

Saudi Banking Sector – September 2025

Banks to issue AT1 & AT2 capital to maintain lending growth

Sector Weighting:
MARKET WEIGHT

Top Picks and Rating Changes

We maintain our MARKET WEIGHT rating on the Saudi banking sector. Saudi banks are anticipated to issue Tier-2 USD bonds to meet rising capital and funding needs, especially as interest rates fall and liquidity remains tight. AT1 issuance has saturated the market, making Tier-2 more attractive due to its lower cost (average coupon of ~5.9% vs. 6.4% for AT1). Banks are utilizing Tier-2 capital to meet new countercyclical buffer requirements and support lending capacity. Additionally, revision in rate shocks under IRRBB1 economic value of equity (EVE) exposes Saudi Banks to higher measured risk, especially since their balance sheets have a mismatch between long-term fixed loans and short-term deposits. This will force banks to issue more capital through AT1 and AT2 instruments and also encourage them to reduce their fixed-rate exposure. As policy rates decline while liquidity remains constrained, banks may have to improve pricing to cushion the impact of lower yields from corporate loan repricing expected in the near term. Although the 3M SAIBOR remained largely stable in 2Q25, Saudi banks experienced a rise in funding cost as tighter liquidity forced them to pay higher premiums. Moreover, advances in the Saudi banking system grew 7.8% YOY during 1H25, while growth is likely to moderate in 2H25 amid persistent liquidity constraints. On the other hand, CASA deposits declined from 53% in 2024 to 49% in 1H25, driven by rising interest-bearing deposits to boost loan growth and outflows from GREs. Additionally, GREs are placing large sums in interest-bearing deposits, raising overall costs. RWA's in the Saudi Banking system increased from 78% in 2Q24 to 81% in 2Q25, as Saudi banks have lately shifted from low-risk mortgages to capital-intensive project loans, raising risk levels and compressing returns unless loan profits rise.

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

1) SNB: SNB's advances grew 12.2% YOY and 1.2% QOQ to SAR 714.8 Bn in 2Q25, 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 75.9% in 2Q25 which benefits the NIMs. The Bank's asset quality improved as reported NPLs declined from 1.2% in 4Q24 to 0.9% in 2Q25. SNB's capitalization stood strong with a CET 1 ratio of 17.3% and CAR of 20.6% in 2Q25.

2) Al Rajhi: Net advances grew 2.6% QOQ and 19.3% YOY to SAR 741.7 Bn in 2Q25 owing to strong growth in corporate and retail financing portfolio. The Bank further anticipates its loan book to record high single digit growth in 2025 primarily driven by demand from corporate and consumer lending. Al Rajhi maintained a strong CASA ratio of 68.4% in 2Q25 which benefits the NIMs. ALRAJHI's asset quality remained robust, with a stable NPL ratio of 0.74% and a strong provision coverage ratio of 150.5% in 2Q25, providing a solid buffer against potential credit losses. The Bank maintained a healthy Capitalization with a Tier 1 capital ratio of 19.4% and a total CAR of 20.2% in 2Q25.

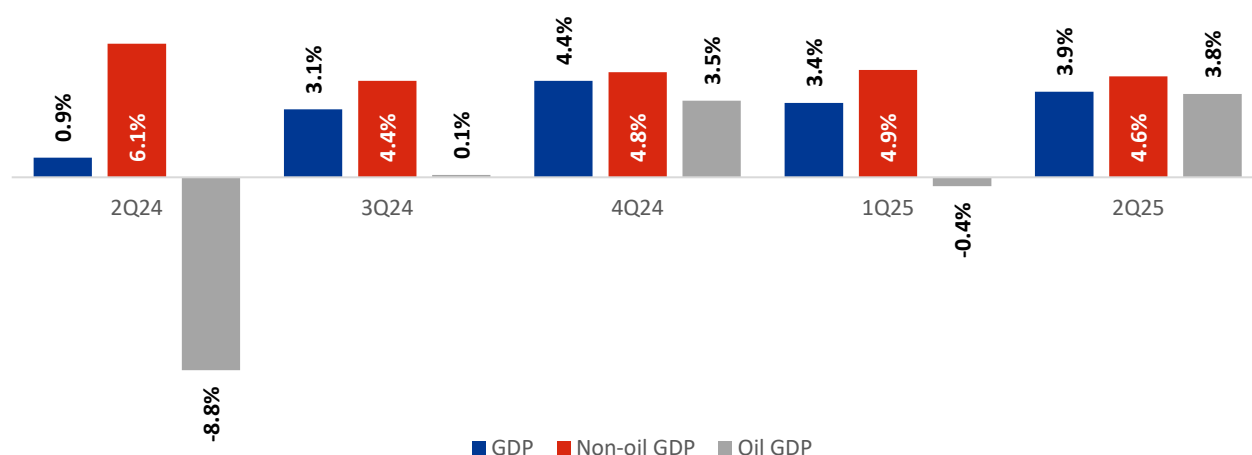
3) SAIB: SAIB's net advances grew 19.6% YOY and 4.1% QOQ to SAR 108.4 Bn in 2Q25, attributed to higher corporate lending driven by broad-based sectoral growth and an increase in private banking loans. The Bank's asset quality continues to improve as NPLs declined to 1.0% in 2Q25 compared to 1.5% in 2Q24 whereas, the provision coverage ratio also improved to 165.7% in 2Q25. The Bank maintained a healthy capitalization with a Tier 1 Ratio of 18.5% and CAR of 19.1% in 2Q25.

Key Industry Themes

KSA Banking sector reported solid growth in profitability in 2Q25, driven by a substantial increase in loans and advances despite funding challenges due to a slowdown in deposit growth. The widening gap between advances and deposits pushed banks to issue debt instruments to meet their funding needs. As per the IMF's July 2025 WEO report, the global economy is expected to grow 3.0% in 2025, 0.2% higher than the April 2025 WEO report. The upgrade in the forecast is primarily attributable to early purchases driven by anticipation of higher tariffs, actual average US tariff rates remaining below those projected in April, improved financial conditions supported by a weaker US dollar, and fiscal stimulus in key regions. Similarly, the IMF projects the global economy to grow 3.1% in 2026, which reflects a 0.1% increase in the forecast from the April 2025 WEO. Advanced economies are projected to slowdown, with growth easing from 1.8% in 2024 to just 1.5% in 2025 (up 0.1 points) and 1.6% in 2026 (up 0.1 points) driven by weaker demand and tariff-related uncertainty in the US. Emerging and developing economies are similarly upgraded, with growth decelerating from 4.3% in 2024 to 4.1% in 2025 (a 0.4-point upward revision), before rebounding to 4.0% in 2026. The upward revision in the forecast is primarily driven by a 0.8% revision in China's growth. The revision is mainly attributable to strong growth in 1H25, along with the reduction of US-China tariffs. IMF forecasts global headline inflation to moderate to 4.2% in 2025 and 3.6% in 2026, slightly lower from the April 2025 WEO report. In advanced economies, the inflation estimate for 2025 remains unchanged at 2.5%, while the inflation estimate for emerging markets is revised downward by 0.1%.

According to the IMF's July 2025 World Economic Outlook, Saudi Arabia's 2025 real GDP growth forecast is revised upward to 3.6%, from the earlier projections of 3.0%. The revision in the forecast is driven by a strong growth in the non-oil sector, supported by strong domestic demand, investment in Vision 2030 projects, expansion in tourism and construction, and unwinding of OPEC+ production cuts. Moreover, IMF projects KSA's growth to rise to 3.9% in 2026, a 0.2% upward revision from the April 2025 report. Additionally, inflation in the Kingdom remains controlled, while employment levels are continuously strengthening.

KSA GDP



Source: GASTAT

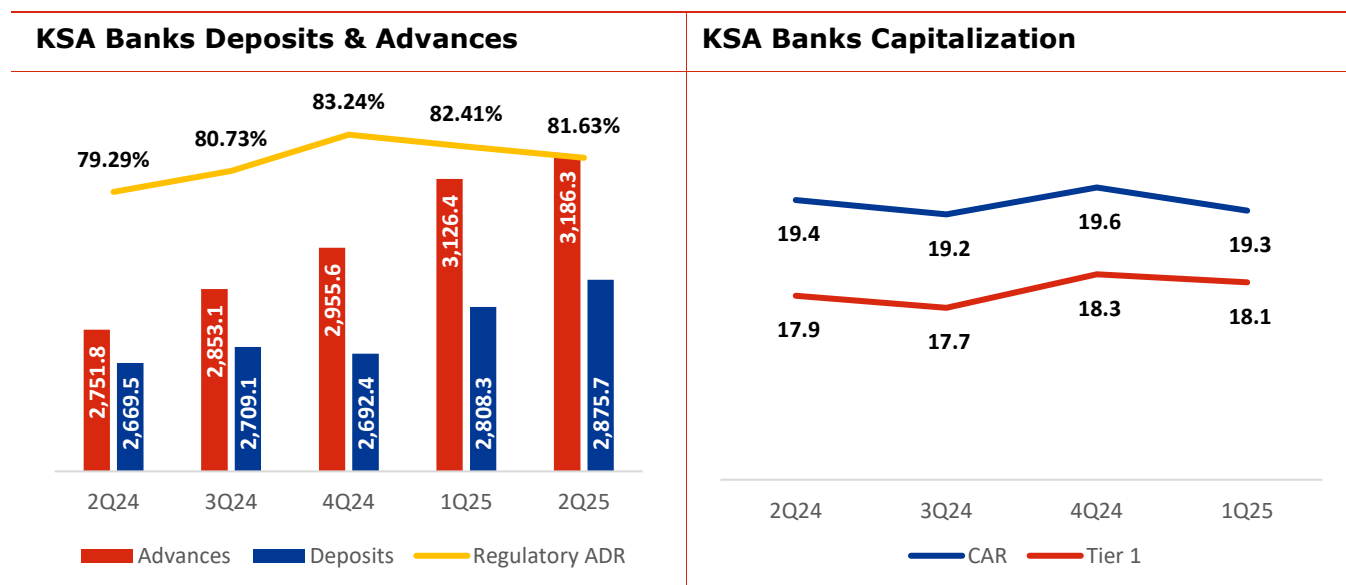
Saudi Arabia witnessed a 3.9% YOY growth in real GDP during 2Q25, as reported by the General Authority for Statistics (GASTAT). This growth reflects a resilient non-oil sector, which expanded 4.6% YOY, along with solid 3.8% YOY growth in oil activities. On a QOQ basis, seasonally adjusted real GDP rose 1.7% in 2Q25 compared to 1Q25, further signalling stable economic conditions. Notably, the growth is GDP driven by a healthy contribution from electricity, gas & water, finance,

insurance & business services, other mining & quarrying, crude petroleum & natural gas, wholesale & retail trade, restaurants, and hotel activities. The Riyadh Bank's Saudi Arabia Non-Oil PMI for August 2025 indicated continued strength in the non-oil private sector. The PMI rose to 56.4 in August 2025, up from 56.3 in June 2025. Strong PMI levels are attributed to an expansion in business activity, driven by growth in new orders and resilient employment growth. The expansion in business activity is mainly due to an improving economic environment, rising sales, and effective marketing activity. Higher international sales and solid demand led to an increase in new orders. Employment levels remained high, resulting in solid growth across inventory levels. Input prices rose due to inflationary pressure and higher shipping costs; consequently, the selling prices were raised to pass on the cost pressures. Moreover, firms remained optimistic due to strong demand, ongoing projects, and favourable government policies.

Furthermore, Saudi Arabia's banking sector is expected to benefit from strong growth in the non-oil sector. KSA's overall banking assets rose 14.1% YOY to SAR 4.8 Tn in July 2025. The growth in banking assets is attributable to a strong rise in all commercial bank assets, especially bank reserves, SAMA bills, foreign assets, private assets, government & quasi-government assets, non-monetary financial institution assets, and fixed assets. Fixed assets rose 10.0% YOY to SAR 53.4 Bn in July 2025, while claims on private sector assets increased 13.7% YOY to SAR 3.1 Tn. Claims on the government rose 17.9% YOY to SAR 860.4 Bn in July 2025, while claims on banks grew 74.6% YOY to SAR 54.6 Bn. KSA banking system's total advances rose 15.2% YOY to SAR 3.2 Tn in July 2025, whereas deposits grew at a slower pace of 8.4% YOY to SAR 2.9 Tn. Deposits from businesses and individuals in the KSA Banking system rose 8.6% YOY to SAR 1.9 Tn in July 2025, constituting 66.9% of total deposits, whereas deposits from government entities increased 10.7% YOY to SAR 903.1 Bn, accounting for 31.5% of total deposits. On the other hand, time and savings deposits witnessed a growth of 20.8% YOY to SAR 1.1 Tn in July 2025. Demand deposits grew 3.4% YOY to SAR 1.5 Tn in July 2025, while demand deposits as a percentage of total deposits stood at 50.5% in July 2025 compared to 52.9% in July 2024.

Strong government and private sector investments in the region contributed positively toward credit growth in 2Q25. Advances in the KSA banking system recorded a strong growth of 15.8% YOY to SAR 3.2 Tn in 2Q25, whereas the KSA banking system's advances to the private sector rose 14.1% YOY to SAR 3.0 Tn. Advances to the public sector grew 20.7% YOY to SAR 863 Bn in 2Q25. All banks under our coverage recorded a solid growth in advances in 2Q25, out of which Riyadh Bank, Al Rajhi Bank, and Arab National Bank witnessed the highest growth. Saudi Arabia's regulatory loan-to-deposit ratio fell to 81.63% in June 2025 from 82.74% in May 2025, well below the regulatory limit of 90.00%. KSA's banking system's NPL ratio remained stable at 1.2% in 1Q25 compared to 4Q24. Additionally, capitalization of Saudi banks stood healthy in 1Q25 with a CAR of 19.3% and a Tier 1 capital ratio of 18.1%.

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. In September 2025, the Fed slashed interest rates by 25 bps to a range of 4.00% to 4.25%. Additionally, the Fed announced plans to make two more rate cuts before the end of 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 4.75% following the Fed's interest rate changes.



Source: SAMA

ARNB launched 5.5-Year AT1 Sustainable Sukuk with IPTs at 6.875%

Arab National Bank (ARNB) launched a US dollar perpetual non-call 5.5-year AT1 sustainable sukuk, with an initial price thoughts set at around 6.875%. The issuance falls under the bank's USD 3 Bn additional Tier 1 Capital Certificate Issuance Programme and will be listed on the London Stock Exchange's International Securities Market. The transaction is being arranged by SMBC Bank International, Citigroup, ANB Capital, Arqaam Capital, Credit Agricole, BofA Securities, Deutsche Bank, HSBC, Kamco Investment, and Standard Chartered, with HSBC and Standard Chartered also acting as sustainability structurers.

Al Rajhi Bank priced USD 1 Bn Tier 2 social sukuk issuance

Saudi Arabia's Al Rajhi Bank priced its USD 1 Bn Tier 2 Reg S sukuk at par with a profit rate of 5.651% with a reset margin set at 200 bps over US Treasuries, tighter than the initial price thoughts of around 235 bps. The issuance attracted an order book exceeding USD 1.6 Bn, at launch, excluding joint lead manager interest. This transaction follows the approval granted by Saudi Arabia's capital market regulator for Al Rajhi Bank's programme to issue debt instruments worth SAR 10 Bn (USD 2.66 Bn). The Bank appointed Al Rajhi Capital Company, Citigroup Global Markets Limited, DBS Bank Ltd., Goldman Sachs International, Credit Agricole Corporate and Investment Bank, JP Morgan Securities plc, MUFG Securities EMEA, Natixis, HSBC Bank, Nomura International, and Standard Chartered Bank to serve as Joint Lead Managers and Bookrunners.

Bank AlJazira Prices USD 500 Mn non-call 5.5Y Sukuk Offering

Saudi Arabia's Bank AlJazira priced its dollar-denominated benchmark perpetual non-call 5.5-year AT1 sukuk at par, with a profit rate of 6.5% and a reset margin of 284.7 bps. The pricing was marginally tightened from the initial price thoughts in the 6.875% area. Furthermore, the Reg S, Category 2 issuance attracted a final order book of more than USD 1.65 Bn, excluding joint lead manager interest. The securities will be listed on the London Stock Exchange's International Securities Market under the bank's USD 1.5 Bn additional Tier 1 Trust Certificate Programme.

Saudi Awwal Bank issued USD 1.25 Bn Tier 2 green bond

Saudi Awwal Bank (SAB) issued USD 1.25 Bn USD-denominated Tier 2 green bond priced at T+220 bps, tighter than initial guidance, with a 5.947% annual yield and strong demand exceeding USD 3.3 Bn. The issuance was led by Goldman Sachs International and HSBC which also serving as sole green

structuring bank, while the bonds will be listed on the London Stock Exchange's International Securities Market. The offering was initially marketed at price thoughts of T+245 bps.

Alinma Bank priced USD 500 Mn AT1 sukuk at par with semi-annual coupon of 6.25%

Saudi Alinma Bank priced USD 500 Mn perpetual Additional Tier 1 (AT1) sustainable sukuk, non-callable for 5.5 years, at par with a semi-annual coupon of 6.25%. Additionally, the issuance attracted strong demand, with the order book exceeding USD 1.75 Bn excluding Joint Lead Manager interest. Furthermore, the sukuk will be issued on the London Stock Exchange's International Securities Market.

