</b>	<b>18,248</b>	<b>5.6%</b>
Operating expenses	-1,225	-1,379	-1,420	16.0%	3.0%	-5,286	-5,560	5.2%
<b>Pre-provision profit</b>	<b>2,772</b>	<b>3,125</b>	<b>3,144</b>	<b>13.4%</b>	<b>0.6%</b>	<b>11,999</b>	<b>12,687</b>	<b>5.7%</b>
Impairment	-175	-362	-368	110.6%	1.7%	-1,632	-1,311	-19.7%
Share in earnings of associates, net	9	9	0	NM	NM	30	9	NM
<b>Profit Before Tax</b>	<b>2,606</b>	<b>2,772</b>	<b>2,777</b>	<b>6.5%</b>	<b>0.2%</b>	<b>10,397</b>	<b>11,386</b>	<b>9.5%</b>
Zakat	-269	-286	-286	6.5%	0.1%	-1,075	-1,173	9.1%
<b>Net profit attributable</b>	<b>2,338</b>	<b>2,486</b>	<b>2,491</b>	<b>6.5%</b>	<b>0.2%</b>	<b>9,322</b>	<b>10,213</b>	<b>9.6%</b>

FABS estimate & Co Data

**RIBL - KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	77.5%	72.9%	72.3%	-514	-56	74.5%	74.1%	-36
NIM	3.2%	3.0%	2.9%	-31	-10	3.1%	2.9%	-24
NIS	2.6%	2.4%	2.4%	-25	-5	2.6%	2.3%	-25
Fees & comms/OI	18.2%	18.0%	18.1%	-7	11	17.3%	17.4%	7
Trading/OI	0.2%	4.8%	5.1%	489	27	3.1%	3.1%	7
Cost to income	30.6%	30.6%	31.1%	47	50	30.6%	30.5%	-11
Impairment/PPP	6.3%	11.6%	11.7%	540	12	13.6%	10.3%	-327
NP/OI	58.5%	55.2%	54.6%	-392	-64	53.9%	56.0%	204
Cost of risk	0.2%	0.4%	0.4%	18	0	0.5%	0.4%	-12
Loan-to-deposit	105.5%	111.5%	106.0%	55	-548	104.5%	106.0%	154
NPL calculated	1.2%	1.1%	1.2%	2	6	1.0%	1.3%	32
NPL Coverage	145.2%	133.0%	147.0%	185	1,399	167.1%	170.0%	294
Tier 1	16.7%	16.4%	15.7%	-96	-71	16.4%	16.1%	-34
Capital Adequacy	19.5%	17.5%	16.7%	-279	-76	18.9%	18.4%	-58
ROAE	15.2%	16.8%	16.4%	115	-44	16.0%	16.2%	15
ROAA	2.1%	2.2%	2.2%	9	-2	2.2%	2.1%	-8

FABS estimate & Co Data

**RIBL - Key B/S items**

	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
<b>SAR mm</b>						
Net advances	291,051	305,408	320,089	338,991	351,970	20.9%
QOQ change	2.9%	4.9%	4.8%	5.9%	3.8%	
Total assets	405,029	433,366	450,379	465,345	487,426	20.3%
QOQ change	0.0%	7.0%	3.9%	3.3%	4.7%	
Customer deposits	276,009	293,575	306,423	304,092	332,047	20.3%
QOQ change	1.9%	6.4%	4.4%	-0.8%	9.2%	
Total equity	55,783	56,577	58,556	61,140	60,935	9.2%
QOQ change	4.2%	1.4%	3.5%	4.4%	-0.3%	

FABS estimate & Co Data

## 2Q25 preview: Arab National Bank

Higher non-core income to support profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 20.56	SAR 25.00	+22%	BUY

### 2Q25 Forecast

Arab National Bank's (ARNB/ the Bank) net profit is estimated to marginally rise 0.1% YOY to SAR 1,232 Mn in 2Q25. The growth in net profit will mainly be driven by an expected increase in net funded and non-funded income, partially offset by a forecasted rise in operating expenses, impairment charges and tax charges. Funded income is anticipated to increase 1.3% YOY to SAR 3,601 Mn in 2Q25, due to an expected rise in loans and advances and other interest-earning assets. On the other hand, funded expense is predicted to decline marginally 0.6% YOY to SAR 1,603 Mn in 2Q25, mainly due to a rise in interest-bearing liabilities, partially offset by projected lower cost of funds. As a result, net funded income is expected to grow by 2.9% YOY to SAR 1,998 Mn in 2Q25. Non-funded income is estimated to rise 6.3% YOY to SAR 418 Mn in 2Q25. The growth will be mainly driven by an expected rise in fees and commission, exchange income, unrealised gain on FVIS investments, and other operating income, partially offset by a decrease in trading income, dividend income and other non-funded income. Hence, operating income is forecasted to rise 3.5% YOY to SAR 2,416 Mn in 2Q25. Operating expenses are expected to increase 3.3% YOY to SAR 761 Mn in 2Q25. We expect the cost-to-income ratio to decline marginally 5 bps YOY to 31.5% in 2Q25. Impairment charges are anticipated to increase 26.1% YOY to SAR 210 Mn in 2Q25. The Bank's income from associates is expected to decline from SAR 7 Mn in 2Q24 to SAR 4 Mn in 2Q25. Tax expense is estimated to grow 3.9% YOY to SAR 216 Mn in 2Q25.

### 2025 Forecast

ARNB's net profit is anticipated to grow 5.9% YOY to SAR 5,260 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, and a lower share of income from associates. Funded income is estimated to grow 5.2% YOY to SAR 15,204 Mn in 2025, mainly due to anticipated growth in loans and advances and other interest-earning assets. Funded expense is expected to decline 1.0% YOY to SAR 6,418 Mn in 2025, attributed to projected growth in interest-bearing liabilities. Resultantly, net funded income is expected to grow 10.2% YOY to SAR 8,786 Mn in 2025. Total non-funded income is forecasted to grow 7.9% YOY to SAR 1,649 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 a decline in trading income. Thus, operating income is likely to rise 9.8% YOY to SAR 10,435 Mn in 2025. Operating expenses are projected to grow 6.4% YOY to SAR 3,328 Mn in 2025. Cost-to-income is expected to fall 103 bps YOY to 31.9% in 2025. Impairment charges are estimated to increase 28.3% YOY to SAR 980 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 17.4% YOY to SAR 922 Mn in 2025, due to increased profitability. The Company's share to non-controlling interest is projected to increase substantially from SAR 1 Mn in 2024 to SAR 5 Mn in 2025.

### 1Q25 Outturn

ARNB's funded income grew 2.3% YOY to SAR 3,569 Mn in 1Q25, driven by solid growth of 13.4% YOY in advances, along with 8.2% YOY growth in investment portfolio. On the other hand, funded expenses rose 2.6% YOY to SAR 1,601 Mn in 1Q25 due to increased client deposits. As a result, the net funded income grew 2.1% YOY to SAR 1,968 Mn in 1Q25. Furthermore, the rise in fee & commission income, exchange income, trading income and gain on FVIS investments resulted in a surge of non-funded income by 47.3% YOY to SAR 562 Mn in 1Q25. Thus, the operating income grew 9.6% YOY to SAR 2,531 Mn in 1Q25, while the operating expenses rose 9.7% YOY to SAR 801 Mn in 1Q25. Thus, the cost-to-income ratio remained steady at 31.7% in 1Q25 compared to 1Q24.

Impairment expenses rose 27.0% YOY to SAR 205 Mn in 1Q25, in line with portfolio growth and the impending macroeconomic environment. The profit before tax rose 8.0% to SAR 1,530 Mn in 1Q25. Tax expenses grew from SAR 181 Mn in 1Q24 to SAR 226 Mn in 1Q25.

### Target Price and Recommendation

We maintain our BUY rating on Arab National Bank with a target price of SAR 25.00. ARNB's net profits grew owing to a surge in net funded and non-funded income during 1Q25. The Bank offers a comprehensive range of products and services across Wholesale, Retail, MSME, Private, Treasury and Investment Banking (Capital). The Bank's loan book remained well diversified, with Corporate lending accounting for 75% and Retail lending accounting for 25% as of 1Q25. The Bank's loan book grew 13.4% YOY and 5.6% QOQ to SAR 179.1 Bn in 1Q25. ARNB's Corporate Banking segment reported loans of SAR 133.5 Bn, well-diversified across various sectors as of 1Q25. ARNB continues to focus on strategic lending within this segment, with an emphasis on project and structured finance solutions. In the Retail Banking segment, loans stood at SAR 45.5 Bn in 1Q25, supported by growth in home loans, personal loans, auto loans, and credit cards. The Bank aims to expand further and diversify its offerings, particularly in the auto loan and credit card segments. ARNB expects its loan book to grow mid-teens in 2025. Moreover, the Bank's total deposits rose 12.1% YOY to SAR 195.6 Bn in 1Q25. CASA deposits also remained stable at 54.7% in 1Q25 compared to 4Q24. NIMs of the Bank declined 33 bps YOY and 25 bps QOQ to 3.2% in 1Q25. The Bank's cost-to-income improved from 35.7% in 4Q24 to 31.7% in 1Q25. The Bank further targets the cost-to-income ratio to be below 32% in 2025. Furthermore, the Bank's reported NPL ratio rose from 1.2% in 4Q24 to 1.3% in 1Q25. Reported Coverage ratio also declined from 148.5% in 4Q24 to 131.7% in 1Q25. However, the Bank maintained a healthy LCR ratio of 134% and NSFR of 119% in 1Q25, well above the regulatory requirement. The Bank also maintained a healthy capital return with a CET 1 ratio of 16.6% and a total CAR of 19.8% in 1Q25. ARNB reported improved profitability in 1Q25, with a reported ROAE of 13.1% and a ROAA of 2.0%. Moreover, the Bank also distributed a cash dividend of SAR 0.65 per share for 2H24. As a result, the total dividend stood at SAR 1.30 per share for 2024 with a dividend yield of 6.1%. Thus, based on our analysis, we maintain our BUY rating on the stock.

#### ARNB - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	20.17	19.20	13.61	10.27	8.42	7.95
P/B (x)	1.41	1.37	1.33	1.17	1.10	1.03
DPS	0.400	1.150	1.100	1.350	1.300	1.368
Dividend yield	1.9%	5.6%	5.3%	6.5%	6.3%	6.6%

FABS Estimates & Co Data



**ARNB- P&L**

SAR mm	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	3,554	3,569	3,601	1.3%	0.9%	14,454	15,204	5.2%
Funded expense	-1,612	-1,601	-1,603	-0.6%	0.1%	-6,482	-6,418	-1.0%
<b>Net funded income</b>	<b>1,942</b>	<b>1,968</b>	<b>1,998</b>	<b>2.9%</b>	<b>1.5%</b>	<b>7,972</b>	<b>8,786</b>	<b>10.2%</b>
Fees and commissions	216	281	253	17.2%	-10.0%	709	815	15.0%
Exchange income, net	72	92	76	6.4%	-17.4%	326	359	10.1%
Unrealised gain on FVIS invt, net	5	113	20	NM	-81.9%	174	174	0.0%
Trading Income	38	19	9	-75.5%	-50.0%	59	41	-30.0%
Dividend income	42	35	36	-13.5%	3.0%	158	161	2.0%
Other operating income	21	22	23	9.5%	5.0%	96	99	3.0%
Other non-funded income	178	281	165	-7.0%	-41.3%	819	834	1.8%
<b>Non-funded income</b>	<b>393</b>	<b>562</b>	<b>418</b>	<b>6.3%</b>	<b>-25.7%</b>	<b>1,528</b>	<b>1,649</b>	<b>7.9%</b>
<b>Operating income</b>	<b>2,335</b>	<b>2,531</b>	<b>2,416</b>	<b>3.5%</b>	<b>-4.5%</b>	<b>9,500</b>	<b>10,435</b>	<b>9.8%</b>
Operating expenses	-737	-801	-761	3.3%	-5.0%	-3,128	-3,328	6.4%
<b>Pre-provision profit</b>	<b>1,599</b>	<b>1,730</b>	<b>1,655</b>	<b>3.5%</b>	<b>-4.3%</b>	<b>6,372</b>	<b>7,107</b>	<b>11.5%</b>
Impairment	-167	-205	-210	26.1%	2.3%	-764	-980	28.3%
Share of results of associates	7	6	4	-40.7%	-33.9%	145	60	-58.6%
<b>PBT</b>	<b>1,439</b>	<b>1,530</b>	<b>1,449</b>	<b>0.7%</b>	<b>-5.3%</b>	<b>5,753</b>	<b>6,187</b>	<b>7.5%</b>
Tax	-208	-226	-216	3.9%	-4.5%	-786	-922	17.4%
<b>Profit after tax</b>	<b>1,231</b>	<b>1,304</b>	<b>1,233</b>	<b>0.2%</b>	<b>-5.4%</b>	<b>4,967</b>	<b>5,265</b>	<b>6.0%</b>
Non-controlling int.	0	-1	-1	NM	79.2%	-1	-5	NM
<b>Net profit attributable</b>	<b>1,231</b>	<b>1,304</b>	<b>1,232</b>	<b>0.1%</b>	<b>-5.5%</b>	<b>4,966</b>	<b>5,260</b>	<b>5.9%</b>