Banque Saudi Fransi issues USD 1 Bn Tier 2 capital notes

Banque Saudi Fransi issued Reg S USD 1 Bn Tier 2 capital notes offering a coupon of 5.761%, maturing in 10 years, with a call option after 5 years. The issuance will be offered to eligible investors both within the Kingdom and internationally. The bond will be issued on London Stock Exchange's International Securities Market. Furthermore, DBS Bank, Emirates NBD Bank, HSBC Bank, Mashreq Bank, Mizuho International, Abu Dhabi Commercial Bank, Citigroup, and Saudi Fransi Capital were appointed as joint lead managers.

Riyad Bank plans USD Tier 2 Trust Certificates via SPV for eligible investors

Riyad Bank mandated banks for a USD Tier 2 Trust Certificate issuance under its international programme. HSBC, Merrill Lynch International, Standard Chartered, JP Morgan Securities, Mizuho International, DBS Bank, SMBC Group, and Riyad Capital will act as joint lead managers, with the amount and tenor to be determined based on market conditions.

Alinma Bank mandates banks for 5-year dollar-denominated benchmark sukuk issuance

Saudi Arabia's Alinma Bank appointed a group of banks to arrange a dollar-denominated, benchmark-sized 5-year sukuk under Regulation S. The sukuk is anticipated to be rated A- by both S&P and Fitch. The issuance, structured under a Wakala-Murabaha arrangement, is expected to be listed on the London Stock Exchange's International Securities Market. The Bank is expecting the proceeds from the offering to utilize for general banking activities. Emirates NBD Capital, Dubai Islamic Bank, Alinma Capital Company, Abu Dhabi Islamic Bank, J.P. Morgan, Standard Chartered Bank and Goldman Sachs International are acting as Joint Bookrunners and Joint Lead Managers.

Target price and rating

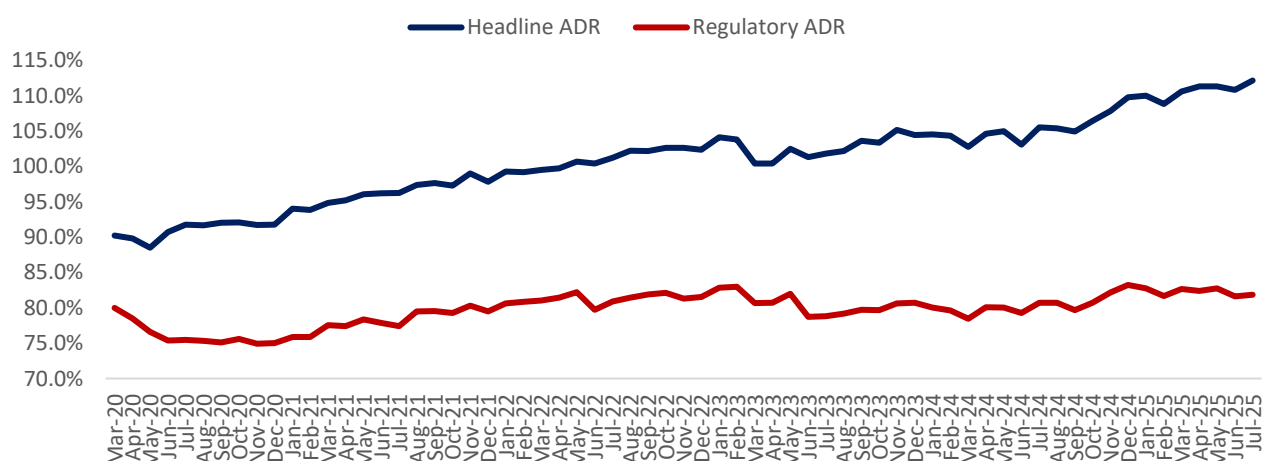
(SAR)	Target Price	Current Market Price	Gain/(-loss)	Rating
RJHI	105.00	93.50	+12.3%	ACCUMULATE
ALBI	31.70	27.12	+16.9%	BUY
RIBL	34.00	26.06	+30.5%	BUY
ALINMA	33.00	25.42	+29.8%	BUY
SNB	47.00	34.56	+36.0%	BUY
ARNB	25.00	23.50	+6.4%	HOLD
BSF	21.70	16.56	+31.0%	BUY
SAIB	17.80	13.47	+32.1%	BUY

FABS Estimate

KSA Banking Liquidity

Credit growth in the KSA banking system rose 15.2% YOY and 0.9% MOM to SAR 3.2 Tn in July 2025, while deposits increased at a slower rate on a YOY basis. KSA banking system deposits rose 8.4% YOY and declined 0.3% MOM to SAR 2.9 Tn in July 2025. As a result, the headline loan-to-deposit ratio (ADR) grew 660 bps YOY and 135 bps MOM to 112.1% in July 2025. All the banks under our coverage witnessed healthy growth in advances during 2Q25 on a YOY basis, of which Riyadh Bank recorded the highest credit growth of 21.8% YOY and 4.6% QOQ to SAR 354.6 Bn in 2Q25, followed by Saudi Investment Bank with advances growth of 19.6% YOY and 4.1% QOQ to SAR 108.4 Bn. In terms of deposits, Arab National Bank recorded the highest deposit growth of 14.9% YOY in 2Q25. The broader (M3) money supply rose 8.4% YOY, however, declined 0.3% MOM to SAR 3.1 Tn in July 2025 due to the contraction of demand deposits in the Saudi banking system. Mortgages in the KSA banking sector grew 14.5% YOY to SAR 933 Bn in 2Q25. According to the recent KSA census 2024, overall home ownership in KSA stood at 65.4% for the local Saudi population. The higher growth in advances compared to deposits on a YOY basis resulted in the expansion of regulated LDR, recording 81.8% in July 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. Saudi banks are increasing funding from alternative sources, such as sukuk and bond issuances, to support rising credit demand and comply with regulatory requirements set by the Saudi Central Bank (SAMA) and Basel III standards.

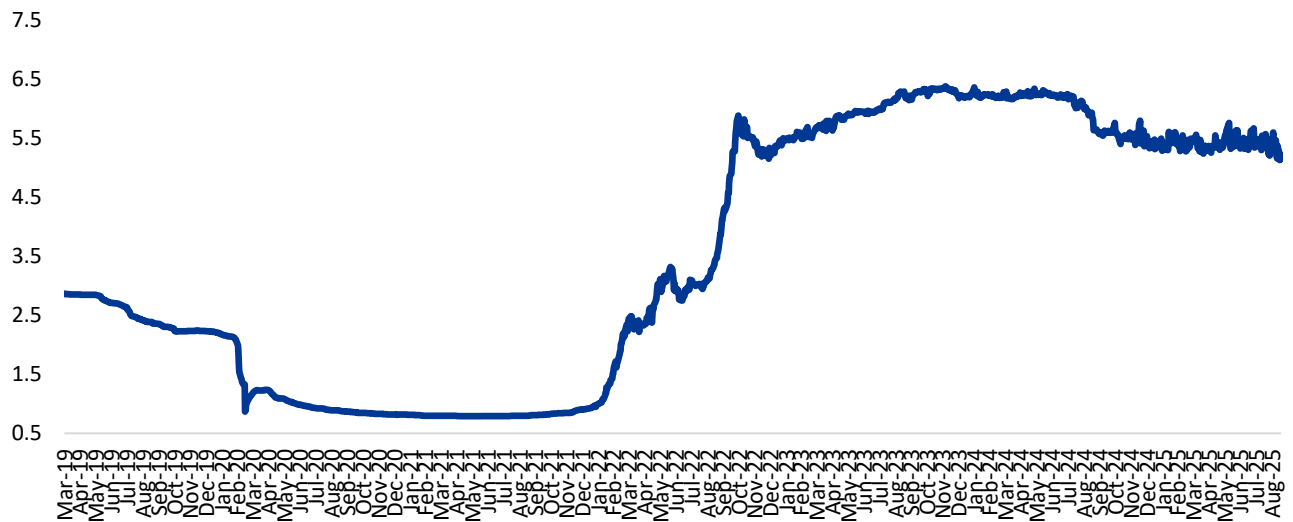
KSA banking system Headline and Regulatory Loan to Deposit Ratio



Source: FABS from SAMA data

The 3-Month SAIBOR rate declined 23 bps to 5.15% on 18 September 2025 from 5.38% on 30 June 2025. The rate averaged 5.34% in September 2025, compared to 5.40% in August 2025. SAMA lowered its repo rate and reverse repo rate to 4.75% and 4.25%, respectively, in September 2025. The spread between SAIBOR and the repo rate decreased from 50 bps in August 2025 to 40 bps on 18 September 2025, indicating an improvement in liquidity conditions across the overall banking system. KSA Banking system-regulated LDR fell from 83.24% in December 2024 to 81.65% in July 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 – September 2025



Source: Bloomberg

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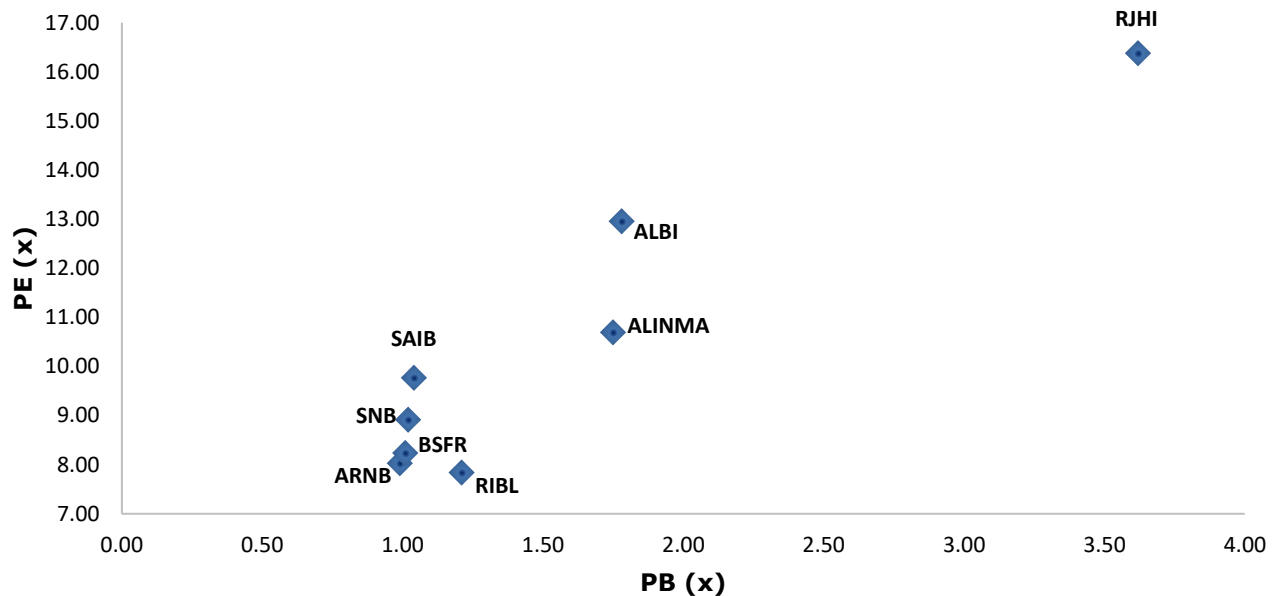
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Relative valuation and rating

ARNB and BSF'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 1.55x. Among them, RJHI and ALBI are the most expensive trading at PB ratio of 3.62x and 1.78x, respectively based on 2025 estimated financials. RJHI and ALBI are the most expensive based on PE multiples trading at 16.38x and 12.96x, respectively based on FY2025 financials.

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



Source: FABS estimate

Market Weight

Based on 6x BUYs, 1x ACCUMULATE and 1x HOLD on the KSA banks under our coverage, we maintain our MARKET WEIGHT RATING. Yet, on a comparative basis, we remain inclined towards SNB, RJHI and SAIB.

Target price and rating

(SAR)	Target Price	Current Market Price	Gain/(-loss)	Rating
RJHI	105.00	93.50	+12.3%	ACCUMULATE
ALBI	31.70	27.12	+16.9%	BUY
RIBL	34.00	26.06	+30.5%	BUY
ALINMA	33.00	25.42	+29.8%	BUY
SNB	47.00	34.56	+36.0%	BUY
ARNB	25.00	23.50	+6.4%	HOLD
BSF	21.70	16.56	+31.0%	BUY
SAIB	17.80	13.47	+32.1%	BUY

FABS Estimate

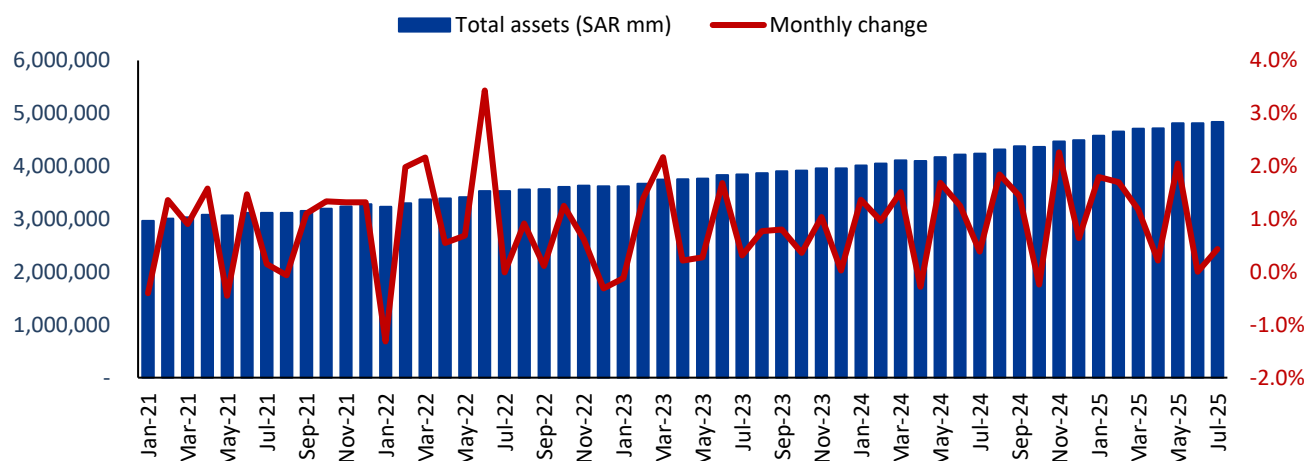
Banking indicators:

1. Assets

Total banking assets rose 14.1% YOY in July 2025

KSA's total banking assets increased 14.1% YOY and 0.4% MOM to SAR 4835.0 Bn in July 2025.

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



Source: FABS from SAMA data

Riyad Bank reported the highest YOY growth in total assets in 2Q25

All banks under our coverage recorded a strong growth in total assets on a YOY basis in 2Q25. Riyadh Bank recorded the highest growth of 21.2% YOY to SAR 490.8 Bn, followed by Al Rajhi with 19.8% YOY increase, and Saudi Investment Bank with 16.7% YOY during 2Q25. BSF recorded the lowest growth in total assets of 4.3% YOY to SAR 301.5 Bn in 2Q25. Also, BSF's total assets fell 0.5% QOQ in 2Q25.

Total assets							
(SAR Mn)	2Q24	3Q24	4Q24	1Q25	2Q25	YOY%	QOQ%
Al Rajhi	866,960	902,571	974,387	1,023,080	1,038,988	19.8%	1.6%
Bank Al Bilad	145,291	153,722	154,965	159,103	161,902	11.4%	1.8%
Riyad Bank	405,029	433,366	450,379	465,345	490,816	21.2%	5.5%
Alinma Bank	260,138	266,983	276,827	287,222	297,216	14.3%	3.5%
Saudi National Bank	1,088,112	1,124,608	1,104,155	1,171,079	1,200,998	10.4%	2.6%
Arab National Bank	235,491	240,962	248,307	264,651	268,983	14.2%	1.6%
Banque Saudi Fransi	289,109	287,670	292,776	302,988	301,490	4.3%	-0.5%
Saudi Investment Bank	143,358	151,250	156,667	163,799	167,292	16.7%	2.1%
KSA banking system	4,220,852	4,377,284	4,494,151	4,707,258	4,814,086	14.1%	2.3%

FABS from co data and SAMA

Al Rajhi recorded the highest YOY growth in assets market share in 2Q25

Al Rajhi Bank recorded the highest growth in asset market share of 104 bps YOY to 21.6% in 2Q25, followed by Riyadh Bank with a 60-bps growth and Saudi Investment Bank with 8-bps growth. Alinma Bank and Arab National Bank reported a marginal rise in assets market share of 6.2% and 5.6%, respectively, in 2Q25. The remaining three banks under our coverage recorded a decline in market share. Saudi National Bank recorded the largest drop of 83-bps YOY to 24.9% in 2Q25. Banque Saudi Fransi and Bank Al Bilad witnessed a 59-bps and 8-bps YOY decline in asset market share, respectively, during 2Q25. Amongst all the banks under our coverage, Saudi National Bank holds the largest asset market share at 24.9% in 2Q25, followed by Al Rajhi and Riyadh Bank.