FABS estimate & Co Data

**ARNB - KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	83.2%	77.8%	82.7%	-46	492	83.9%	84.2%	28
NIM - Calculated	3.5%	3.2%	0.8%	-267	-242	3.6%	3.5%	-6
NIS	2.9%	2.7%	2.7%	-26	-5	3.0%	3.0%	0
Fees & comms/OI	9.2%	11.1%	10.5%	123	-64	7.5%	7.8%	35
Impairment/PPP	10.4%	11.9%	12.7%	227	82	12.0%	13.8%	180
Cost to income	31.5%	31.7%	31.5%	-5	-16	32.9%	31.9%	-103
NP/OI	52.7%	51.5%	51.0%	-171	-52	52.3%	50.4%	-187
Cost of risk - calculated	0.4%	0.5%	0.5%	4	-1	0.4%	0.5%	9
Loan-to-deposit calculated	92.0%	91.5%	92.2%	17	68	93.0%	93.2%	16
NPL calculated	1.5%	1.3%	1.3%	-17	-4	1.2%	1.3%	10
NPL coverage calculated	137.0%	131.7%	148.0%	1,100	1,632	148.5%	149.0%	52
Tier 1	17.3%	18.1%	16.8%	-43	-123	17.2%	16.7%	-49
Capital adequacy	19.1%	19.8%	18.5%	-53	-124	18.9%	18.3%	-65
ROAE	12.8%	13.0%	13.4%	53	41	13.4%	13.3%	-10
ROAA	2.0%	2.0%	2.0%	2	-1	2.1%	2.0%	-12

FABS estimate & Co data

**ARNB - Key B/S items**

SAR mm	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
Net advances	161,612	166,330	169,495	179,057	183,177	13.3%
QOQ change	2.4%	2.9%	1.9%	5.6%	2.3%	
Total assets	234,752	240,962	248,307	264,651	265,991	13.3%
QOQ change	0.8%	2.6%	3.0%	6.6%	0.5%	
Customer deposits	175,586	180,843	182,198	195,619	198,642	13.1%
QOQ change	0.6%	3.0%	0.7%	7.4%	1.5%	
Total equity	36,172	36,381	38,218	41,830	39,170	8.3%
QOQ change	0.8%	0.6%	5.0%	9.5%	-6.4%	

FABS estimate & Co data

## 2Q25 preview: Alinma Bank

Growth in funded income to drive profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 25.00	SAR 37.00	+48%	BUY

### 2Q25 estimate

Alinma Bank (Alinma/the Bank) is expected to report an 8.1% YOY rise in net profit to SAR 1,532 Mn in 2Q25. The growth in net profit will mainly be driven by an expected rise in net funded and anticipated decline in impairment charges, partially offset by a projected lower non-funded income, increase in operating expenses, and rise in zakat. Funded income is predicted to expand 4.5% YOY to SAR 4,139 Mn in 2Q25 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 1.4% YOY to SAR 1,836 Mn in 2Q25 due to an estimated rise in average interest-bearing liabilities. Thus, net funded income is likely to grow 7.1% YOY to SAR 2,303 Mn in 2Q25. Fee and commission income is anticipated to decrease marginally 0.4% YOY to SAR 402 Mn in 2Q25. Trading gains are forecasted to decline 6.0% YOY to SAR 96 Mn in 2Q25. However, other non-funded income is projected to fall 35.5% YOY to SAR 57 Mn in 2Q25. Thus, total non-funded income is expected to decrease 6.6% YOY to SAR 556 Mn in 2Q25. Operating income is likely to grow 4.1% YOY to SAR 2,859 Mn in 2Q25. Meanwhile, operating expenses are anticipated to rise 9.5% YOY to SAR 914 Mn in 2Q25. Moreover, we expect the cost-to-income ratio to increase 158 bps YOY to 32.0% in 2Q25. Impairment charges are anticipated to fall 25.8% YOY to SAR 237 Mn in 2Q25. Zakat expense is forecasted to increase 8.0% YOY to SAR 176 Mn in 2Q25, in line with growth in profit before tax.

### 2025 forecast

We forecast Alinma's net profit to rise 8.6% YOY to SAR 6,331 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 increase in operating expenses, impairment charge, and zakat. Funded income is anticipated to increase 9.7% YOY to SAR 17,728 Mn in 2025 due to growth in average interest-earning assets. On the other hand, the funded expense is expected to rise 11.2% YOY to SAR 8,350 Mn in 2025, attributed to a rise in average interest-bearing liabilities. Thus, net funded income is expected to grow 8.4% YOY to SAR 9,378 Mn in 2025. Fees and commission income is predicted to rise 5.0% YOY to SAR 1,689 Mn in 2025. Trading gains are projected to expand 4.0% YOY to SAR 395 Mn in 2025, while the other non-funded income is estimated to decline 7.6% YOY to SAR 280 Mn in 2025. Thus, non-funded income is anticipated to grow 3.2% YOY to SAR 2,364 Mn in 2025. As a result, total operating income will increase by 7.3% YOY to SAR 11,742 Mn in 2025. Operating expenses are anticipated to increase 5.9% YOY to SAR 3,582 Mn in 2025. Moreover, we expect the cost-to-income ratio to decline 43 bps YOY to 30.5% in 2025. Impairment expense is anticipated to grow 5.0% YOY to SAR 1,102 Mn in 2025. Zakat expense is expected to grow 8.4% YOY to SAR 727 Mn in 2025, in line with growth in profit before tax.

### 1Q25 outturn

ALINMA funded income grew 8.4% YOY to SAR 4,118 Mn in 1Q25, primarily due to an increase in investments volume and financing. On the other hand, funded expenses grew 2.7% YOY to SAR 1,835 Mn in 1Q25 due to rise in customer deposits. As a result, net funded income increased 13.5% YOY to SAR 2,283 Mn in 1Q25. The non-funded income declined 4.0% YOY to SAR 531 Mn in 1Q25, driven by a decline in fee and commission income, partially offset by higher trading gains. Thus, the operating income of the Bank surged 9.7% YOY to SAR 2,814 Mn in 1Q25. Alinma Bank's operating expenses increased 8.6% YOY to SAR 905 Mn in 1Q25. As a result, cost to income declined 34 bps YOY to 32.2% in 1Q25. Moreover, impairment charges declined 15.1% YOY to SAR 226 Mn in 1Q25, supported by the addition of better-quality new assets. The Bank's Zakat expenses rose 14.7% YOY to SAR 173 Mn in 1Q25 due to the growth in pre-tax profit.



### Target price and recommendation

We maintain our BUY rating on Alinma Bank with an unchanged target price of SAR 37.00. The Bank's profitability is mainly driven by strong growth in net funded income and lower impairments in 1Q25. Customer deposits increased by 15.8% YOY to SAR 218.8 Bn in 1Q25, driven by a strong growth in CASA deposits which stood to SAR 117.9 Bn 1Q25. Total deposits include 65% of retail and 35% of non-retail as of 1Q25. The Bank's asset quality moderated as reported NPLs grew from 1.06% in 4Q24 to 1.27% in 1Q25, while NPL coverage ratio decreased from 172.3% in 4Q24 to 156.4% in 1Q25. The Bank's cost of risk improved from 0.59% in 1Q24 to 0.43% in 1Q25 due to healthy recoveries. Alinma is expected to benefit from the growth in economic activity and expects a cost of risk of 40-50 bps in 2025. The bank's CAR stood strong at 18.3% in 1Q25, while Tier 1 capital ratio stood at 17.2%. Alinma Bank has launched a USD 500 Mn USD-denominated sustainable AT1 sukuk at a 6.5% yield, attracting over USD 1.75 Bn in orders. The perpetual non-call 5.5-year mudaraba sukuk will be listed on the LSE, with major global banks acting as joint lead managers. Alinma Bank collaborated with IBM to enhance its IT infrastructure through hybrid cloud and AI integration technology and to introduce a new API platform tailored for its fintech and SME clients. The bank proposed the dividends of SAR 746.1 Mn for 2024. Consequently, this will lead to a net distribution of SAR 1.1 per share for the Bank's shareholders. 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	2025
P/E (x)	32.0	23.3	17.5	13.0	11.4	10.6
P/B (x)	2.6	2.5	2.4	2.1	1.9	1.7
DPS	0.239	0.597	0.756	0.915	1.100	1.182
Dividend Yield	1.0%	2.4%	3.0%	3.7%	4.4%	4.7%

FABS Estimates & Co Data

#### Alinma Bank- P&L

SAR mm	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	3,962	4,118	4,139	4.5%	0.5%	16,155	17,728	9.7%
Funded expense	-1,811	-1,835	-1,836	1.4%	0.1%	-7,506	-8,350	11.2%
<b>Net funded income</b>	<b>2,151</b>	<b>2,283</b>	<b>2,303</b>	<b>7.1%</b>	<b>0.9%</b>	<b>8,649</b>	<b>9,378</b>	<b>8.4%</b>
Fees and commissions	404	380	402	-0.4%	6.0%	1,608	1,689	5.0%
Trading gain/(loss)	103	92	96	-6.0%	5.0%	380	395	4.0%
Other non-funded income	88	59	57	-35.5%	-3.9%	304	280	-7.6%
<b>Non-funded income</b>	<b>595</b>	<b>531</b>	<b>556</b>	<b>-6.6%</b>	<b>4.7%</b>	<b>2,291</b>	<b>2,364</b>	<b>3.2%</b>
<b>Operating income</b>	<b>2,746</b>	<b>2,814</b>	<b>2,859</b>	<b>4.1%</b>	<b>1.6%</b>	<b>10,940</b>	<b>11,742</b>	<b>7.3%</b>
Operating expenses	-834	-905	-914	9.5%	1.0%	-3,384	-3,582	5.9%
<b>Pre-provision profit</b>	<b>1,912</b>	<b>1,909</b>	<b>1,945</b>	<b>1.8%</b>	<b>1.9%</b>	<b>7,556</b>	<b>8,161</b>	<b>8.0%</b>
Impairment	-320	-226	-237	-25.8%	5.1%	-1,050	-1,102	5.0%
Impair on other financial assets	7	0	0	NM	NM	-1	0	NM
Share of profit of associates	-6	-1	0	NM	NM	-5	0	NM
<b>Net profit before zakat</b>	<b>1,579</b>	<b>1,681</b>	<b>1,708</b>	<b>8.1%</b>	<b>1.6%</b>	<b>6,502</b>	<b>7,058</b>	<b>8.6%</b>
Zakat	-163	-173	-176	8.0%	1.5%	-670	-727	8.4%
<b>Net profit attributable</b>	<b>1,417</b>	<b>1,508</b>	<b>1,532</b>	<b>8.1%</b>	<b>1.6%</b>	<b>5,832</b>	<b>6,331</b>	<b>8.6%</b>

FABS estimate & Co Data

**Alinma Bank - KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	78.3%	81.1%	80.6%	223	-58	79.1%	79.9%	81
NIM	3.5%	3.3%	3.3%	-20	-5	3.5%	3.3%	-15
NIS	2.9%	2.8%	2.8%	-15	-3	2.9%	2.7%	-15
Fees & comms/OI	14.7%	2.0%	0.6%	-1412	-136	14.7%	14.4%	-32
Trading/OI	3.7%	0.0%	0.0%	-374	0	3.5%	3.4%	-11
Cost to income	30.4%	32.2%	32.0%	158	-20	30.9%	30.5%	-43
Impairment/PPP	16.7%	11.8%	12.2%	-453	37	13.9%	13.5%	-38
NP/OI	51.6%	53.6%	53.6%	199	-1	53.3%	53.9%	61
Cost of risk (calculated)	0.7%	0.4%	0.4%	-24	1	0.5%	0.5%	-5
Loan-to-deposit	92.5%	95.7%	95.5%	297	-25	97.9%	100.0%	213
NPL (calculated)	0.8%	1.3%	1.4%	62	13	1.1%	1.5%	44
NPL Coverage	240.1%	156.4%	150.0%	-9013	-638	172.3%	150.0%	-2226
Tier 1	17.3%	17.2%	17.5%	17	30	16.7%	16.7%	-2
Capital adequacy	18.5%	18.3%	18.6%	7	27	17.7%	17.6%	-12
ROAE	17.5%	17.4%	17.2%	-29	-24	18.9%	17.1%	-179
ROAA	2.2%	2.3%	2.2%	3	-3	2.3%	2.2%	-9