Asset market share							
	2Q24	3Q24	4Q24	1Q25	2Q25	YOY (bps)	QOQ (bps)
Al Rajhi	20.5%	20.6%	21.7%	21.7%	21.6%	104	-15
Bank Al Bilad	3.4%	3.5%	3.4%	3.4%	3.4%	-8	-2
Riyadh Bank	9.6%	9.9%	10.0%	9.9%	10.2%	60	31
Alinma Bank	6.2%	6.1%	6.2%	6.1%	6.2%	1	7
Saudi National Bank	25.8%	25.7%	24.6%	24.9%	24.9%	-83	7
Arab National Bank	5.6%	5.5%	5.5%	5.6%	5.6%	1	-3
Banque Saudi Fransi	6.8%	6.6%	6.5%	6.4%	6.3%	-59	-17
Saudi Investment Bank	3.4%	3.5%	3.5%	3.5%	3.5%	8	0

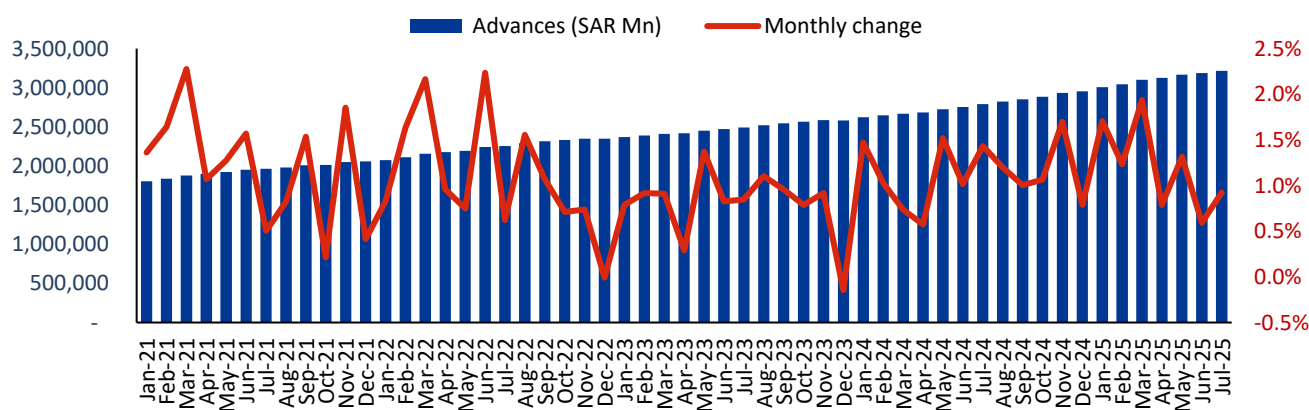
FABS from co-data

2. Advances

KSA banking system Advances grew 15.2% YOY in July 2025

KSA banking system net Advances increased 15.2% YOY and 0.9% MOM to SAR 3,215.8 Bn in July 2025.

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



Source: FABS from SAMA data

All Banks under our coverage recorded a solid growth in advances during 2Q25

All the banks under our coverage reported a growth in net advances on both a YOY and QOQ basis in 2Q25. Riyadh Bank reported the highest growth of 21.8% YOY to SAR 354.6 Bn in 2Q25, followed by Saudi Investment Bank with 19.6% YOY growth to SAR 108.4 Bn. Al Rajhi recorded a 19.3% YOY growth in advances to SAR 741.7 Bn in 2Q25. Moreover, Banque Saudi Fransi recorded the lowest advances growth of 6.5% YOY to SAR 209.9 Bn in 2Q25.

Net advances

(SAR Mn)	2Q24	3Q24	4Q24	1Q25	2Q25	YOY%	QOQ%
Al Rajhi	621,891	649,024	693,410	722,785	741,715	19.3%	2.6%
Bank Al Bilad	104,310	106,695	109,304	112,427	115,689	10.9%	2.9%
Riyad Bank	291,051	305,408	320,089	338,991	354,550	21.8%	4.6%
Alinma Bank	189,912	195,895	202,308	209,435	218,596	15.1%	4.4%
Saudi National Bank	637,235	655,308	654,252	706,430	714,839	12.2%	1.2%
Arab National Bank	161,612	166,330	169,495	179,057	186,476	15.4%	4.1%
Banque Saudi Fransi	197,160	201,008	204,168	208,978	209,881	6.5%	0.4%
Saudi Investment Bank	90,644	94,936	99,466	104,135	108,423	19.6%	4.1%
KSA banking system	2,751,842	2,853,139	2,955,550	3,101,961	3,186,271	15.8%	2.7%

FABS from co-data

Al Rajhi recorded the highest advances in market share in 2Q25

Al Rajhi has maintained the highest advances market share of 23.3% in 2Q25, followed by Saudi National Bank at 22.4%, and Riyad Bank at 11.1%. Among all banks under our coverage, only Al Rajhi, Riyad Bank and Saudi Investment Bank recorded positive growth in advances market share on a YOY basis in 2Q25. Al Rajhi's market share grew the most by 68-bps YOY in 2Q25, followed by Riyad Bank with 55-bps YOY growth and Saudi Investment Bank with 11-bps YOY growth during 2Q25. However, Saudi National Bank witnessed the largest decline in advances market share of 72-bps YOY and 34-bps QOQ during 2Q25, followed by Banque Saudi Fransi.

Advances market share

	2Q24	3Q24	4Q24	1Q25	2Q25	YOY (bps)	QOQ (bps)
Al Rajhi	22.6%	22.7%	23.5%	23.3%	23.3%	68	-2
Bank Al Bilad	3.8%	3.7%	3.7%	3.6%	3.6%	-16	1
Riyad Bank	10.6%	10.7%	10.8%	10.9%	11.1%	55	20
Alinma Bank	6.9%	6.9%	6.8%	6.8%	6.9%	-4	11
Saudi National Bank	23.2%	23.0%	22.1%	22.8%	22.4%	-72	-34
Arab National Bank	5.9%	5.8%	5.7%	5.8%	5.9%	-2	8
Banque Saudi Fransi	7.2%	7.0%	6.9%	6.7%	6.6%	-58	-15
Saudi Investment Bank	3.3%	3.3%	3.4%	3.4%	3.4%	11	5

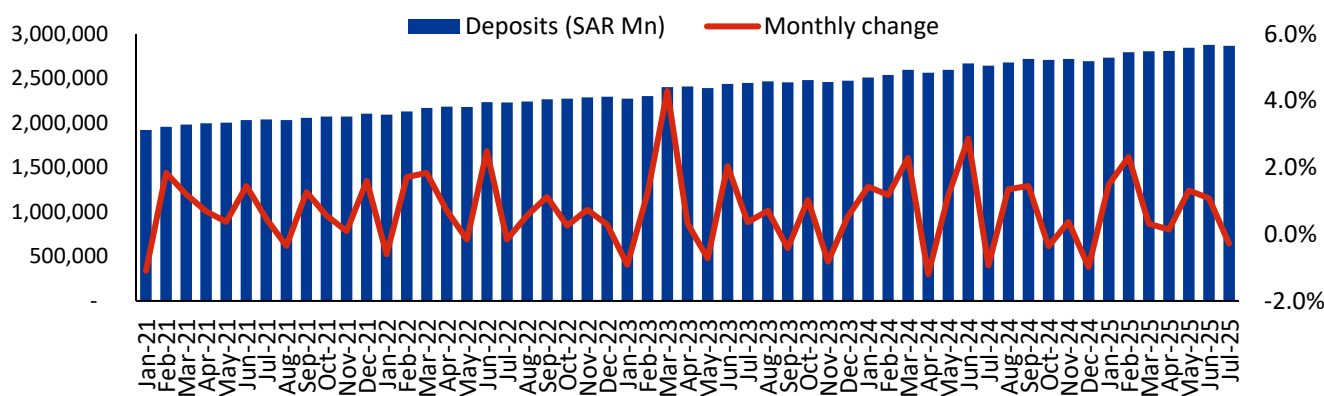
FABS from co-data

3. Customer Deposits

KSA banking system customer deposits grew 8.4% YOY in July 2025

KSA banking system deposits reported a growth of 8.4% YOY and a decline of 0.3% MOM to SAR 2,867.4 Bn in July 2025.

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



Source: FABS from SAMA data

Except BSF, all Banks recorded growth in deposits on YOY basis in 2Q25

Except Banque Saudi Fransi, all the banks under our coverage experienced a growth in deposits on a YOY basis. Arab National Bank witnessed the highest growth in deposits of 14.9% YOY to SAR 201.7 Bn, followed by Riyadh Bank with 14.8% YOY increase to SAR 316.8 Bn in 2Q25. Conversely, Banque Saudi Fransi witnessed a 6.9% YOY decline in deposits to SAR 182.7 Bn during 2Q25. Additionally, Banque Saudi Fransi deposits fell 4.2% on a QOQ basis, followed by Saudi Investment Bank with a marginally fall of 1.4% on a QOQ basis during 2Q25. Meanwhile, Saudi National Bank's deposits grew the most on a QOQ basis in 2Q25.

Deposits							
(SAR Mn)	2Q24	3Q24	4Q24	1Q25	2Q25	YOY%	QOQ%
Al Rajhi	622,572	622,572	628,239	629,229	641,987	3.1%	2.0%
Bank Al Bilad	114,530	122,342	121,776	124,018	123,929	8.2%	-0.1%
Riyad Bank	276,009	293,575	306,423	304,092	316,811	14.8%	4.2%
Alinma Bank	205,357	209,140	210,545	218,839	229,944	12.0%	5.1%
Saudi National Bank	632,693	634,195	579,762	626,394	658,675	4.1%	5.2%
Arab National Bank	175,594	180,843	182,230	195,619	201,739	14.9%	3.1%
Banque Saudi Fransi	196,248	193,342	185,118	190,728	182,690	-6.9%	-4.2%
Saudi Investment Bank	95,363	98,094	94,013	101,666	100,236	5.1%	-1.4%
KSA banking system	2,669,519	2,718,880	2,692,384	2,804,337	2,875,706	7.7%	2.5%

FABS from co-data and SAMA

Saudi National Bank regained the highest deposit market share in 2Q25

Saudi National Bank led the KSA banking system deposits with a deposit market share of 22.9%, closely followed by Al Rajhi Bank with 22.3% during 2Q25. Moreover, Al Rajhi, Banque Saudi Fransi, and Saudi Investment Bank witnessed the decline in deposit market share on both a YOY and QOQ basis in 2Q25. Banque Saudi Fransi and Al Rajhi's deposit market share declined the most by 100-bps YOY each in 2Q25, followed by Saudi Investment Bank with a decline of 9-bps YOY. On the other hand, Riyadh Bank recorded the highest growth in deposit market share of 68 bps YOY to 11.0% in 2Q25, followed by Arab National Bank with 44 bps YOY growth to 7.0%.

Deposits market share							
	2Q24	3Q24	4Q24	1Q25	2Q25	YOY (bps)	QOQ (bps)
Al Rajhi	23.3%	22.9%	23.3%	22.4%	22.3%	-100	-11
Bank Al Bilad	4.3%	4.5%	4.5%	4.4%	4.3%	2	-11
Riyad Bank	10.3%	10.8%	11.4%	10.8%	11.0%	68	17
Alinma Bank	7.7%	7.7%	7.8%	7.8%	8.0%	30	19
Saudi National Bank	23.7%	23.3%	21.5%	22.3%	22.9%	-80	57
Arab National Bank	6.6%	6.7%	6.8%	7.0%	7.0%	44	4
Banque Saudi Fransi	7.4%	7.1%	6.9%	6.8%	6.4%	-100	-45
Saudi Investment Bank	3.6%	3.6%	3.5%	3.6%	3.5%	-9	-14

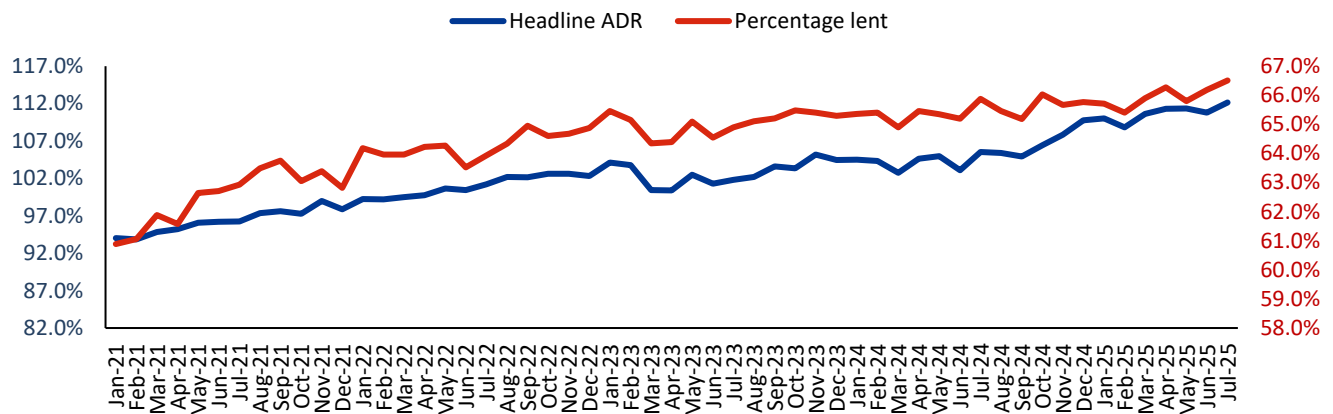
FABS from co-data

4. Liquidity

KSA banking system's liquidity contracted in July 2025

KSA's banking system's headline ADR ratio increased from 110.8% in June 2025 to 112.1% in July 2025. The lending percentage to total assets increased 32 bps MOM to 66.5% in July 2025.

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



Source: FABS from SAMA data

Al Rajhi Bank recorded the highest ADR growth on a YOY basis in 2Q25

In 2Q25, all banks under our coverage recorded the headline loan-to-deposit ratio of more than 90% in 2Q25. Al Rajhi recorded the highest ADR of 115.5% in 2Q25, followed by Banque Saudi Fransi with 114.9%. Arab National Bank's ADR stood the lowest at 92.4% among the banks under our coverage in 2Q25. Additionally, all the banks reported a growth in ADR on a YOY basis in 2Q25.

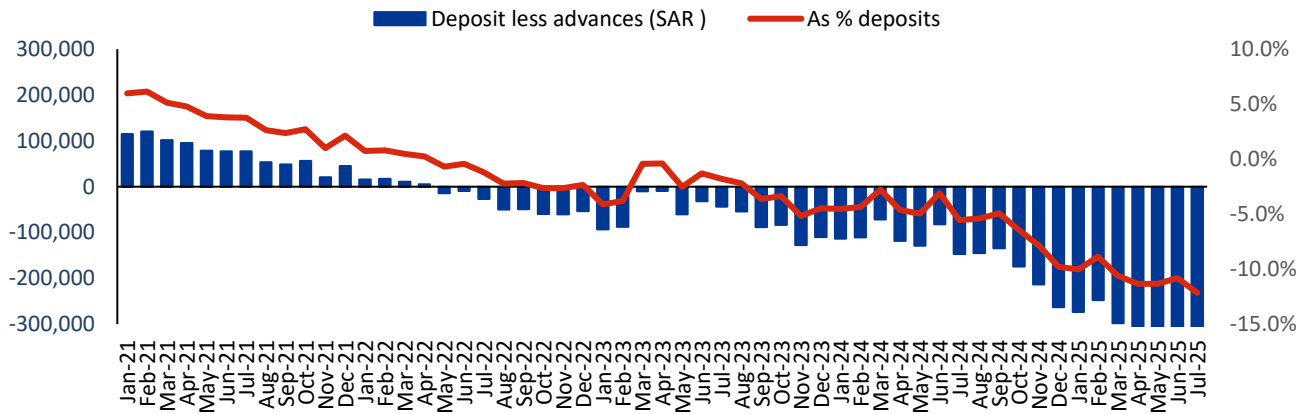
ADR	2Q24	3Q24	4Q24	1Q25	2Q25	YOY (bps)	QOQ (bps)
Al Rajhi	99.9%	104.2%	110.4%	114.9%	115.5%	1,564	67
Bank Al Bilad	91.1%	87.2%	89.8%	90.7%	93.4%	227	270
Riyad Bank	105.5%	104.0%	104.5%	111.5%	111.9%	646	44
Alinma Bank	92.5%	93.7%	96.1%	95.7%	95.1%	259	-64
Saudi National Bank	100.7%	103.3%	112.8%	112.8%	108.5%	781	-425
Arab National Bank	92.0%	92.0%	93.0%	91.5%	92.4%	40	90
Banque Saudi Fransi	100.5%	104.0%	110.3%	109.6%	114.9%	1,442	531
Saudi Investment Bank	95.1%	96.8%	105.8%	102.4%	108.2%	1,312	574

FABS from co-data

KSA banking system deposits less advances increased in July 2025

KSA banking deposits less advances increased from negative SAR 310.6 Bn in June 2025 to negative SAR 348.3 Bn in July 2025.

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



Source: FABS from SAMA data

Arab National Bank recorded the highest deposit surplus in 2Q25

Three out of eight banks under our coverage recorded a deposit surplus in 2Q25. Arab National Bank reported the highest deposit surplus of SAR 15.3 Bn in 2Q25, followed by Alinma Bank with a deposit surplus of SAR 11.4 Bn. Al Rajhi recorded the largest deposit deficit of SAR 99.7 Bn during 2Q25. Saudi National Bank, Riyadh Bank, Banque Saudi Fransi and Saudi Investment Bank also recorded a deposit deficit in 2Q25. Arab National Bank is the only bank under our coverage to witness an increase in deposit surplus, recording a 9.2% YOY rise in 2Q25.

Deposit surplus/-deficit

SAR Mn	2Q24	3Q24	4Q24	1Q25	2Q25	YOY%	QOQ%
Al Rajhi	681	-26,452	-65,171	-93,556	-99,728	NM	6.6%
Bank Al Bilad	10,220	15,647	12,472	11,591	8,240	-19.4%	-28.9%
Riyadh Bank	-15,043	-11,833	-13,666	-34,899	-37,739	NM	8.1%
Alinma Bank	15,445	13,245	8,237	9,404	11,348	-26.5%	20.7%
Saudi National Bank	-4,542	-21,113	-74,490	-80,036	-56,163	NM	-29.8%
Arab National Bank	13,982	14,513	12,735	16,562	15,263	9.2%	-7.8%
Banque Saudi Fransi	-912	-7,666	-19,050	-18,251	-27,191	NM	49.0%
Saudi Investment Bank	4,719	3,158	-5,453	-2,469	-8,186	NM	231.6%

FABS from co-data

Banking Stock performance

Four out of eight KSA banks generated positive YTD returns in September 2025

The average return generated by the KSA Banking Sector stood lower than market headline indices such as DSM, Abu Dhabi, Dubai, EGC30. DFM recorded the highest growth rate among the below-listed indices. Four out of eight KSA banks under our coverage registered a YTD increase as on 19 September 2025. ARNB (+5.3%), BSF (+4.0%), SNB (+2.9%), and RJHI (+0.2%) recorded an increase in the following order, whereas ALBI (-18.6%), ALINMA (-14.2%), RIBL (-10.2%), SAIB (-7.5%) witnessed a decline during the period.

27 MENA bank stocks: YE24 to 19th of September 2025, Ranked

		UAE	KSA	Qatar	Egypt	Ranking
QIBK	16.4%			16.4%		13
MARK	-0.4%			-0.4%		25
CBD	32.5%	32.5%				5
MASQ	9.6%	9.6%				17
QNBK	11.4%			11.4%		16
UAB	-4.1%	-4.1%				26
SIB	12.9%	12.9%				15
CBQK	8.0%			8.0%		18
DSM	7.0%					20
RJHI	0.2%		0.2%			24
TASI	-10.4%					29
ADI	7.4%					19
ALINMA	-14.2%		-14.2%			30
ALBI	-18.6%		-18.6%			32
BSFR	4.0%		4.0%			22
RAKBANK	30.9%	30.9%				6
DHBK	28.6%			28.6%		7
COMI	26.1%				26.1%	8
FAB	19.8%	19.8%				11
EGX30	19.0%					12
BOS	58.0%	58.0%				2
NCB	2.9%		2.9%			23
DFM	16.4%					14
ARNB	5.3%		5.3%			21
RIBL	-10.2%		-10.2%			28
CBI	23.5%	23.5%				9
ENBD	22.1%	22.1%				10
ADIB	67.1%	67.1%				1
DIB	34.1%	34.1%				4
AJMANBANK	-15.2%	-15.2%				31
ADCB	43.8%	43.8%				3
SAIB	-7.5%		-7.5%			27
AVERAGE		25.8%	-4.8%	12.8%	26.1%	

FABS from Bloomberg

3Q25 preview: Saudi National Bank

Healthy growth in advances to support profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 34.56	SAR 47.00	+36.0%	BUY

3Q25 Forecast

Saudi National Bank's (SNB/the Bank) net profit is projected to rise 12.6% YOY to SAR 6.0 Bn in 3Q25, mainly driven by an anticipated increase in net funded and non-funded income, along with an expected reduction in total operating expenses, and non-controlling interest, partially offset by a predicted rise in impairment charges and zakat expenses. The Bank's commission income is forecasted to rise 3.3% YOY to SAR 15.5 Bn in 3Q25, driven by anticipated growth in net loans and advances and investment, partially offset by an anticipated decline in yield on assets. SNB's funded expense is expected to fall marginally 0.9% YOY to SAR 8.1 Bn in 3Q25, attributable to a predicted decline in cost of funds, partially offset by an increase in average interest-bearing liabilities. Thus, net funded income is likely to grow 8.3% YOY to SAR 7.4 Bn in 3Q25. SNB's non-funded income is forecasted to rise 6.1% YOY to SAR 2.5 Bn in 3Q25, due to an anticipated increase in fees and commissions income, exchange income, gains on non-trading investments, partially offset by a predicted decline in income from FVIS investments and a rise in other operating expenses. As a result, operating income is anticipated to increase 7.7% YOY to SAR 9.9 Bn in 3Q25. The Banks' total operating expenses are predicted to fall 1.2% YOY to SAR 2.8 Bn in 3Q25, due to an expected decrease in rent and premises-related expenses, depreciation of property & equipment and other general and administrative expenses, partially offset by a predicted rise in salaries and employee-related expenses. The Company's other non-operating expenses is predicted to decline from SAR 87 Mn in 3Q24 to SAR 45 Mn in 3Q25. Impairment charge for financing losses is estimated to grow 19.6% YOY to SAR 272 Mn in 3Q25. Additionally, zakat expenses are anticipated to rise 8.9% YOY to SAR 721 Mn in 3Q25. The Bank's share of profit to non-controlling interest holders is expected to decrease 25.5% YOY to SAR 12 Mn in 3Q25.

2025 forecast

SNB's net profit is expected to grow 12.2% YOY to SAR 23.8 Bn in 2025, attributed to the anticipated increase in net funded and non-funded income, and decrease in impairment charges and NCI, partially offset by a predicted rise in operating expenses, other non-operating expenses and zakat expenses. The Bank's commission income is forecasted to increase 4.7% YOY to SAR 60.6 Bn in 2025, driven by anticipated growth in average interest earning assets, partially offset by a forecasted decline in asset yield. SNB's funded expense is expected to grow 4.0% YOY to SAR 31.3 Bn in 2025, attributable to an increase in interest-bearing liabilities, partially offset by a decline in cost of funds. Thus, net funded income is likely to expand 5.4% YOY to SAR 29.2 Bn in 2025. SNB's non-funded income is predicted to rise 13.8% YOY to SAR 9.5 Bn in 2025, due to an anticipated increase in fees and commissions income, exchange income, gains on non-trading investments, and a decrease in other operating expenses, partially offset by a projected decline in income from FVIS investments. As a result, operating income is predicted to boost 7.3% YOY to SAR 38.7 Bn in 2025. The Bank's total operating expenses are forecast to increase 2.6% YOY to SAR 11.3 Bn in 2025, due to expected rise in salaries and employee-related expenses, and other G&A expenses, partially offset by forecasted decrease in rent & premises-related expenses, depreciation of property & equipment. Other non-operating expense is anticipated to rise 2.0% YOY to SAR 370 Mn in 2025. Additionally, impairment charges are predicted to fall substantially from SAR 1,024 Mn in 2024 to SAR 496 Mn in 2025. Furthermore, zakat expenses are expected to boost 10.3% YOY to SAR 2.8 Bn in 2025. The Bank's NCI is predicted to decline 28.4% YOY to SAR 71 Mn in 2025.

2Q25 Outturn

SNB's funded income rose 5.4% YOY to SAR 15.2 Bn in 2Q25, primarily driven by a rise in net advances and investments, partially offset by a decrease in yield on assets. Funded expenses grew 10.2% YOY to SAR 8.1 Bn in 2Q25, owing to an increase in average interest-bearing liabilities. Thus, net funded income increased marginally 0.5% YOY to SAR 7.1 Bn in 2Q25. SNB's NIMs fell from 2.8% in 2Q24 to 2.6% in 2Q25 mainly due to a higher growth in funded expenses. The fees and commissions increased 20.6% YOY to SAR 1.2 Bn in 2Q25, while exchange income surged 41.5% YOY to SAR 592 Mn in 2Q25. However, income from FVIS investments declined 24.4% YOY to SAR 454 Mn in 2Q25. The Bank witnessed a gain of SAR 172 Mn on non-trading investments in 2Q25, compared to a loss of SAR 105 Mn in 2Q24. Non-operating expenses rose 3.4% YOY to SAR 374 in 2Q25. Furthermore, SNB recorded a trading income of SAR 177 Mn and dividend income of SAR 156 Mn in 2Q25. Thus, non-funded income surged 52.9% YOY to SAR 2,420 Mn in 2Q25. As a result, SNB's operating income grew 10.1% YOY to SAR 9,507 Mn in 2Q25. The Bank's salaries & employee-related expenses grew marginally 0.7% YOY to SAR 1,221 Mn in 2Q25. Rent and premises-related expenses fell 6.3% YOY to SAR 119 Mn in 2Q25. While depreciation of property and equipment declined 5.4% YOY to SAR 412 Mn in 2Q25. Amortization of intangible assets remained stable at SAR 205 Mn in 2Q25 compared to 2Q24. Other G&A expenses surged 5.2% YOY to SAR 808 Mn in 2Q25. Hence, total operating expenses grew 0.6% YOY to SAR 2.8 Bn in 2Q25. Furthermore, SNB recorded other non-operating expenses of SAR 51 Mn in 2Q25, compared to SAR 318 Mn in 2Q24. Moreover, the Bank recorded an impairment reversal of SAR 173 Mn in 2Q25 compared to an impairment charge of SAR 120 Mn in 2Q24, driven by strong credit quality and higher recoveries. Zakat charges grew 31.4% YOY to SAR 738 Mn in 2Q25. In addition, the share of loss attributable to non-controlling interest holders stood at SAR 10 Mn in 2Q25 compared to SAR 63 Mn in 2Q24.

Target price and recommendation

We maintain our BUY rating on SNB with a target price of SAR 47.00. The Bank's non-funded income increased significantly in 2Q25, supporting profitability amid declining interest rates. Furthermore, SNB is implementing cost optimization measures, resulting in improved cost efficiency. SNB's cost-to-income ratio fell from 29.4% in 2Q24 to 26.9% in 2Q25. Thus, the Bank strengthened its profitability while maintaining disciplined expense management. The Bank's total assets surpassed SAR 1.2 Tn in 2Q25, due to strong growth in net advances and investment. Net advances grew 12.2% YOY and 1.2% QOQ to SAR 714.8 Bn in 2Q25, supported by a rise in wholesale financing and mortgages. Thus, indicating sustained demand across corporate and retail segments, reinforcing the Bank's strong market positioning. However, the retail segment declined to SAR 343 Bn in 2Q25 from SAR 352 Bn in 1Q25, primarily due to expected repayments in the High-Net-Worth segment. Meanwhile, removing the impact of these repayments and the portfolio sale to SRC, retail financing would have grown by 6% in 2Q25. SNB's customer deposit grew 4.1% YOY and 5.2% QOQ to SAR 658.7 Bn in 2Q25, supported by strong momentum in CASA balance. The Bank's low-cost CASA deposit grew from 74.2% in 2Q24 to 75.9% in 2Q25. SNB's reported COR decreased from 0.26% in 2Q24 to 0.04% in 2Q25, driven by effective recovery efforts and meaningful inflows from fully provisioned and legacy exposures across both retail and wholesale segments. The Bank's calculated NPL ratio declined from 1.0% in 1Q25 to 0.9% in 2Q25, indicating improved asset quality. SNB's CET 1 ratio and Tier 1 capital stood at 17.3% and 20.6%, respectively, in 2Q25. The Bank further targets a dividend payout ratio of 50-60% for 2025-2027. Thus, based on the above analysis, we maintain a BUY rating on the stock.

SNB - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	12.48	15.32	11.28	10.62	10.09	8.92
PB	2.98	1.30	1.24	1.17	1.07	1.02
BVPS	11.535	26.361	27.662	29.317	32.094	33.738
EPS	2.753	2.243	3.045	3.236	3.405	3.851
DPS	0.597	1.157	1.269	1.750	1.900	1.964
Dividend yield %	1.7%	3.3%	3.7%	5.1%	5.5%	5.7%

FABS Estimates & Co Data
SNB - P&L

SAR Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Commission income	15,029	15,161	15,521	3.3%	2.4%	57,842	60,557	4.7%
Commission expense	8,165	8,074	8,090	-0.9%	0.2%	30,112	31,328	4.0%
Net funded income	6,864	7,087	7,431	8.3%	4.9%	27,730	29,229	5.4%
Fees and commissions	1,216	1,243	1,296	6.5%	4.2%	4,600	5,101	10.9%
Exchange income, net	469	592	616	31.3%	4.0%	1,923	2,375	23.5%
Income from FVIS investment	888	454	749	-15.6%	65.0%	2,875	2,732	-5.0%
Gains/Loss on non-trading invst	146	172	205	40.2%	19.0%	493	739	50.0%
Other Operating Income / Exp	-389	-374	-393	1.0%	5.0%	-1,583	-1,491	-5.8%
Non-funded income	2,330	2,420	2,473	6.1%	2.2%	8,308	9,456	13.8%
Operating income	9,195	9,507	9,905	7.7%	4.2%	36,038	38,685	7.3%
Salaries and emp-related exps	1,221	1,221	1,239	1.5%	1.5%	4,703	4,985	6.0%
Rent and premises-related exps	137	119	121	-11.4%	1.5%	508	488	-3.9%
Dep of property and equipment	447	412	427	-4.4%	3.8%	1,788	1,715	-4.1%
Amort of intangible assets	205	205	205	0.0%	0.0%	820	821	0.1%
Other G&A expenses	859	808	841	-2.1%	4.2%	3,218	3,320	3.1%
Total operating Expenses	2,869	2,765	2,834	-1.2%	2.5%	11,037	11,328	2.6%
Other non-operating inc (exp), net	-87	-51	-45	-47.5%	-10.0%	-363	-370	2.0%
Pre-provision profit	6,239	6,692	7,025	12.6%	5.0%	24,639	26,987	9.5%
Impairment	227	-173	272	19.6%	-257.3%	1,024	496	-51.6%
PBT	6,011	6,865	6,753	12.3%	-1.6%	23,615	26,491	12.2%
Zakat	661	738	721	8.9%	-2.3%	2,521	2,782	10.3%
Profit after tax	5,350	6,127	6,032	12.8%	-1.5%	21,094	23,709	12.4%
Non-controlling interest	-16	-10	-12	-25.5%	18.5%	-99	-71	-28.4%
Net Profit attri. to equity	5,366	6,137	6,044	12.6%	-1.5%	21,193	23,780	12.2%

FABS estimate & Co Data
SNB - P&L KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	74.7%	74.5%	75.0%	37	49	76.9%	75.6%	-139
NIM	2.7%	2.6%	2.7%	-4	8	2.8%	2.7%	-9
NIS	2.2%	2.1%	2.2%	-2	9	2.1%	2.2%	11
Fees & comns/OI	13.2%	13.1%	13.1%	-15	0	12.8%	13.2%	42
Trading/OI	5.1%	6.2%	6.2%	112	-1	5.3%	6.1%	80
Cost to income	29.0%	26.9%	26.5%	-243	-38	28.3%	27.2%	-119
Impairment/PPP	3.6%	-2.6%	3.9%	23	645	4.2%	1.8%	-232
NP/OI	58.4%	64.6%	61.0%	266	-353	58.8%	61.5%	266
Cost of risk - Calculated	0.14%	-0.10%	0.15%	1	25	0.16%	0.07%	-9
Loan-to-deposit (Headline)	103.3%	108.5%	107.8%	443	-77	112.8%	107.5%	-534
NPL (Calculated)	1.2%	0.9%	0.8%	-37	-6	1.2%	1.7%	49
NPL Coverage - Calculated	144.6%	139.0%	142.5%	-217	349	130.3%	130.3%	0
Tier 1	18.6%	19.5%	19.4%	78	-14	20.3%	18.5%	-174
Capital adequacy	19.4%	20.6%	20.5%	102	-15	20.8%	19.0%	-179
ROAE	11.4%	12.4%	12.4%	101	4	13.0%	13.1%	11
ROAA	1.9%	2.0%	2.1%	19	2	2.0%	2.1%	15

FABS estimate & Co Data

SNB- Key BS Items

	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
SAR Mn						
Net advances	655,308	654,252	706,430	714,839	720,778	10.0%
QOQ Change	2.8%	-0.2%	8.0%	1.2%	0.8%	
Total assets	1,124,608	1,104,155	1,171,079	1,200,998	1,209,010	7.5%
QOQ Change	3.4%	-1.8%	6.1%	2.6%	0.7%	
Customer deposits	634,195	579,762	626,394	658,675	668,887	5.5%
QOQ Change	0.2%	-8.6%	8.0%	5.2%	1.6%	
Total equity	183,839	193,275	194,119	197,887	203,608	10.8%
QOQ Change	2.1%	5.1%	0.4%	1.9%	2.9%	

FABS estimate & Co Data

3Q25 preview: Banque Saudi Fransi

Strategic partnerships and sponsorships to boost's non-funded income amid declining rates

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 16.56	SAR 21.70	+31.0%	BUY

3Q25 estimate

Banque Saudi Fransi (BSF/ the Bank) is expected to report a 23.3% YOY growth in net profit to SAR 1,415 Mn in 3Q25, owing to an anticipated rise in net funded income, non-funded income, and a decrease in impairment charges, partially offset by an estimated increase in operating expenses and zakat expense. BSF's funded income is expected to grow 3.4% YOY to SAR 4,364 Mn in 3Q25, primarily driven by an estimated rise in net advances and other interest earning assets. On the other hand, funded expense is estimated to decrease 6.8% YOY to SAR 2,084 Mn in 3Q25 due to a decrease in cost of funds and an anticipated decline in deposits. Thus, the Bank's net funded income is projected to grow 14.8% YOY to SAR 2,280 Mn in 3Q25. BSF's non-funded income is expected to rise 3.6% YOY to SAR 442 Mn in 3Q25, attributed to an increase in fee and commission income, partially offset by an estimated decline in exchange income and trading income. As a result, operating income is estimated to grow 12.8% YOY to SAR 2,721 Mn in 3Q25. Salaries and employee-related expenses are anticipated to moderate 0.6% YOY to SAR 477 Mn in 3Q25. Meanwhile, rent and premises-related expenses are estimated to decrease 20.9% YOY to SAR 15 Mn in 3Q25. Furthermore, D&A expenses are estimated to rise 24.3% YOY to SAR 95 Mn in 3Q25. Other G&A expenses are projected to rise 8.0% YOY to SAR 305 Mn in 3Q25. Moreover, impairments are estimated to fall 8.1% YOY to SAR 252 Mn in 3Q25, while zakat expense is expected to increase 22.7% YOY to SAR 163 Mn.