FABS estimate & Co Data

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

SAR mm	2Q24	3Q24	4Q24	1Q25	2Q25	YOY Ch
Net advances	189,912	195,895	202,308	209,435	213,384	12.4%
QOQ change	5.1%	3.2%	3.3%	3.5%	1.9%	
Total assets	260,138	266,983	276,827	287,222	289,289	11.2%
QOQ change	6.2%	2.6%	3.7%	3.8%	0.7%	
Customer deposits	205,357	209,140	210,545	218,839	223,550	8.9%
QOQ change	8.7%	1.8%	0.7%	3.9%	2.2%	
Total equity	40,037	41,158	41,442	42,952	43,738	9.2%
QOQ change	1.8%	2.8%	0.7%	3.6%	1.8%	

FABS estimate & Co Data

## 2Q25 preview: Al Bilad Bank

Decrease in impairment charges to drive net profit

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 23.66	SAR 31.70	+34%	BUY

### 2Q25 Estimate

Bank Albilad's (ALBI/ the Bank) net profit is expected to grow 7.3% YOY to SAR 720 Mn in 2Q25, mainly driven by an anticipated increase in net funded income, and lower impairment charges, partially offset by an estimated decrease in non-funded income, rise in G&A and zakat expenses. Income from investing and financing is anticipated to rise 4.6% YOY to SAR 2,201 Mn in 2Q25 due to expected growth in average interest-earning assets, partially offset by predicted decrease in yield on assets. Return on deposits and finance liabilities is predicted to fall 0.6% YOY to SAR 1,014 Mn in 2Q25, due to anticipated decrease in cost of funds, partially offset by projected increase in average interest-bearing liabilities. Thus, net funded income is likely to grow 9.4% YOY to SAR 1,187 Mn in 2Q25. The Bank's fees and commission income is projected to grow 12.8% YOY to SAR 175 Mn and exchange income is forecasted to increase 6.5% YOY to SAR 76 Mn in 2Q25. However, other non-funded income is anticipated to fall from SAR 96 Mn in 2Q24 to SAR 52 Mn in 2Q25. Thus, total non-funded income is expected to decrease 6.1% YOY to SAR 303 Mn in 2Q25. As a result, ALBI's total operating income is expected to increase 5.9% YOY to SAR 1,490 Mn in 2Q25. G&A expenses are predicted to increase 9.0% YOY to SAR 630 Mn in 2Q25. Impairment charges are anticipated to decline 28.9% YOY to SAR 58 Mn in 2Q25. The Bank's zakat expenses are expected to increase 7.3% YOY to SAR 83 Mn in 2Q25, which is in line with growth in profit before tax.

### 2025 Forecast

ALBI's net profit is estimated to increase 7.1% YOY to SAR 3,006 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, impairment losses and tax expenses. Income from investing and financing is anticipated to grow 7.0% YOY to SAR 9,162 Mn in 2025, attributed to projected growth in average interest-earning assets, partially offset by forecasted decline in yield on assets. Return on deposits and finance liabilities is predicted to rise 1.5% YOY to SAR 4,188 Mn in 2025, mainly due to an increase in average interest-bearing liabilities, partially offset by expected decline in cost of funds. Thus, net funded income is likely to expand 12.2% YOY to SAR 4,975 Mn in 2025. The Bank's fees and commission income and exchange income are projected to grow 5.0% YOY each to SAR 736 Mn and SAR 332 Mn, respectively in 2025. Additionally, 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 10.6% YOY to SAR 6,271 Mn in 2025. G&A expenses are predicted to rise 8.9% YOY to SAR 2,627 Mn in 2025. Furthermore, impairment charges are anticipated to surge significantly from SAR 130 Mn in 2024 to SAR 293 Mn in 2025. The Bank's zakat expense is projected to increase 7.1% YOY to SAR 345 Mn in 2025, which is in line with growth in profit before tax.

### 1Q25 Outturn

ALBI's funded income grew 6.4% YOY to SAR 2,192 Mn in 1Q25, driven by growth in the income from investing and financing assets. On the other hand, funded expenses inched up 1.5% YOY to SAR 1,030 Mn in 1Q25, due to a rise in return on deposits and financial liabilities. Thus, net funded income grew 11.2% YOY to SAR 1,162 Mn in 1Q25. The Bank's non-funded income increased 1.8% YOY to SAR 302 Mn in 1Q25, attributed to rise in fees and commissions, exchange income, partially offset by a decline in dividend income, net gain on FVSI instruments and other operating income. Thus, Albilad Bank's total operating income rose 9.1% YOY to SAR 1,464 Mn in 1Q25. Furthermore, the Bank's operating expenses surged 10.0% YOY to SAR 630 Mn in 1Q25 mainly due to the increase in salaries and employee-related expense, depreciation & amortization, and other G&A expenses. As

result, the Bank's cost-to-income ratio rose from 42.7% in 1Q24 to 43.0% in 1Q25. Impairment charges increased 2.6% YOY to SAR 53 Mn 1Q25, due to rise in net impairment charge for expected credit losses on investments. Similarly, the Bank's zakat expenses increased 8.9% YOY to SAR 80 Mn in 1Q25.