2025 forecast

BSF's net profit is projected to grow 19.0% YOY to SAR 5,406 Mn in 2025, primarily due to projected growth in net-funded income, non-funded income, and decline in impairment charges, partially offset by an estimated rise in operating expenses, and zakat charges. The Bank's funded income is anticipated to grow 4.4% YOY to SAR 17,087 Mn in 2025, due to an expected increase in net advances. Meanwhile, funded expense is estimated to decrease 2.3% YOY to SAR 8,290 Mn in 2025. Thus, net funded income is likely to increase 11.6% YOY to SAR 8,797 Mn in 2025. Total non-funded income is expected to grow 9.3% YOY to SAR 1,939 Mn in 2025, supported by an anticipated rise in fee and commission, exchange income, partially offset by a decline in trading income. As a result, total operating income is estimated to grow 11.2% YOY to SAR 10,737 Mn in 2025. Operating expenses are anticipated to rise 4.6% YOY to SAR 3,567 Mn in 2025, mainly driven by an expected growth in salaries & employee related expenses, D&A, and other general & administrative expenses, partially offset by an anticipated decrease in rent & premises related expenses. Moreover, impairments are expected to fall 3.7% YOY to SAR 1,136 Mn in 2025, while zakat charges are estimated to increase 19.5% YOY to SAR 627 Mn in 2025.

2Q25 outturn

BSF's funded income grew 3.7% YOY to SAR 4,324 Mn in 2Q25, driven by an increase in loans & advances and investment portfolio. Moreover, funded expenses declined 4.6% YOY to SAR 2,128 Mn in 2Q25 owing to a decline in cost of funds and customer deposits. Thus, net funded income expanded 13.2% YOY to SAR 2,196 Mn in 2Q25. The Bank's fees & commissions income expanded 6.2% YOY to SAR 281 Mn in 2Q25, driven by higher trade finance activity and growth in brokerage and asset management income. Additionally, exchange income grew 37.7% YOY to SAR 128 Mn in 2Q25. However, the Bank's trading income declined 17.7% YOY to SAR 23 Mn in 2Q25. Dividend income increased from SAR 4 Mn in 2Q24 to SAR 6 Mn in 2Q25. The Bank reported other operating income of SAR 29 Mn in 2Q25. Thus, BSF's non-funded income increased 19.9% YOY to SAR 482 Mn in 2Q25. Thus, BSF's operating income increased 14.3% YOY to SAR 2,678 Mn in 2Q25. Salaries and employee related expenses surged 3.2% YOY to SAR 475 Mn in 2Q25. Rent and premises related expenses

increased 9.9% YOY to SAR 17 Mn in 2Q25. D&A expenses grew 35.8% YOY to SAR 91 Mn in 2Q25. Other G&A expenses rose 9.0% YOY to SAR 290 Mn in 2Q25. Thus, the cost-to-income ratio improved 194 bps YOY to 32.6% in 2Q25, driven by revenue growth outpacing cost inflation. The Bank's impairment charges declined 14.0% YOY to SAR 236 Mn in 2Q25, supported by lower commercial impairments, partially offset by a modest increase in consumer, investment, and other impairments. BSF's zakat expenses grew 27.8% YOY to SAR 166 Mn in 2Q25.

Target price and recommendation

We maintain our BUY rating on BSF with a target price of SAR 21.70. The Bank recorded strong growth in net profit in 2Q25, driven by solid growth in both core and non-core business. BSF's net advances expanded by 6.5% YOY and 0.4% QOQ to SAR 209.9 Bn in 2Q25, supported by healthy corporate and retail lending, driven by expansion in key sectors such as agriculture, utilities, and financials, alongside higher mortgages and personal loans. This indicates sustained credit demand across both business and household segments, reflecting the Bank's strong market positioning and diversified lending portfolio. Meanwhile, deposits fell 6.9% YOY and 4.2% QOQ to SAR 182.7 Bn in 2Q25, primarily due to a reduction in non-interest-bearing deposits, which constitute the largest share of total deposits, reflecting a shift in funding dynamics. The headline loan-to-deposit ratio rose from 100.5% in 2Q24 to 114.9% in 2Q25, indicating a tightening in liquidity. BSF's reported NPL ratio rose from 0.94% in 2Q24 to 0.97% in 2Q25, driven by higher NPL in the commercial portfolio. However, the Bank's reported NPL coverage ratio improved to 183.1% in 2Q25, compared to 161.9% in 2Q24, driven primarily by improvements in consumer loan coverage. BSF's calculated cost of risk declined from 0.6% in 2Q24 to 0.4% in 2Q25, supported by improvements in both the consumer and commercial portfolios. The Bank's Tier 1 capital stood at 20.1% with a LCR at 168% in 2Q25, reflecting a strong capital position and robust liquidity buffer. Furthermore, to diversify its funding sources, the Bank raised a USD 1 Bn syndicated loan in the Asian market, to maintain its loan growth, supporting its strategic growth plans. The Bank's strategic partnerships and sponsorships, such as those with the Saudi Pro League, played a crucial role in advancing its growth ambitions and enhancing its brand visibility. Additionally, these collaborations have significantly strengthened BSF's presence across a broader customer base and improved engagement with communities across the Kingdom. BSF board approved a cash dividend of SAR 1,372 Mn for 1H25, equivalent to SAR 0.55 per share. Thus, based on our analysis, we maintain our BUY rating on the stock.

BSF – Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	27.69	12.72	12.30	10.27	9.59	8.24
PB	1.22	1.22	1.26	1.17	1.11	1.01
BVPS	15.454	15.874	15.534	16.612	16.888	20.047
EPS	0.595	1.296	1.340	1.604	1.718	1.999
DPS	0.192	0.719	0.792	0.935	1.013	1.091
Dividend Yield	1.2%	4.3%	4.8%	5.6%	6.1%	6.6%

FABS Estimates & Co Data

BSF – P&L

SAR Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Special commission income	4,221	4,324	4,364	3.4%	0.9%	16,372	17,087	4.4%
Special commission expense	2,235	2,128	2,084	-6.8%	-2.0%	8,489	8,290	-2.3%
Net Special Commission Inc	1,986	2,196	2,280	14.8%	3.8%	7,883	8,797	11.6%
Fee and commission income	223	281	289	29.6%	3.0%	972	1,128	16.0%
Exchange income, net	138	128	132	-4.0%	3.0%	482	506	5.0%
Trading income, net	53	23	18	-66.8%	-25.0%	276	179	-35.0%
Dividend Income	4	6	0	NM	NM	16	15	NM
Gains on non-trading investments	8	15	0	NM	NM	27	68	NM
Other operating income	0	29	3	NM	-90.0%	1	43	NM
Non-funded income	426	482	442	3.6%	-8.4%	1,774	1,939	9.3%
Operating income	2,412	2,678	2,721	12.8%	1.6%	9,658	10,737	11.2%
Salaries & employee-related exp.	480	475	477	-0.6%	0.3%	1,883	1,921	2.0%
Rent & premises related exp.	18	17	15	-20.9%	-12.0%	75	73	-2.0%
Depreciation and amortization	77	91	95	24.3%	4.3%	299	352	17.7%
Other G&A expenses	282	290	305	8.0%	5.0%	1,151	1,221	6.0%
Total operating Expenses	857	873	891	4.0%	2.0%	3,409	3,567	4.6%
Pre-provision profit	1,555	1,805	1,830	17.7%	1.4%	6,249	7,170	14.7%
Impairment	275	236	252	-8.1%	7.1%	1,180	1,136	-3.7%
PBT	1,281	1,569	1,578	23.2%	0.5%	5,069	6,033	19.0%
Zakat	132	166	163	22.7%	-2.3%	525	627	19.5%
Net profit attributable	1,148	1,403	1,415	23.3%	0.9%	4,544	5,406	19.0%

FABS Estimates & Co Data
BSF - P&L KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	82.3%	82.0%	83.8%	144	178	81.6%	81.9%	31
NIM	2.9%	3.0%	3.1%	24	9	3.01%	2.99%	-2
NIS	1.8%	1.7%	1.8%	-5	3	1.9%	1.8%	-15
Fees & comms/OI	9.3%	10.5%	10.6%	137	14	10.1%	10.5%	44
Trading/OI	2.2%	0.9%	0.6%	-154	-23	2.9%	1.7%	-119
Cost to income	35.5%	32.6%	32.8%	-277	14	35.3%	33.2%	-207
Impairment/PPP	17.7%	13.1%	13.8%	-387	73	18.9%	15.9%	-303
NP/OI	47.6%	52.4%	52.0%	441	-38	47.1%	50.3%	330
Cost of risk	0.5%	0.4%	0.5%	-7	3	0.61%	0.52%	-9
Loan-to-deposit	104.0%	114.9%	115.0%	1,099	7	110.3%	121.6%	1,132
NPL calculated	0.9%	1.1%	1.0%	14	-10	1.0%	1.1%	9
Coverage excluding collateral	186.0%	160.3%	175.0%	-1,096	1,473	168.3%	175.0%	673
Tier 1	18.6%	20.1%	20.4%	178	32	18.8%	18.6%	-17
Capital Adequacy	19.4%	20.9%	21.2%	178	31	19.7%	19.4%	-25
ROAE	11.1%	11.9%	12.3%	116	38	11.7%	13.9%	212
ROAA	1.6%	1.7%	1.8%	19	8	1.7%	1.8%	10

FABS estimate & Co Data
BSF- Key BS Items

SAR Mn	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
Net advances	201,008	204,168	208,978	209,881	212,019	5.5%
<i>QOQ Change</i>	2.0%	1.6%	2.4%	0.4%	1.0%	
Total assets	287,670	292,776	302,988	301,490	306,527	6.6%
<i>QOQ Change</i>	-0.5%	1.8%	3.5%	-0.5%	1.7%	
Customer deposits	193,342	185,118	190,728	182,690	184,441	-4.6%
<i>QOQ Change</i>	-1.5%	-4.3%	3.0%	-4.2%	1.0%	
Total equity	46,117	46,607	48,430	51,314	50,291	9.1%
<i>QOQ Change</i>	9.6%	1.1%	3.9%	6.0%	-2.0%	

FABS estimate & Co Data

3Q25 preview: Riyadh Bank

Strong growth in loan-to-deposit ratio to yield higher return

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 26.06	SAR 34.00	+30.5%	BUY

3Q25 estimate

Riyadh Bank (RIBL/ the Bank) is projected to report 2.6% YOY growth in net profit to SAR 2,723 Mn in 3Q25. The increase 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 9.1% YOY to SAR 6,766 Mn in 3Q25, attributable to a forecasted increase in investment and loan & advances. Special commission expense is predicted to increase 16.0% YOY to SAR 3,372 Mn in 3Q25, primarily due to an anticipated rise in total funding. Thus, net special commission income is likely to rise 3.1% YOY to SAR 3,395 Mn in 3Q25. The Bank's net fee and commission income is predicted to grow 17.6% YOY to SAR 864 Mn in 3Q25. Additionally, trading income is predicted to remain stable at SAR 240 Mn in 3Q25 compared to 3Q24. Furthermore, other operating income is forecasted to fall 12.3% YOY to SAR 243 Mn in 3Q25. As a result, RIBL total other operating income is estimated to rise 7.6% YOY to SAR 1,347 Mn in 3Q25. Thus, the Banks operating income is projected to increase 4.3% YOY to SAR 4,742 Mn in 3Q25. On the other hand, operating expenses is expected to rise 4.1% YOY to SAR 1,361 Mn in 3Q25. Impairment charges are anticipated to increase 24.1% YOY to SAR 355 Mn in 3Q25. Share in earnings of associates, is expected to grow 34.8% YOY to SAR 10 Mn in 3Q25. In addition, tax expenses are projected to increase 2.5% YOY to SAR 313 Mn in 3Q25.

2025 forecast

We forecast Riyadh Bank's net profit to grow 11.4% YOY to SAR 10,385 Mn in 2025, primarily due to an estimated increase in net funded and non-funded income coupled with lower impairment charges, partially offset by an estimated rise in operating expenses and tax charges. Special commission income is expected to grow 9.5% YOY to SAR 26,486 Mn in 2025, due to forecasted growth in investments and net advances. Special commission expense is likely to rise 17.3% YOY to SAR 13,263 Mn in 2025, due to an anticipated rise in average interest-bearing liabilities and cost of funds. As a result, net special commission income is likely to rise 2.7% YOY to SAR 13,223 Mn in 2025. The Bank's net fee and commission income is predicted to grow 13.0% YOY to SAR 3,380 Mn in 2025. Additionally, trading income is forecasted to increase from SAR 529 Mn in 2024 to SAR 929 Mn in 2025. Furthermore, other operating income is estimated to increase 4.6% YOY to SAR 932 Mn in 2025. As a result, total other operating income is likely to grow 18.8% YOY to SAR 5,241 Mn in 2025. Hence, the Banks operating income is expected to increase 6.8% YOY to SAR 18,464 Mn in 2025. Furthermore, operating expenses are estimated to rise 4.5% YOY to SAR 5,522 Mn in 2025. Impairment charges are anticipated to fall 14.1% YOY to SAR 1,402 Mn in 2025. The Bank's share in earnings of associates, is forecasted to grow 25.6% YOY to SAR 38 Mn in 2025. Tax expense is expected to increase 10.9% YOY to SAR 1,192 Mn in 2025, impacting profitability.

2Q25 outturn

Riyadh Bank's special commission income rose 13.1% YOY to SAR 6,568 Mn in 2Q25 owing to a substantial growth in the loans and advances, investments, and due from banks, partially offset decline in cost of funds. The Bank's special commission expense rose 24.4% YOY to SAR 3,368 Mn in 2Q25, driven by an increase in cost of funds, and average interest-bearing liabilities. Thus, the net special commission income grew 3.3% YOY to SAR 3,200 Mn in 2Q25. The Bank's non-funded income expanded 46.6% YOY to SAR 1,320 Mn in 2Q25 due to a rise in net fee and commission income, trading income, and other operating income. Fee and commission income, net surged 17.7% YOY to SAR 856 Mn in 2Q25. Additionally, trading income, net increased significantly from SAR 7 Mn in 2Q24 to SAR 231 in 2Q25. Other operating income rose 40.2% YOY to SAR 233 Mn in 2Q25. As a result,

Riyad Bank's total operating income increased 13.1% YOY to SAR 4,520 Mn in 2Q25. The Bank's operating expenses rose 8.2% YOY to SAR 1,326 Mn in 2Q25 owing to a growth in rent and premises-related expenses, other operating expenses, other G&A expenses, partially offset by decline in salaries and employee related expenses. The Bank's cost-to-income decline from 30.6% in 2Q24 to 29.3% in 2Q25 driven by positive jaws that enhanced cost efficiency. Impairment charges surged from SAR 175 Mn in 2Q24 to SAR 309 Mn in 2Q25 attributed to a higher impairment charge on other financial assets partially offset by decline in impairment charge for credit losses and reversal of impairment on investments. Furthermore, Zakat expense grew 11.1% YOY to SAR 298 Mn in 2Q25 in line with the growth in net profit.

Target price and recommendation

We maintain our BUY rating on Riyad Bank with a revised target price of SAR 34.00. The Bank recorded a healthy growth in profitability in 2Q25, driven by higher operating income, improved efficiency, and improvement in cost of risk. The Bank's net advances grew 21.8% YOY and 4.6% QOQ to SAR 354.5 Bn in 2Q25 and expects it to grow by mid-teens in 2025. On the other hand, the Bank's customer deposit rose 14.8% YOY and 4.2% QOQ to SAR 316.8 Bn in 2Q25, indicating, the bank continued efforts to boost overall liquidity position. The NPL ratio declined from 1.18% in 2Q24 to 1.13% in 2Q25, reflecting the Bank's proactive risk management initiatives. The Bank aims at improving its asset mix with focus on volume growth, which will ease margin pressures. Riyad Bank issued USD-denominated Tier 2 trust certificates for a tenure of 10 years as part of its international trust certificate issuance program, with a total value of USD 1.25 Bn and annual returns of 6.209%. Furthermore, Riyad Bank is considering an initial public offering (IPO) for its wholly owned subsidiary, Riyad Capital, on the Saudi exchange. The IPO is pending regulatory approvals and is expected to launch based on favourable market conditions. Currently, no cost associated to the IPO is disclosed, but it is projected to impact the Bank positively in the future. RIBL board announced a dividend of SAR 0.85 per share for the period of 1H25, amounting to SAR 2.5 Bn. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

RIBL - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	16.34	12.79	11.08	9.95	8.54	7.84
P/B (x)	1.74	1.69	1.95	1.43	1.32	1.21
BVPS	14.79	15.23	15.88	17.90	19.52	21.18
EPS	1.57	2.01	2.32	2.58	3.01	3.28
DPS	0.500	1.040	1.150	1.398	1.700	1.667
Dividend Yield	1.9%	4.0%	4.5%	5.4%	6.5%	6.4%

FABS Estimates & Co Data

RIBL - P&L

SAR Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Special commission income	6,200	6,568	6,766	9.1%	3.0%	24,182	26,486	9.5%
Special commission expense	-2,907	-3,368	-3,372	16.0%	0.1%	-11,309	-13,263	17.3%
Net special commission income	3,293	3,200	3,395	3.1%	6.1%	12,873	13,223	2.7%
Fees and commissions	735	856	864	17.6%	1.0%	2,991	3,380	13.0%
Trading income, net	240	231	240	0.0%	3.7%	529	929	75.5%
Other Operating Income	277	233	243	-12.3%	4.0%	891	932	4.6%
Total other operating income	1,252	1,320	1,347	7.6%	2.0%	4,411	5,241	18.8%
Operating income	4,545	4,520	4,742	4.3%	4.9%	17,285	18,464	6.8%
Operating expenses	-1,307	-1,326	-1,361	4.1%	2.6%	-5,286	-5,522	4.5%
Pre-provision profit	3,237	3,194	3,381	4.4%	5.8%	11,999	12,942	7.9%
Impairment	-286	-309	-355	24.1%	14.7%	-1,632	-1,402	-14.1%
Share in earnings of associates, net	8	10	10	34.8%	1.0%	30	38	25.6%
Profit Before Tax	2,959	2,895	3,036	2.6%	4.9%	10,397	11,577	11.4%
Zakat	-305	-298	-313	2.5%	4.8%	-1,075	-1,192	10.9%
Net profit attributable	2,654	2,597	2,723	2.6%	4.9%	9,322	10,385	11.4%

FABS estimate & Co Data

RIBL - KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	72.5%	70.8%	71.6%	-87	80	74.5%	71.6%	-286
NIM	3.3%	2.8%	0.7%	-255	-206	3.1%	2.8%	-33
NIS	2.7%	2.2%	2.3%	-40	10	2.6%	2.3%	-31
Fees & comms/OI	16.2%	18.9%	18.2%	206	-70	17.3%	18.3%	100
Trading/OI	5.3%	5.1%	5.1%	-22	-6	3.1%	5.0%	197
Cost to income	28.8%	29.3%	28.7%	-7	-63	30.6%	29.9%	-67
Impairment/PPP	8.8%	9.7%	10.5%	166	81	13.6%	10.8%	-277
NP/OI	58.4%	57.4%	57.4%	-96	-1	53.9%	56.2%	231
Cost of risk	0.4%	0.3%	0.4%	2	5	0.5%	0.40%	-10
Loan-to-deposit	104.0%	111.9%	112.4%	837	49	104.5%	112.0%	754
NPL (calculated)	1.2%	1.1%	1.1%	0	0	16.5%	14.4%	-217
NPL Coverage	144.9%	135.4%	136.0%	243	56	3.0%	2.5%	-50
Tier 1	15.6%	15.9%	16.2%	-58	36	0.2%	0.2%	-3
Capital Adequacy	18.2%	16.9%	17.2%	-62	35	18.9%	17.0%	-195
ROAE	16.2%	16.4%	16.0%	-43	-43	16.0%	16.1%	2
ROAA	2.2%	2.2%	2.2%	-1	-8	2.2%	2.2%	-7

FABS estimate & Co Data

RIBL - Key B/S items

	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
SAR Mn						
Net advances	305,408	320,089	338,991	354,550	362,333	18.6%
QOQ change	4.9%	4.8%	5.9%	4.6%	2.2%	
Total assets	433,366	450,379	465,345	490,816	501,532	15.7%
QOQ change	7.0%	3.9%	3.3%	5.5%	2.2%	
Customer deposits	293,575	306,423	304,092	316,811	322,360	9.8%
QOQ change	6.4%	4.4%	-0.8%	4.2%	1.8%	
Total equity	56,577	58,556	61,140	60,963	63,529	12.3%
QOQ change	1.4%	3.5%	4.4%	-0.3%	4.2%	

FABS estimate & Co Data

3Q25 preview: Arab National Bank

Stronger core and non-core income to cushion elevated impairments

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 23.50	SAR 25.00	+6.4%	HOLD

3Q25 Forecast

Arab National Bank's (ARNB/ the Bank) net profit is estimated to rise 12.0% YOY to SAR 1,392 Mn in 3Q25. 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, and higher impairments and tax charges. Funded income is anticipated to increase 10.5% YOY to SAR 4,168 Mn in 3Q25, due to an expected rise in Loans & advances, and other interest-earning assets. On the other hand, funded expense is anticipated to boost 8.5% YOY to SAR 1,842 Mn in 3Q25. As a result, net funded income is likely to grow 12.1% YOY to SAR 2,326 Mn in 3Q25. Non-funded income is estimated to rise 20.2% YOY to SAR 402 Mn in 3Q25. The growth will be mainly driven by an expected rise in fees & commissions, exchange income, trading income, and other non-funded income, partially offset by a decline in dividend income and other operating income. Hence, the Bank's operating income is projected to rise 13.2% YOY to SAR 2,728 Mn in 3Q25. Operating expenses are expected to increase 11.9% YOY to SAR 883 Mn in 3Q25. We expect the cost-to-income ratio to decline 38 bps YOY to 32.4% in 3Q25. Impairment charges are anticipated to increase 42.8% YOY to SAR 235 Mn in 3Q25. The Bank's income from associates is expected to rise from SAR 7 Mn in 3Q24 to SAR 10 Mn in 3Q25. Tax expense is estimated to grow 3.7% YOY to SAR 227 Mn in 3Q25.

2025 Forecast

ARNB's net profit is anticipated to grow 10.8% YOY to SAR 5,503 Mn in 2025, mainly due to an increase in net funded and non-funded income, partially offset by an anticipated rise in operating expenses, impairment charges, and tax expenses. Funded income is estimated to rise 12.1% YOY to SAR 16,197 Mn in 2025. Funded expense is projected to increase 11.2% YOY to SAR 7,209 Mn in 2025. Resultantly, net funded income is expected to grow 12.7% YOY to SAR 8,988 Mn in 2025. Total non-funded income is anticipated to increase 17.1% YOY to SAR 1,789 Mn in 2025, primarily due to an anticipated increase in fees & commission income, exchange income, trading income, and dividend income, partially offset by expected decline in unrealised gain on FVIS investments, other operating income, and other non-funded income. Thus, operating income is likely to rise 13.4% YOY to SAR 10,777 Mn in 2025. Operating expenses are projected to grow 10.9% YOY to SAR 3,468 Mn in 2025. However, we expect the cost-to-income ratio to decline 75 bps YOY to 32.2% in 2025, primarily due to higher operating income. Impairment charges are estimated to increase 21.5% YOY to SAR 928 Mn in 2025. Share of results of associates is expected to decline from SAR 145 Mn in 2024 to SAR 37 Mn in 2025. Tax expense is anticipated to grow 16.0% YOY to SAR 911 Mn in 2025, due to increased profitability. The Bank's share of non-controlling interest is projected to increase from SAR 1 Mn in 2024 to SAR 5 Mn in 2025.

2Q25 Outturn

ARNB's funded income rose 9.8% YOY to SAR 3,901 Mn in 2Q25, owing to a 15.4% YOY growth in net advances, coupled with an 11.1% YOY increase in the investment portfolio, partially offset by a decline in yield on assets. The Bank's funded expenses grew 7.2% YOY to SAR 1,728 Mn in 2Q25. Thus, the net funded income rose 11.9% YOY to SAR 2,173 Mn in 2Q25. ARNB's non-funded income grew 6.9% YOY to SAR 421 Mn in 2Q25, primarily driven by an increase in dividend income, exchange income, and higher gains on FVSI financial investments, partially offset by a decline in trading income. As a result, the operating income grew 11.1% YOY to SAR 2,594 Mn in 2Q25. Furthermore, the operating expenses rose 12.8% YOY to SAR 831 Mn in 2Q25, driven by higher staff costs from continued investments in human capital and digital security capabilities. As operating expenses grew at a faster rate than operating income, the cost-to-income ratio increased from 31.5% in 2Q24 to 32.0% in 2Q25. Impairment charges surged 29.8% YOY to SAR 216 Mn in 2Q25. Share of results of

associates increased from SAR 7 Mn in 2Q24 to SAR 8 Mn in 2Q25. In addition, ALBI's zakat and tax expenses increased 4.8% YOY to SAR 218 Mn in 2Q25.

Target Price and Recommendation

We revised our rating from BUY to HOLD on Arab National Bank with an unchanged target price of SAR 25.00. The Bank's loans and advances rose 15.4% YOY to SAR 186.5 Bn in 2Q25, due to strong growth in corporate and retail lending. ARNB's Corporate Banking segment reported loans of SAR 139.1 Bn in 2Q25, due to its well-diversified portfolio across various sectors. The Bank's Retail loan book stood at SAR 47.4 Bn in 2Q25, supported by housing loans and auto leasing. 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. Thus, reinforcing the Bank's diversified lending portfolio and strong market positioning. ARNB's investment portfolio continued to grow 11.1% YOY to SAR 54.3 Bn in 2Q25. The Bank further plans to diversify investments into higher-yielding assets, which will boost its margins. Moreover, ARNB maintained a strong deposit base, comprising 47% retail and 53% non-retail deposits, with total deposits growing 14.9% YOY to SAR 201.7 Bn in 2Q25. CASA deposits increased from SAR 92.9 Bn in 2Q24 to SAR 110.1 Bn in 2Q25. The Bank's reported NIMs remained resilient from 3.63% in 1Q25 to 3.67% in 2Q25, reflecting a favorable funding mix and disciplined asset pricing. The Bank's cost-to-income increased from 31.7% in 1Q25 to 32.0% in 2Q25, due to continued investments into human capital and digital security processes. The Bank further targets the cost-to-income ratio to be below 32% in 2025. Furthermore, the Bank's reported NPL ratio declined from 1.3% in 1Q25 to 1.2% in 2Q25, while the reported NPL coverage ratio increased from 131.7% in 1Q25 to 141.0% in 2Q25, reflecting strong asset quality and improved risk management. However, the Bank maintained a healthy LCR ratio of 133% and NSFR of 117% in 2Q25, well above the regulatory requirement. The Bank also maintained a healthy capital return with a CET 1 ratio of 16.5% and a total CAR of 19.6% in 2Q25. ARNB also reported improved profitability in 2Q25, with a reported ROAE from 12.69% in 2Q24 to 12.86% in 2Q25, while reported ROAA increased from 1.99% in 2Q24 to 2.04% in 2Q25. Additionally, ARNB announced to distribute a cash dividend of SAR 0.65 per share for 1H25, amounting to SAR 1,294 Mn. Thus, based on our analysis, we assign a HOLD rating on the stock.

ARNB - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	21.43	20.40	14.46	10.91	8.94	8.03
P/B (x)	1.49	1.46	1.41	1.24	1.16	0.99
BVPS	15.226	15.754	17.889	19.060	20.694	22.123
EPS	1.036	1.088	1.535	2.035	2.483	2.762
DPS	0.400	1.150	1.100	1.350	1.300	1.341
Dividend yield	1.7%	4.9%	4.7%	5.7%	5.5%	5.7%

FABS Estimates & Co Data

ARNB- P&L

SAR Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	3,772	3,901	4,168	10.5%	6.8%	14,454	16,197	12.1%
Funded expense	-1,698	-1,728	-1,842	8.5%	6.6%	-6,482	-7,209	11.2%
Net funded income	2,075	2,173	2,326	12.1%	7.0%	7,972	8,988	12.7%
Fees and commissions	184	249	239	29.8%	-4.0%	709	999	41.0%
Exchange income, net	81	87	85	5.2%	-2.0%	326	341	4.5%
Unrealised gain on FVIS invt, net	-6	7	0	-100.0%	-100.0%	174	120	-31.5%
Trading Income	10	27	31	195.7%	15.0%	59	119	100.0%
Dividend income	45	101	40	-10.4%	-60.0%	158	224	42.0%
Other operating income	19	7	7	-66.5%	-1.0%	96	43	-55.0%
Gain on sale of non-trading invts.	0	-56	0	-100.0%	-100.0%	6	-56	NM
Other non-funded income	150	171	163	8.5%	-5.1%	819	790	-3.6%
Non-funded income	334	421	402	20.2%	-4.4%	1,528	1,789	17.1%
Operating income	2,409	2,594	2,728	13.2%	5.1%	9,500	10,777	13.4%
Operating expenses	-789	-831	-883	11.9%	6.3%	-3,128	-3,468	10.9%
Pre-provision profit	1,620	1,763	1,845	13.9%	4.6%	6,372	7,309	14.7%
Impairment	-165	-216	-235	42.8%	8.7%	-764	-928	21.5%
Share of results of associates	7	8	10	45.4%	28.7%	145	37	-74.4%
PBT	1,462	1,555	1,620	10.8%	4.2%	5,753	6,419	11.6%
Tax	-219	-218	-227	3.7%	4.2%	-786	-911	16.0%
Profit after tax	1,243	1,337	1,393	12.0%	4.2%	4,967	5,508	10.9%
Non-controlling int.	0	-1	-1	111.9%	0.0%	-1	-5	NM
Net profit attributable	1,243	1,336	1,392	12.0%	4.2%	4,966	5,503	10.8%

FABS estimate & Co Data
ARNB - KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	86.1%	83.8%	85.3%	-86	148	83.9%	83.4%	-52
NIM - Calculated	3.6%	3.4%	3.5%	-10	14	3.5%	3.5%	-4
NIS	3.1%	2.9%	3.0%	-11	11	3.0%	3.0%	-3
Fees & comms/OI	7.7%	9.6%	8.8%	112	-84	7.5%	9.3%	181
Impairment/PPP	10.2%	12.3%	12.7%	258	48	12.0%	12.7%	70
Cost to income	32.8%	32.0%	32.4%	-38	35	32.9%	32.2%	-75
NP/OI	51.6%	51.5%	51.0%	-57	-48	52.3%	51.1%	-122
Cost of risk - calculated	0.4%	0.5%	0.1%	-28	-34	0.4%	0.5%	5
Loan-to-deposit calculated	92.0%	92.4%	92.5%	49	3	93.0%	91.5%	-152
NPL calculated	1.3%	1.2%	1.2%	-20	-3	1.2%	1.1%	-8
NPL coverage calculated	144.5%	141.0%	144.0%	-52	300	148.5%	146.0%	-248
Tier 1	17.4%	17.9%	17.9%	52	5	17.2%	16.1%	-107
Capital adequacy	19.2%	19.6%	19.6%	38	0	18.9%	17.8%	-118
ROAE	13.3%	13.4%	13.7%	39	23	13.4%	13.9%	44
ROAA	2.0%	2.0%	2.0%	1	0	2.1%	2.1%	-6

FABS estimate & Co data
ARNB - Key B/S items

SAR Mn	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
Net advances	166,330	169,495	179,057	186,476	192,653	15.8%
QOQ change	2.9%	1.9%	5.6%	4.1%	3.3%	
Total assets	240,962	248,307	264,651	268,983	277,974	15.4%
QOQ change	2.3%	3.0%	6.6%	1.6%	3.3%	
Customer deposits	180,843	182,230	195,619	201,739	208,362	15.2%
QOQ change	3.0%	0.8%	7.3%	3.1%	3.3%	
Total equity	36,381	38,119	41,830	43,028	44,420	22.1%
QOQ change	-1.4%	4.8%	9.7%	2.9%	3.2%	

FABS estimate & Co data

3Q25 preview: Alinma Bank

Increased lending and healthy asset quality to support profit

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 25.42	SAR 33.00	+29.8%	BUY

3Q25 estimate

Alinma Bank (Alinma/the Bank) is expected to report a 4.7% YOY rise in net profit to SAR 1,646 Mn in 3Q25. The growth in net profit will mainly be driven by an expected rise in net funded and non-funded income, partially offset by a projected increase in operating expenses, impairment charges and tax expenses. Funded income is predicted to expand 4.8% YOY to SAR 4,388 Mn in 3Q25 as the Bank is projected to witness an increase in average interest-earning assets, partially offset by a decline on asset yield. On the other hand, the funded expense is expected to increase 3.9% YOY to SAR 2,044 Mn in 3Q25 due to an anticipated rise in average interest-bearing liabilities, partially offset by a decrease in cost of funds. Thus, net funded income is likely to grow 5.6% YOY to SAR 2,344 Mn in 3Q25. Fee and commission income is anticipated to increase 21.9% YOY to SAR 489 Mn in 3Q25. Exchange income is forecasted to increase 15.6% YOY to SAR 107 Mn in 3Q25. However, other non-funded income is projected to rise 6.4% YOY to SAR 107 Mn in 3Q25. Thus, total non-funded income is expected to increase 18.3% YOY to SAR 704 Mn in 3Q25. Operating income is likely to grow 8.3% YOY to SAR 3,048 Mn in 3Q25. Meanwhile, operating expenses are anticipated to rise 9.0% YOY to SAR 929 Mn in 3Q25. Moreover, we expect the cost-to-income ratio to rise 21 bps YOY to 30.5% in 3Q25. Impairment charges are anticipated to rise 34.1% YOY to SAR 284 Mn in 3Q25. Zakat expense is forecasted to increase 4.6% YOY to SAR 189 Mn in 3Q25.