### Target price and recommendation

We maintain our BUY rating on the ALBI stock with a revised target price of SAR 31.70 considering the bonus share adjustments. ALBI reported robust financial performance in 1Q25. NIMs grew 5 bps YOY but fell 1 bps QOQ to 3.0% in 1Q25. In addition, the cost-to-income ratio improved from 44.3% in 4Q24 to 43.0% in 1Q25, reflecting its robust cost control, which is likely to benefit the profitability. Moreover, its investment portfolio is witnessing solid growth, and the majority of the investments are in long-term fixed-income securities, which is likely to benefit the Bank in a declining interest rate scenario. Additionally, ALBI's asset quality improved as NPLs declined from 1.4% in 1Q24 to 1.2% in 1Q25. Furthermore, the Bank's coverage ratio stood at 193.2% in 1Q25, compared to 198.4% in 4Q24. 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 14.9% and 18.6%, respectively, in 1Q25. The headline loan-to-deposit ratio rose from 89.8% in 4Q24 to 90.7% in 1Q25. Furthermore, the Bank's total deposit rose 1.8% QOQ to SAR 124 Bn in 1Q25, with low-cost deposit, CASA ratio increased from 63% in 4Q24 to 67% in 1Q25. Bank Albilad's total capital increased 5% QOQ to SAR 22.0 Bn, while risk-weighted assets boosted 3% QOQ to SAR 118.2 Bn in 1Q25. Additionally, Bank Albilad raised USD 650 Mn through Landmark AT1 Sukuk to strengthen its Tier 1 capital and general banking operations. Thus, based on our analysis, we maintain a BUY rating on the stock.

#### Bank Al Bilad - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	27.25	21.79	17.65	15.51	13.09	12.23
PB	3.42	3.07	2.85	2.41	2.20	1.98
DPS	NA	NA	0.333	0.333	0.750	0.750
Dividend Yield	NA	NA	1.4%	1.4%	3.2%	3.2%

FABS Estimates & Co Data

#### Bank Al Bilad - P&L

SAR mm	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Income from invest & fin.	2,105	2,192	2,201	4.6%	0.4%	8,559	9,162	7.0%
Return on deposits & fin. liab.	-1,020	-1,030	-1,014	-0.6%	-1.6%	-4,126	-4,188	1.5%
<b>Net funded income</b>	<b>1,085</b>	<b>1,162</b>	<b>1,187</b>	<b>9.4%</b>	<b>2.2%</b>	<b>4,434</b>	<b>4,975</b>	<b>12.2%</b>
Fees and commissions	155	172	175	12.8%	2.0%	701	736	5.0%
Exchange income	72	85	76	6.5%	-10.0%	316	332	5.0%
Other non-funded income	96	45	52	-46.0%	14.3%	221	229	3.3%
<b>Total non-funded income</b>	<b>323</b>	<b>302</b>	<b>303</b>	<b>-6.1%</b>	<b>0.5%</b>	<b>1,238</b>	<b>1,296</b>	<b>4.7%</b>
<b>Total operating income</b>	<b>1,408</b>	<b>1,464</b>	<b>1,490</b>	<b>5.9%</b>	<b>1.8%</b>	<b>5,672</b>	<b>6,271</b>	<b>10.6%</b>
General & admin. Expenses	-578	-630	-630	9.0%	-0.1%	-2,413	-2,627	8.9%
<b>Pre provision profit</b>	<b>830</b>	<b>834</b>	<b>861</b>	<b>3.7%</b>	<b>3.3%</b>	<b>3,258</b>	<b>3,644</b>	<b>11.8%</b>
Impairment	-82	-53	-58	-28.9%	10.4%	-130	-293	NM
<b>Profit before zakat</b>	<b>748</b>	<b>781</b>	<b>802</b>	<b>7.3%</b>	<b>2.8%</b>	<b>3,129</b>	<b>3,351</b>	<b>7.1%</b>
Zakat expenses	-77	-80	-83	7.3%	2.8%	-322	-345	7.1%
<b>Net profit attributable</b>	<b>671</b>	<b>700</b>	<b>720</b>	<b>7.3%</b>	<b>2.8%</b>	<b>2,807</b>	<b>3,006</b>	<b>7.1%</b>

FABS Estimates & Co Data

**Bank Al Bilad - P&L KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	77.1%	79.4%	79.7%	259	27	78.2%	79.3%	116
NIM	3.1%	3.0%	3.0%	-6	-2	3.1%	3.1%	7
NIS	2.6%	2.6%	2.6%	-5	-3	2.6%	2.7%	6
Fees & comms/OI	11.0%	11.7%	11.8%	72	2	12.4%	11.7%	-62
Other Operating Inc/OI	11.9%	8.9%	8.6%	-332	-29	9.5%	8.9%	-54
Cost to income	41.0%	43.0%	42.2%	121	-80	42.6%	41.9%	-66
Impairment/PPP	9.9%	6.3%	6.8%	-312	44	4.0%	8.0%	406
NP/OI	47.7%	47.8%	48.3%	64	45	49.5%	47.9%	-155
Cost of risk	0.3%	0.2%	0.2%	-12	1	0.1%	0.3%	13
Loan-to-deposit (headline)	91.1%	90.7%	102.3%	1122	1165	89.8%	91.6%	182
NPL (calculated)	1.3%	1.2%	1.2%	-6	2	1.2%	1.3%	5
Coverage excluding collateral	203.2%	193.2%	198.0%	-517	480	198.4%	206.0%	761
CET1	14.3%	14.9%	13.4%	-87	-150	14.6%	14.9%	38
Capital Adequacy	18.1%	18.6%	17.1%	-104	-152	18.3%	18.4%	6
ROAE	16.9%	20.6%	18.9%	193	-175	17.6%	17.0%	-61
ROAA	1.8%	1.9%	1.9%	8	0	1.9%	1.8%	-4

*FABS estimate & Co Data*
**Bank Al Bilad-Key BS Items**

	2Q24	3Q24	4Q24	1Q25	2Q25F	Change
SAR mm						
Net advances	104,310	106,695	109,304	112,427	115,696	10.9%
QOQ Change	1.0%	2.3%	2.4%	2.9%	2.9%	
Total assets	145,291	153,722	154,965	159,103	162,766	12.0%
QOQ Change	1.1%	5.8%	0.8%	2.7%	2.3%	
Customer deposits	114,530	122,342	121,776	124,018	126,750	10.7%
QOQ Change	0.7%	6.8%	-0.5%	1.8%	2.2%	
Total equity	15,806	16,132	16,693	17,592	15,092	-4.5%
QOQ Change	0.7%	2.1%	3.5%	5.4%	-14.2%	

*FABS estimate & Co Data*

## 2Q25 preview: Al Rajhi Bank

Strong growth in net funded income to increase the bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 91.50	SAR 105.00	+15%	BUY