2025 forecast

We forecast Alinma's net profit to rise 9.0% YOY to SAR 6,358 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 expenses. Funded income is anticipated to increase 6.2% YOY to SAR 17,150 Mn in 2025 due to growth in average interest-earning assets, partially offset by decrease in yield on assets. On the other hand, the funded expense is expected to rise 4.9% YOY to SAR 7,876 Mn in 2025, attributed to a rise in average interest-bearing liabilities, partially offset by decrease in cost of funds. Thus, net funded income is expected to grow 7.2% YOY to SAR 9,274 Mn in 2025. Fees and commission income is predicted to rise 15.0% YOY to SAR 1,850 Mn in 2025. Exchange income is projected to expand 13.0% YOY to SAR 429 Mn in 2025, while the other non-funded income is estimated to increase 14.8% YOY to SAR 349 Mn in 2025. Thus, non-funded income is anticipated to grow 14.6% YOY to SAR 2,627 Mn in 2025. As a result, total operating income will likely increase 8.8% YOY to SAR 11,901 Mn in 2025. Operating expenses are anticipated to increase 9.4% YOY to SAR 3,701 Mn in 2025. Moreover, we expect the cost-to-income ratio to increase 17 bps YOY to 31.1% in 2025. Impairment charges are anticipated to grow 5.0% YOY to SAR 1,102 Mn in 2025. Zakat expense is expected to grow 8.9% YOY to SAR 730 Mn in 2025.

2Q25 outturn

ALINMA's funded income grew 7.4% YOY to SAR 4,254 Mn in 2Q25, driven by an increase in financing and investment portfolio. Conversely, the funded expenses also rose 9.5% YOY to SAR 1,983 Mn in 2Q25, due to growth in time deposits. The funded expenses grew at a faster rate compared to the funded income. Thus, the net funded income increased 5.6% YOY to SAR 2,272 Mn in 2Q25. The Bank's non-funded income grew 13.4% YOY to SAR 675 Mn in 2Q25, due to a rise in fee income, FVIS income and other operating income, partially offset by a decline in exchange income. As a result, the operating income increased 7.3% YOY to SAR 2,947 Mn in 2Q25. ALINMA's operating expenses grew 10.0% YOY to SAR 917 Mn in 2Q25, due to which the calculated cost-to-income ratio rose 75 bps YOY to 31.1% in 2Q25. Furthermore, impairment charges fell 14.7% YOY to SAR 267 Mn in 2Q25,

supported by the addition of better-quality new assets. Share of loss from associates was at SAR 1 Mn in 2Q25. The Bank's Zakat expenses increased 7.0% YOY to SAR 174 Mn in 2Q25.

Target price and recommendation

We maintain our BUY rating on Alinma Bank with a revised target price of SAR 33.00. ALINMA's net advances grew 15.1% YOY and 4.4% QOQ to SAR 218.6 Bn in 2Q25, with the corporate segment serving as the major contributor. The Bank's CASA deposits stood at a healthy 50.7% of total deposits as of 2Q25, with a stable mix of 64% from the retail segment and 36% from non-retail. The higher CASA contribution is expected to support NIMs resilience amid a declining interest rate environment. The Bank anticipates NIMs to decline 10–20 bps in 2025, from the earlier decline guidance of a 0–10 bps, driven by expectations of lower interest rates and a higher cost of funds. ALINMA's reported cost-to-income ratio reached 31.6% in 2Q25, and the Bank now expects it to remain below 31.0% for 2025, revising its earlier guidance of below 30.5%. This upward revision reflects trimmed NIMs expectations and continued investment in AI capabilities and strategic tech projects. Further, the reported NPL ratio remained declined from 1.27% in 1Q25 to 1.25% in 2Q25. The NPL coverage also grew from 156.4% in 1Q25 to 173.9% in 2Q25, reflecting robust coverage against bad loans. The Bank expects the cost of risk for 2025 to remain between 40–50 bps, supported by stable asset quality and healthy NPL coverage levels. ALINMA also maintained a healthy capitalization, with a tier 1 ratio of 17.3% and total CAR of 18.5% in 2Q25. Recently, the Bank issued USD-denominated sustainable additional tier 1 capital certificates under its AT1 capital certificate issuance programme, with a total value of USD 500 Mn and with a payable rate of 6.5%. This issuance is expected to strengthen the Bank's Tier 1 capital base and enhance its regulatory capital buffers. Additionally, the Bank announced the distribution of a dividend of SAR 0.30 per share for 2Q25, amounting to SAR 746.2 Mn. 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)	31.84	23.10	17.39	12.94	11.29	10.70
P/B (x)	2.56	2.51	2.42	2.13	1.91	1.75
BVPS	9.772	9.966	10.352	11.733	13.077	14.269
EPS	0.786	1.084	1.440	1.936	2.217	2.340
DPS	0.239	0.597	0.756	0.915	1.100	1.168
Dividend Yield	0.9%	2.3%	3.0%	3.6%	4.3%	4.6%

FABS Estimates & Co Data

Alinma Bank- P&L

SAR Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	4,188	4,254	4,388	4.8%	3.1%	16,155	17,150	6.2%
Funded expense	-1,967	-1,983	-2,044	3.9%	3.1%	-7,506	-7,876	4.9%
Net funded income	2,220	2,272	2,344	5.6%	3.2%	8,649	9,274	7.2%
Fees and commissions	402	466	489	21.9%	5.0%	1,608	1,850	15.0%
Exchange income	93	98	107	15.6%	10.0%	380	429	13.0%
Other non-funded income	101	111	107	6.4%	-3.6%	304	349	14.8%
Non-funded income	595	675	704	18.3%	4.3%	2,291	2,627	14.6%
Operating income	2,815	2,947	3,048	8.3%	3.4%	10,940	11,901	8.8%
Operating expenses	-852	-917	-929	9.0%	1.3%	-3,384	-3,701	9.4%
Pre-provision profit	1,963	2,029	2,119	7.9%	4.4%	7,556	8,200	8.5%
Impairment	-212	-274	-284	34.1%	3.5%	-1,050	-1,102	5.0%
Impair on other financial assets	-3	7	0	NM	NM	-1	7	NM
Share of profit of associates	-2	-1	0	NM	NM	-5	-2	NM
Net profit before zakat	1,752	1,747	1,835	4.7%	5.0%	6,502	7,088	9.0%
Zakat	-181	-174	-189	4.6%	8.5%	-670	-730	8.9%
Net profit attributable	1,571	1,573	1,646	4.7%	4.6%	5,832	6,358	9.0%

FABS estimate & Co Data

Alinma Bank - KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	78.9%	77.1%	76.9%	-195	-19	79.1%	77.9%	-113
NIM	3.5%	3.2%	3.2%	-26	0	3.5%	3.2%	-21
NIS	2.9%	2.6%	2.6%	-24	-1	2.9%	2.7%	-20
Fees & comms/OI	14.3%	15.8%	16.1%	179	24	14.7%	15.5%	84
Exchange Inc/OI	3.3%	3.3%	3.5%	22	21	3.5%	3.6%	13
Cost to income	30.3%	31.1%	30.5%	21	-64	30.9%	31.1%	17
Impairment/PPP	10.8%	13.5%	13.4%	262	-12	13.9%	13.4%	-45
NP/OI	55.8%	53.4%	54.0%	-182	61	53.3%	53.4%	12
Cost of risk (calculated)	0.4%	0.5%	0.5%	7	0	0.5%	0.5%	-5
Loan-to-deposit	93.7%	95.1%	96.9%	320	180	97.9%	100.0%	213
NPL (calculated)	0.8%	1.2%	1.2%	45	-2	1.1%	1.2%	14
NPL Coverage (calculated)	245.2%	173.9%	175.0%	NM	106	172.3%	178.0%	574
Tier 1	17.0%	17.3%	17.7%	66	32	16.7%	17.1%	44
Capital adequacy	18.2%	18.5%	18.7%	58	29	17.7%	18.2%	50
ROAE	17.4%	17.5%	17.4%	-6	-17	19.5%	17.5%	-203
ROAA	2.3%	2.2%	2.2%	-6	-3	2.3%	2.2%	-10

FABS estimate & Co Data

Alinma Bank - Key B/S items

	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
SAR Mn						
Net advances	195,895	202,308	209,435	218,596	225,625	15.2%
QOQ change	3.2%	3.3%	3.5%	4.4%	3.2%	
Total assets	266,983	276,827	287,222	297,216	305,009	14.2%
QOQ change	2.6%	3.7%	3.8%	3.5%	2.6%	
Customer deposits	209,140	210,545	218,839	229,944	232,918	11.4%
QOQ change	1.8%	0.7%	3.9%	5.1%	1.3%	
Total equity	41,158	41,442	42,952	44,775	46,351	12.6%
QOQ change	2.8%	0.7%	3.6%	4.2%	3.5%	

FABS estimate & Co Data

3Q25 preview: Al Bilad Bank

Robust Asset Quality Underpins Profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 27.12	SAR 31.70	+16.9%	BUY

3Q25 Estimate

Bank Albilad's (ALBI/ the Bank) net profit is expected to grow 12.4% YOY to SAR 789 Mn in 3Q25, mainly driven by an anticipated increase in net funded and non-funded income, partially offset by an estimated rise in G&A expenses, impairment charges and zakat expenses. Funded income is anticipated to rise 5.0% YOY to SAR 2,315 Mn in 3Q25, due to an expected growth in net advances and other interest-earning assets. Funded expenses is expected to rise 2.9% YOY to SAR 1,075 Mn in 3Q25, due to a projected increase in average interest-bearing liabilities, partially offset by an anticipated decrease in cost of funds. Thus, net funded income is likely to grow 6.9% YOY to SAR 1,240 Mn in 3Q25. The Bank's fees and commission income is projected to grow 7.0% YOY to SAR 195 Mn, and exchange income is forecasted to decrease marginally 0.9% YOY to SAR 84 Mn in 3Q25. However, other non-funded income is anticipated to increase from SAR 20 Mn in 3Q24 to SAR 54 Mn in 3Q25. Thus, total non-funded income is expected to grow 16.2% YOY to SAR 333 Mn in 3Q25. As a result, ALBI's total operating income is expected to increase 8.8% YOY to SAR 1,573 Mn in 3Q25. G&A expenses are predicted to grow 3.9% YOY to SAR 633 Mn in 3Q25. However, we expect the cost-to-income ratio to decline 188 bps YOY to 40.2% in 3Q25, owing to growth in total operating income. Impairment charges are anticipated to rise 11.6% YOY to SAR 60 Mn in 3Q25. The Bank's zakat expenses are expected to increase 12.4% YOY to SAR 91 Mn in 3Q25, which is in line with growth in profit before tax.

2025 Forecast

ALBI's net profit is estimated to increase 9.3% YOY to SAR 3,067 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 charges and Zakat expenses. Funded income is anticipated to grow 6.5% YOY to SAR 9,116 Mn, while funded expenses is expected to grow 2.6% YOY to SAR 4,233 Mn in 2025. Thus, net funded income is likely to expand 10.1% YOY to SAR 4,883 Mn in 2025. We expect NIMs to remain stable at 3.1% in 2025, as contracting asset yields are likely to be partly offset by lower funding costs. The Bank's fees and commission income and exchange income are projected to grow 7.0% YOY and 8.0% YOY to SAR 750 Mn and SAR 342 Mn, respectively, in 2025. Additionally, other non-funded income is forecasted to increase 11.3% YOY to SAR 246 Mn in 2025. Thus, the total non-funded income is likely to grow 8.0% YOY to SAR 1,338 Mn in 2025. As a result, total operating income is expected to increase 9.7% YOY to SAR 6,220 Mn in 2025. G&A expenses are predicted to rise 5.9% YOY to SAR 2,555 Mn, with a decline in cost-to-income ratio of 147 bps YOY to 41.1% in 2025. Furthermore, impairment charges are anticipated to surge significantly from SAR 130 Mn in 2024 to SAR 246 Mn in 2025. The Bank's zakat expense is projected to increase 9.3% YOY to SAR 352 Mn in 2025.

2Q25 Outturn

ALBI's funded income grew 6.8% YOY to SAR 2,249 Mn in 2Q25, driven by growth in the income from investing and financing assets. On the other hand, funded expenses grew 5.1% YOY to SAR 1,072 Mn in 2Q25, due to a rise in return on customer deposits. Thus, net funded income grew 8.5% YOY to SAR 1,177 Mn in 2Q25. The Bank's non-funded income increased 12.7% YOY to SAR 364 Mn in 2Q25, attributed to a rise in fees and commission income, exchange income, dividend income and other operating income, partially offset by lower net gains on FVSI instruments. Thus, the Bank's total operating income rose 9.4% YOY to SAR 1,541 Mn in 2Q25. Furthermore, the Bank's operating expenses increased 10.5% YOY to SAR 638 Mn in 2Q25 mainly due to an increase in salaries and employee-related expenses, G&A expenses, and D&A. As a result, the Bank's cost-to-income ratio

rose from 41.0% in 2Q24 to 41.4% in 2Q25. Impairment charges declined significantly from SAR 82 Mn in 2Q24 to SAR 49 Mn 2Q25, driven by an improvement in asset quality. Similarly, the Bank's zakat expenses increased 14.2% YOY to SAR 88 Mn in 2Q25.

Target price and recommendation

We maintain our BUY rating on ALBI with an unchanged target price of SAR 31.70. ALBI witnessed healthy growth in profitability during 2Q25, driven by a strong growth in net funded and non-funded income, supported by a rise in interest-earning assets. Investment portfolio rose 25.1% YOY and 8.5% QOQ to SAR 28.6 Bn in 2Q25. Albilad's net advances increased 2.9% QOQ to SAR 115.7 Bn in 2Q25, but customer deposits moderated 0.1% QOQ to SAR 123.9 Bn. Hence, the loan-to-deposit ratio increased from 90.7% in 1Q25 to 93.4% in 2Q25, resulting in a more constrained liquidity position. Albilad's strong CASA deposits which stood at 67% of total deposits in 1Q25 allows the bank to maintain a low-cost base, that helps to boost NIMs. The Bank's asset quality improved as the calculated NPL ratio declined to 1.1% in 2Q25 from 1.2% in 1Q25. Consequently, ALBI's calculated coverage ratio stood strong at 190% in 2Q25, down from 193.2% in 1Q25. Moreover, capitalization stood strong with a CET 1 ratio of 15.1% and CAR of 20.7% in 2Q25. Bank Albilad also raised USD 650 Mn through AT1 Sukuk to strengthen its Tier 1 capital and general banking operations. Additionally, ALBI distributed an interim cash dividend of SAR 0.45 per share (equivalent to total dividend of SAR 675 Mn) for 1H25, leading to a full year dividend yield of 3.3%. Thus, based on our analysis, we assign a BUY rating on the stock.

Bank Al Bilad - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	29.48	23.57	19.10	16.78	14.16	12.96
PB	3.70	3.32	3.08	2.61	2.38	1.78
BVPS	7.161	7.987	8.599	10.172	11.129	14.898
EPS	0.899	1.124	1.388	1.579	1.871	2.044
DPS	NA	NA	0.333	0.333	0.750	0.900
Dividend Yield	NA	NA	1.2%	1.2%	2.8%	3.3%

FABS Estimates & Co Data

Bank Al Bilad - P&L

SAR Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Income from invest & fin.	2,205	2,249	2,315	5.0%	3.0%	8,559	9,116	6.5%
Return on deposits & fin. liab.	-1,045	-1,072	-1,075	2.9%	0.3%	-4,126	-4,233	2.6%
Net funded income	1,160	1,177	1,240	6.9%	5.4%	4,434	4,883	10.1%
Fees and commissions	182	191	195	7.0%	2.0%	701	750	7.0%
Exchange income	85	82	84	-0.9%	2.0%	316	342	8.0%
Other non-funded income	20	91	54	173.3%	-40.4%	221	246	11.3%
Total non-funded income	286	364	333	16.2%	-8.6%	1,238	1,338	8.0%
Total operating income	1,446	1,541	1,573	8.8%	2.1%	5,672	6,220	9.7%
General & admin. Expenses	-609	-638	-633	3.9%	-0.8%	-2,413	-2,555	5.9%
Pre provision profit	837	903	940	12.3%	4.2%	3,258	3,665	12.5%
Impairment	-54	-49	-60	11.6%	22.7%	-130	-246	NM
Profit before zakat	783	854	880	12.4%	3.1%	3,129	3,419	9.3%
Zakat expenses	-81	-88	-91	12.4%	3.1%	-322	-352	9.3%
Net profit attributable	703	766	789	12.4%	3.1%	2,807	3,067	9.3%

FABS Estimates & Co Data

Bank Al Bilad - P&L KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	80.2%	76.4%	78.8%	-135	247	78.2%	78.5%	33
NIM	3.2%	3.0%	3.1%	-8	10	3.1%	3.1%	3
NIS	2.7%	2.6%	2.7%	-3	13	2.6%	2.7%	4
Fees & comms/OI	12.6%	12.4%	12.4%	-20	-1	12.4%	12.0%	-30
Other Operating Inc/OI	7.2%	11.2%	8.8%	155	-246	9.5%	9.5%	-3
Cost to income	42.1%	41.4%	40.2%	-188	-118	42.6%	41.1%	-147
Impairment/PPP	6.4%	5.4%	6.4%	-4	96	4.0%	6.7%	274
NP/OI	48.6%	49.7%	50.2%	160	49	49.5%	49.3%	-18
Cost of risk	0.2%	0.2%	0.2%	0	3	0.1%	0.2%	9
Loan-to-deposit (headline)	87.2%	93.4%	95.0%	777	163	89.8%	95.0%	524
NPL (calculated)	1.2%	1.1%	1.1%	-20	0	1.2%	1.0%	-20
Coverage excluding collateral	203.0%	190.3%	198.0%	-497	772	198.4%	206.0%	761
CET1	14.6%	15.1%	18.5%	391	341	14.6%	16.0%	140
Capital Adequacy	18.5%	20.7%	22.2%	371	145	18.3%	21.4%	306
ROAE	17.1%	16.2%	16.2%	-86	2	17.6%	15.7%	-186
ROAA	1.8%	1.9%	1.9%	10	-2	1.9%	1.9%	0