### 2Q25 estimate

Al Rajhi Bank (Al Rajhi/the Bank) net profit is expected to grow 28.4% YOY to SAR 6,034 Mn in 2Q25. 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 23.6% YOY to SAR 7,240 Mn in 2Q25, 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 18.7% YOY to SAR 13,340 Mn in 2Q25, driven by expected growth in average interest-earning assets. On the other hand, financing and investment expenses are forecasted to grow 13.4% YOY to SAR 6,100 Mn in 2Q25, due to an expected rise in average interest-bearing liabilities, partially offset by a projected decline in cost of funds. Net fees from banking services are forecasted to expand 27.1% YOY to SAR 1,428 Mn, while net exchange income is estimated to grow 1.1% YOY to SAR 322 Mn in 2Q25. Furthermore, other operating income is expected to increase 23.8% YOY to SAR 417 Mn in 2Q25. As a result, total non-funded income is predicted to increase 21.8% YOY to SAR 2,167 Mn in 2Q25. Hence, Al Rajhi's total operating income is likely to rise 23.2% YOY to SAR 9,407 Mn in 2Q25. Salaries and employee-related expenses are projected to rise 9.3% YOY to SAR 1,003 Mn in 2Q25. Other G&A expenses are expected to increase 3.4% YOY to SAR 584 Mn in 2Q25. Depreciation and amortization charges are anticipated to increase 10.8% YOY to SAR 525 Mn in 2Q25. Thus, total operating expenses are predicted to increase 8.0% YOY to SAR 2,112 Mn in 2Q25. Impairment charges are expected to grow significantly from SAR 455 Mn in 2Q24 to SAR 571 Mn in 2Q25. Additionally, the zakat expense is predicted to grow 30.0% YOY to SAR 686 Mn in 2Q25 in line with growth in profit before tax.

### 2025 forecast

Al Rajhi Bank is expected to report a 21.5% YOY growth in net profit to SAR 23,955 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 11.6% YOY to SAR 52,479 Mn in 2025, driven by expected growth in average interest-earning assets. However, financing and investment expenses are anticipated to rise 4.1% YOY to SAR 23,083 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 29,396 Mn in 2025. Total non-funded income is expected to increase 15.0% YOY to SAR 8,291 Mn in 2025, due to an anticipated increase in fee & commission, exchange, and other operating income. Net fees from banking services are anticipated to grow 15.0% YOY to SAR 5,397 Mn in 2025, while net exchange income is estimated to increase 10.0% YOY to SAR 1,422 Mn in 2025. Other operating income is also expected to rise 20.0% YOY to SAR 1,472 Mn in 2025. Thus, total operating income will likely increase 17.6% YOY to SAR 37,687 Mn in 2025. The Bank's salaries and employee-related benefits are projected to grow 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 6.0% YOY to SAR 2,100 Mn in 2025. Hence, total operating expenses are anticipated to increase 5.5% YOY to SAR 8,411 Mn in 2025. Impairment charges are expected to rise 24.7% YOY to SAR 2,641 Mn in 2025. Zakat expense is anticipated to increase 19.1% YOY to SAR 2,664 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.



### 1Q25 outturn

ALRAJHI's funded income rose 21.9% YOY to SAR 13,171 Mn in 1Q25, fueled by a notable growth in net advances, investments securities and other interest-earning assets. On the other hand, funded expenses surged by 17.8% YOY to SAR 6,074 Mn in 1Q25 primarily due to a rise in the customer deposits and other interest-bearing liabilities. Thus, ALRAJHI's net funded income grew 25.7% YOY to SAR 7,097 Mn in 1Q25. NIMs expanded 9 bps YOY to 2.94% in 1Q25. Fees and other income from banking services increased 32.2% YOY to SAR 1,373 Mn, alongside exchange income grew 11.6% YOY to SAR 329 Mn and other operating income surged 61.2% YOY to SAR 401 Mn in 1Q25. Thus, the Bank's total non-funded income rose significantly 32.9% YOY to SAR 2,103 Mn in 1Q25. ALRAJHI's total operating income expanded 27.3% YOY to SAR 9,200 Mn in 1Q25. Total operating expenses increased 10.3% YOY to SAR 2,088 Mn in 1Q25 while the cost-to-income ratio improved from 26.2% in 1Q24 to 22.7% in 1Q25. Impairment charges increased significantly from SAR 421 Mn in 1Q24 to SAR 525 Mn in 1Q25. Zakat expenses rose 33.0% YOY to SAR 677 Mn in 1Q25 in line with the growth in profit before taxes. Share of profit attributable to non-controlling interest holders stood at SAR 4 Mn in 1Q25 compared to nil profit attributed in 1Q24.

### Target price and recommendation

We revised our rating from HOLD to BUY on ALRAJHI with an unchanged target price of SAR 105.00. The Bank's stock price declined 9.0% since our last rating (April 2025). ALRAJHI witnessed a strong growth in profitability driven by a substantial rise in funded and non-funded income in 1Q25. Non-funded income as a percentage of total operating income grew from 21.9% in 1Q24 to 22.9% in 1Q25, reflecting the Bank's continued efforts to diversify its revenue base. The Bank plans to achieve higher growth in non-funded income by increasing product penetration among existing customers through cross-selling additional products. It also plans to leverage ALRAJHI's leading position in financial products and distribution capabilities to increase this penetration. ALRAJHI also expects its NIMs to benefit from the negative interest rate sensitivity gap in 2025. Net advances grew 18.7% YOY and 4.2% QOQ to SAR 722.7 Bn in 1Q25, owing to an increase in corporate and retail financing portfolio. Retail financing portfolio grew 12.1% YOY, driven by a strong growth in mortgage book and consumer financing, whereas the corporate financing portfolio grew by 35.8% YOY due to strong growth in the SME portfolio. The Bank expects the financing portfolio to grow by high single digits in 2025, with the possibility of an upward revision driven by robust performance in 1Q25. ALRAJHI maintained robust asset quality with a reported NPL ratio of 0.74% and a calculated provision coverage ratio of 152.7% in 1Q25. Higher provision coverage provides a buffer against unforeseen losses. The Bank capitalization also stood healthy with a Tier 1 ratio of 19.8% and total CAR of 20.6% in 1Q25. Additionally, ALRAJHI priced its USD 1.25 Bn AT1 sustainable sukuk at 6.4%, under the Bank's USD 5 Bn issuance program. The issuance is expected to further support the Bank's capital base. Moreover, the Bank distributed a cash dividend of SAR 1.46 per share for 2H24, amounting to SAR 5.8 Bn, leading to a dividend yield of 3.0% for 2024. Thus, based on our analysis, we assign a BUY rating on the stock.

#### Al Rajhi Bank - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	35.0	25.1	21.8	23.4	19.8	16.2
P/B (x)	6.4	5.5	4.7	4.1	3.9	3.3
DPS	0.625	0.875	1.250	2.300	2.710	3.135
Dividend yield	0.7%	1.0%	1.4%	2.5%	3.0%	3.4%

FABS Estimates & Co Data



**Al Rajhi Bank - P&L**

SAR mm	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	11,238	13,171	13,340	18.7%	1.3%	47,018	52,479	11.6%
Funded expense	-5,380	-6,074	-6,100	13.4%	0.4%	-22,175	-23,083	4.1%
<b>Net Funded Income</b>	<b>5,857</b>	<b>7,097</b>	<b>7,240</b>	<b>23.6%</b>	<b>2.0%</b>	<b>24,843</b>	<b>29,396</b>	<b>18.3%</b>
Fees from banking services	1,123	1,373	1,428	27.1%	4.0%	4,693	5,397	15.0%
Exchange income, net	319	329	322	1.1%	-2.0%	1,293	1,422	10.0%
Other operating income	337	401	417	23.8%	4.0%	1,227	1,472	20.0%
<b>Total non-funded Income</b>	<b>1,780</b>	<b>2,103</b>	<b>2,167</b>	<b>21.8%</b>	<b>3.1%</b>	<b>7,212</b>	<b>8,291</b>	<b>15.0%</b>
<b>Total Operating Income</b>	<b>7,637</b>	<b>9,200</b>	<b>9,407</b>	<b>23.2%</b>	<b>2.3%</b>	<b>32,055</b>	<b>37,687</b>	<b>17.6%</b>
Salaries & employee benefits	-918	-983	-1,003	9.3%	2.0%	-3,724	-3,910	5.0%
Rent and premises related exp	0	0	0	NM	NM	0	0	NM
Other G&A expenses	-565	-567	-584	3.4%	3.0%	-2,265	-2,401	6.0%
Depreciation and amortization	-474	-538	-525	10.8%	-2.4%	-1,982	-2,100	6.0%
<b>Total operating Expenses</b>	<b>-1,956</b>	<b>-2,088</b>	<b>-2,112</b>	<b>8.0%</b>	<b>1.1%</b>	<b>-7,971</b>	<b>-8,411</b>	<b>5.5%</b>
<b>Profit before provisions</b>	<b>5,681</b>	<b>7,112</b>	<b>7,295</b>	<b>28.4%</b>	<b>2.6%</b>	<b>24,085</b>	<b>29,276</b>	<b>21.6%</b>
Impairment charge	-455	-525	-571	25.6%	8.8%	-2,117	-2,641	24.7%
<b>Total Operating Expenses</b>	<b>-2,411</b>	<b>-2,613</b>	<b>-2,683</b>	<b>11.3%</b>	<b>2.7%</b>	<b>-10,087</b>	<b>-11,051</b>	<b>9.6%</b>
<b>Net income before zakat</b>	<b>5,226</b>	<b>6,587</b>	<b>6,724</b>	<b>28.7%</b>	<b>2.1%</b>	<b>21,968</b>	<b>26,636</b>	<b>21.2%</b>
Zakat	-528	-677	-686	30.0%	1.3%	-2,237	-2,664	19.1%
Non-controlling interest	0	-4	-4	NM	14.8%	-9	-17	86.9%
<b>Net profit for the year</b>	<b>4,698</b>	<b>5,906</b>	<b>6,034</b>	<b>28.4%</b>	<b>2.2%</b>	<b>19,722</b>	<b>23,955</b>	<b>21.5%</b>

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

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	76.7%	77.1%	77.0%	26	-18	77.5%	78.0%	50
NIM	2.9%	2.9%	0.7%	-215	-223	2.9%	3.0%	11
NIS	2.4%	2.5%	2.5%	7	0	2.5%	2.7%	23
Fees & comms/OI	14.7%	14.9%	15.2%	46	26	14.6%	14.3%	-32
Exchange Income/OI	4.2%	3.6%	3.4%	-75	-15	4.0%	3.8%	-26
Cost to income	25.6%	22.7%	22.5%	-317	-25	24.9%	22.3%	-255
Impairment/PPP	-8.0%	-7.4%	-7.8%	18	-45	-8.8%	-9.0%	-23
NP/OI	61.5%	64.2%	64.1%	262	-5	61.5%	63.6%	204
Cost of risk	0.3%	0.3%	0.31%	3	2	0.3%	0.36%	4
Loan-to-deposit (headline)	99.9%	114.9%	112.0%	1,211	-287	110.4%	107.0%	-337
NPL (Reported)	0.8%	0.7%	0.7%	-4	0	0.8%	0.7%	-3
Coverage excl. collateral (Cal.)	168.1%	152.7%	154.0%	-1,405	131	159.4%	162.4%	300
Tier 1	20.0%	19.8%	19.6%	-44	-22	19.3%	20.5%	120
Capital Adequacy	21.0%	20.6%	20.4%	-65	-20	20.2%	21.3%	113
ROAA	2.1%	2.3%	5.2%	309	292	2.2%	2.4%	15
ROAE	18.4%	20.7%	23.5%	514	281	19.7%	21.6%	191

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

	2Q24	3Q24	4Q24	1Q25	2Q25F	Change
SAR mm						
Net advances	621,891	649,024	693,410	722,785	734,271	18.1%
QOQ change	2.1%	4.4%	6.8%	4.2%	1.6%	
Total assets	866,960	902,571	974,387	1,023,080	1,038,358	19.8%
QOQ change	3.7%	4.1%	8.0%	5.0%	1.5%	
Customer deposits	622,572	622,572	628,239	629,229	655,599	5.3%
QOQ change	3.1%	0.0%	0.9%	0.2%	4.2%	
Total Equity	116,396	117,879	123,139	134,084	134,278	15.4%
QOQ change	7.5%	1.3%	4.5%	8.9%	0.1%	

*FABS estimate & Co Data*

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**Sales & Execution**

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	+971-2 -6161700/1
Institutional Desk	+971-4 -5658395
Sales and Marketing	+971-2 -6161703

**Customer Service**

Abu Dhabi Office	+971-2 -6161600	<a href="#">Online Trading Link</a>
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