FABS estimate & Co Data

Bank Al Bilad-Key BS Items

	3Q24	4Q24	1Q25	2Q25	3Q25F	Change
SAR Mn						
Net advances	106,695	109,304	112,427	115,689	119,071	11.6%
QOQ Change	2.3%	2.4%	2.9%	2.9%	2.9%	
Total assets	153,722	154,965	159,103	161,902	165,885	7.9%
QOQ Change	5.8%	0.8%	2.7%	1.8%	2.5%	
Customer deposits	122,342	121,776	124,018	123,929	125,360	2.5%
QOQ Change	6.8%	-0.5%	1.8%	-0.1%	1.2%	
Total equity	16,132	16,693	17,592	20,756	21,457	33.0%
QOQ Change	2.1%	3.5%	5.4%	18.0%	3.4%	

FABS estimate & Co Data

3Q25 preview: Al Rajhi Bank

Cost Optimization to Counter Yield Pressure

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 93.50	SAR 105.00	+12.3%	ACCUMULATE

3Q25 estimate

Al Rajhi Bank (Al Rajhi/the Bank) net profit is expected to grow 21.5% YOY to SAR 6,202 Mn in 3Q25. The increase is attributed to the anticipated rise in net-funded & non-funded income and decrease in impairment charges, partially offset by an expected increase in operating expenses and zakat expenses. Net funded income is anticipated to grow 15.1% YOY to SAR 7,366 Mn in 3Q25, 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 14.1% YOY to SAR 13,858 Mn in 3Q25, driven by an expected growth in net advances and investment portfolio. On the other hand, financing and investment expenses are forecasted to grow 12.9% YOY to SAR 6,492 Mn in 3Q25, due to an expected rise in average interest-bearing liabilities. Net fees from banking services are expected to grow 16.8% YOY to SAR 1,451 Mn, and net exchange income is estimated to rise 3.7% YOY to SAR 355 Mn in 3Q25. Furthermore, other operating income is expected to increase 24.5% YOY to SAR 569 Mn in 3Q25. As a result, total non-funded income is predicted to rise 16.3% YOY to SAR 2,375 Mn in 3Q25. Thus, Al Rajhi's total operating income is likely to rise 15.4% YOY to SAR 9,741 Mn in 3Q25. Salaries and employee-related expenses are projected to rise 4.5% YOY to SAR 1,005 Mn in 3Q25. Other G&A expenses are expected to increase marginally 0.6% YOY to SAR 616 Mn in 3Q25. Depreciation and amortization charges are anticipated to increase 10.3% YOY to SAR 548 Mn in 3Q25. Thus, total operating expenses are predicted to increase 4.8% YOY to SAR 2,169 Mn in 3Q25. Impairment charges are expected to decline 3.9% YOY to SAR 661 Mn in 3Q25. Additionally, the zakat expense is expected to grow 22.9% YOY to SAR 705 Mn in 3Q25. NCI is expected to rise 21.0% YOY to SAR 4 Mn in 3Q25.

2025 forecast

Al Rajhi Bank is expected to report a 23.3% YOY growth in net profit to SAR 24,308 Mn in 2025, primarily due to an anticipated increase in net funded and non-funded income, partially offset by a rise in operating expenses, impairment charges and Zakat expenses. Financing and investment income is expected to increase 16.0% YOY to SAR 54,537 Mn in 2025. However, financing and investment expenses are anticipated to rise 14.2% YOY to SAR 25,315 Mn in 2025. Resultantly, net financing and investment income is likely to grow 17.6% YOY to SAR 29,222 Mn in 2025. Total non-funded income is expected to increase 25.1% YOY to SAR 9,023 Mn in 2025, due to an anticipated increase in fee & commission, exchange income, and other operating income. Net fees from banking services are anticipated to grow 22.0% YOY to SAR 5,725 Mn in 2025, while net exchange income is estimated to increase 8.0% YOY to SAR 1,396 Mn in 2025. Other operating income is also expected to rise significantly 55.0% YOY to SAR 1,901 Mn in 2025. Thus, total operating income is projected to increase 19.3% YOY to SAR 38,244 Mn in 2025. The Bank's salaries and employee-related benefits are projected to grow 7.4% YOY to SAR 3,999 Mn, whereas other G&A expenses are anticipated to rise 6.7% YOY to SAR 2,417 Mn in 2025. Additionally, D&A charges are forecasted to increase 11.0% YOY to SAR 2,200 Mn in 2025. Hence, total operating expenses are anticipated to increase 8.1% YOY to SAR 8,616 Mn in 2025. However, the cost-to-income ratio is expected to decline 234 bps YOY to 22.5% in 2025. Impairment charges are expected to rise 17.9% YOY to SAR 2,496 Mn in 2025. Zakat expense is anticipated to increase 24.9% YOY to SAR 2,795 Mn in 2025. Al Rajhi's non-controlling interest is anticipated to rise from SAR 9 Mn in 2024 to SAR 29 Mn in 2025.

2Q25 outturn

ALRAJHI's funded income rose 21.4% YOY to SAR 13,647 Mn in 2Q25, fuelled by a growth in gross financing and investment portfolio. On the other hand, funded expenses surged 17.9% YOY to SAR 6,342 Mn in 2Q25. Thus, ALRAJHI's net funded income grew 24.7% YOY to SAR 7,305 Mn in 2Q25. The Bank's fees from banking services grew 24.2% YOY to SAR 1,395 Mn in 2Q25. Exchange income rose 8.0% YOY to SAR 344 Mn, and other operating income grew 65.6% YOY to SAR 558 Mn in 2Q25, making the Bank's total non-funded income grew 29.1% YOY to SAR 2,298 Mn in 2Q25. As a result, ALRAJHI's total operating income expanded 25.7% YOY to SAR 9,603 Mn in 2Q25. The Bank's total operating expenses increased 9.5% YOY to SAR 2,143 Mn in 2Q25, supported by a rise in depreciation expense of 19.5% YOY to SAR 566 Mn, coupled with growth in salaries and employee-related benefits of 7.3% YOY to SAR 985 Mn during 2Q25. General & administrative expenses grew 4.8% YOY to SAR 592 Mn in 2Q25. However, the Bank's cost-to-income ratio declined from 25.6% in 2Q24 to 22.3% in 2Q25. Additionally, impairment charges increased 31.9% YOY to SAR 600 Mn in 2Q25. The rise in net provisions for expected credit losses was driven by an increase in new potential loan defaults, alongside a jump in recoveries from previously written-off financing. Zakat charges grew 32.5% YOY to SAR 699 Mn in 2Q25. NCI was reported at SAR 10 Mn in 2Q25, compared to NIL in 2Q24.

Target price and recommendation

We maintain an ACCUMULATE rating on ALRAJHI with a target price of SAR 105.00. ALRAJHI's net advances grew 19.3% YOY and 2.6% QOQ to SAR 741.7 Bn in 2Q25, owing to an increase in the corporate and retail financing portfolio. ALRAJHI's Retail financing portfolio grew 11.5% YOY, driven by strong growth across mortgage and personal financing. Additionally, the Bank's Corporate financing portfolio also grew strongly by 37.7% YOY during 2Q25. The Bank further expects the financing portfolio to grow by high single digits in 2025. Customer deposits grew 3.1% YOY and 2.0% QOQ to SAR 642.0 Bn, with CASA deposits accounting for 68.4% in 2Q25, reflecting a strong and stable low-cost funding base. ALRAJHI's investment portfolio also continued to grow with a growth of 18.6% YOY and 2.0% QOQ to SAR 182.0 Bn in 2Q25. The Bank is also expected to benefit from a declining interest rate environment, as a significant portion of its investment portfolio is invested in fixed rate sukuks, which are likely to appreciate and provide a cushion against rate cuts. ALRAJHI also expects the NIMs to expand 0-10 bps during 2025. The Bank's calculated cost-to-income ratio improved 330 bps YOY to 22.3% in 2Q25. The Bank expects to maintain this ratio below 23.5% in 2025. ALRAJHI's asset quality remained robust, with a stable NPL ratio of 0.74% and a strong provision coverage ratio of 150.5% in 2Q25, providing a solid buffer against potential credit losses. Moreover, the Bank's liquidity coverage ratio improved from 148.6% in 1Q25 to 152.9% in 2Q25, indicating a strengthened liquidity position. ALRAJHI's capitalization remained healthy with a Tier 1 capital ratio of 19.4% and a total CAR of 20.2%, during 2Q25. The Bank also recorded strong shareholders return with a reported ROA and ROE of 2.4% and 23.5%, respectively, during 1H25. Thus, based on our analysis, we maintain an ACCUMULATE rating on the stock.

Al Rajhi Bank - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	35.79	25.72	22.36	24.00	20.29	16.38
P/B (x)	6.52	5.64	4.82	4.20	4.04	3.62
BVPS	14.530	16.820	19.681	22.565	23.469	26.157
EPS	2.649	3.687	4.240	3.950	4.672	5.788
DPS	0.625	0.875	1.250	2.300	2.710	3.183
Dividend yield	0.7%	0.9%	1.3%	2.5%	2.9%	3.4%

FABS Estimates & Co Data

Al Rajhi Bank - P&L

SAR Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	12,150	13,647	13,858	14.1%	1.5%	47,018	54,537	16.0%
Funded expense	-5,753	-6,342	-6,492	12.9%	2.4%	-22,175	-25,315	14.2%
Net Funded Income	6,397	7,305	7,366	15.1%	0.8%	24,843	29,222	17.6%
Fees from banking services	1,242	1,395	1,451	16.8%	4.0%	4,693	5,725	22.0%
Exchange income, net	342	344	355	3.7%	3.0%	1,293	1,396	8.0%
Other operating income	457	558	569	24.5%	2.0%	1,227	1,901	55.0%
Total non-funded Income	2,042	2,298	2,375	16.3%	3.4%	7,212	9,023	25.1%
Total Operating Income	8,439	9,603	9,741	15.4%	1.4%	32,055	38,244	19.3%
Salaries & employee benefits	-961	-985	-1,005	4.5%	2.0%	-3,724	-3,999	7.4%
Other G&A expenses	-612	-592	-616	0.6%	4.0%	-2,265	-2,417	6.7%
Depreciation and amortization	-497	-566	-548	10.3%	-3.1%	-1,982	-2,200	11.0%
Total operating Expenses	-2,070	-2,143	-2,169	4.8%	1.2%	-7,971	-8,616	8.1%
Profit before provisions	6,369	7,460	7,572	18.9%	1.5%	24,085	29,628	23.0%
Impairment charge	-688	-600	-661	-3.9%	10.2%	-2,117	-2,496	17.9%
Total Operating Expenses	-2,758	-2,743	-2,830	2.6%	3.2%	-10,087	-11,112	10.2%
Net income before zakat	5,681	6,860	6,911	21.7%	0.7%	21,968	27,132	23.5%
Zakat	-574	-699	-705	22.9%	0.9%	-2,237	-2,795	24.9%
Non-controlling interest	-4	-10	-4	21.0%	-58.3%	-9	-29	NM
Net profit for the year	5,103	6,151	6,202	21.5%	0.8%	19,722	24,308	23.3%

FABS estimate & Co Data

Al Rajhi Bank - P&L KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	75.8%	76.1%	75.6%	-19	-45	77.5%	76.4%	-109
NIM	3.0%	2.9%	2.9%	-9	-2	2.9%	3.0%	8
NIS	2.5%	2.5%	2.5%	-10	-2	2.5%	2.5%	7
Fees & comms/OI	14.7%	14.5%	14.9%	17	37	14.6%	15.0%	33
Exchange Income/OI	4.1%	3.6%	3.6%	-41	6	4.0%	3.7%	-38
Cost to income (calculated)	24.5%	22.3%	22.3%	-227	-5	24.9%	22.5%	-234
Impairment/PPP	-10.8%	-8.0%	-8.7%	207	-69	-8.8%	-8.4%	36
NP/OI	60.5%	64.1%	63.7%	319	-39	61.5%	63.6%	203
Cost of risk	0.4%	0.3%	0.4%	-8	3	0.3%	0.3%	2
Loan-to-deposit (headline)	104.2%	115.5%	117.0%	1,275	147	110.4%	116.0%	563
NPL (Reported)	0.8%	0.7%	0.7%	-5	0	0.8%	0.7%	-3
Coverage excl. collateral (Cal.)	165.2%	150.5%	152.0%	-1,318	153	159.4%	154.0%	-544
Tier 1	19.7%	19.4%	20.0%	29	57	19.3%	19.2%	-10
Capital Adequacy	20.7%	20.2%	20.7%	4	55	20.2%	20.0%	-23
ROAA	2.2%	2.4%	2.4%	27	5	2.2%	2.4%	17
ROAE	19.4%	21.6%	21.9%	251	28	19.7%	22.7%	301

FABS estimate & Co Data

Al Rajhi Bank - Key B/S Items

SAR Mn	3Q24	4Q24	1Q25	2Q25	3Q25F	Change
Net advances	649,024	693,410	722,785	741,715	752,753	16.0%
QOQ change	4.4%	6.8%	4.2%	2.6%	1.5%	
Total assets	902,571	974,387	1,023,080	1,038,988	1,054,022	16.8%
QOQ change	4.1%	8.0%	5.0%	1.6%	1.4%	
Customer deposits	622,572	628,239	629,229	641,987	643,378	3.3%
QOQ change	0.0%	0.9%	0.2%	2.0%	0.2%	
Total Equity	117,879	123,139	134,084	134,049	139,961	18.7%
QOQ change	1.3%	4.5%	8.9%	0.0%	4.4%	

FABS estimate & Co Data

3Q25 preview: Saudi Investment Bank

Decline in non-funded income and rise in impairment charges to impact the bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 13.47	SAR 17.80	+32.1%	BUY

3Q25 estimate

The Saudi Investment Bank (SAIB/the Bank) is expected to report a marginal decline of 2.1% YOY in net profit to SAR 507 Mn in 3Q25, owing to an anticipated decline in non-funded income, rise in operating expenses, and financial impairments, partially offset by forecasted growth in net funded income due to expected increase in income earning assets. Funded income is predicted to grow 5.9% YOY to SAR 2,458 Mn in 3Q25, supported by projected increase in average interest earning assets, partially offset by forecasted decline in asset yield. Similarly funded expenses are forecasted to expand 6.1% YOY to SAR 1,497 Mn in 3Q25, driven by predicted rise average interest-bearing liabilities, partially offset by anticipated decline in cost of funds. Thus, net funded income is likely to surge 5.7% YOY to SAR 961 Mn in 3Q25. The Bank's fees & commissions income is predicted to grow 15.1% YOY to SAR 100 Mn in 3Q25, supported by expected higher transaction fees, while the exchange income is predicted to grow 9.9% YOY to SAR 56 Mn in 3Q25. Non-funded income is expected to fall 7.6% YOY to SAR 156 Mn in 3Q25 due to projected decline in other non-operating income. Thus, SAIB's operating income is anticipated to rise 3.6% YOY to SAR 1,117 Mn in 3Q25. The Bank's operating expenses is projected to rise 3.4% YOY to SAR 462 Mn in 3Q25. Financing impairment is forecasted to increase substantially from SAR 66 Mn in 3Q24 to SAR 98 Mn in 3Q25. Share in earnings of associates is projected to fall 2.2% YOY to SAR 33 Mn in 3Q25. The Bank's zakat expenses are likely to increase 2.1% YOY to SAR 83 Mn in 3Q25.

2025 forecast

SAIB's net profit is projected to report growth of 4.5% YOY to SAR 2,045 Mn in 2025, primarily due to expected growth in net-funded income, and share in earnings of associate, partially offset by anticipated fall in non-funded income, rise in operating expenses, financing impairments, and zakat expenses. Funded income is predicted to grow 10.3% YOY to SAR 9,779 Mn in 2025, supported by an increase in average interest earning assets, partially offset by a forecasted decline in asset yield. Similarly, funded expenses are forecasted to expand 12.6% YOY to SAR 5,997 Mn in 2025, driven by predicted rise in average interest-bearing liabilities, partially offset by an anticipated decline in cost of funds. Thus, net funded income is likely to surge 7.0% YOY to SAR 3,783 Mn in 2025. Furthermore, the Bank's fees & commissions income is predicted to grow 10.8% YOY to SAR 380 Mn in 2025, due to higher transaction fees, while the exchange income is predicted to grow 10.0% YOY to SAR 228 Mn in 2025. However, other non-operating income is projected to decline substantially from SAR 91 Mn in 2024 to SAR 21 Mn in 2025. As a result, non-funded income is expected to fall marginally 1.9% YOY to SAR 629 Mn in 2025. Thus, SAIB's operating income is anticipated to rise 5.6% YOY to SAR 4,412 Mn in 2025. The Bank's other operating expenses is projected to increase 4.2% YOY to SAR 1,808 Mn in 2025. Financing impairment is forecasted to increase 22.4% YOY to SAR 355 Mn in 2025. Share in earnings of associates is projected to grow 10.5% YOY to SAR 128 Mn in 2025. The Bank's zakat expenses are predicted to grow 6.3% YOY to SAR 333 Mn in 2025.

2Q25 outturn

SAIB's funded income grew 10.8% YOY to SAR 2,394 Mn in 2Q25, driven by rise in investments and loans & advances, partially offset by decline in asset yield. Similarly, funded expenses expanded 16.2% YOY to SAR 1,489 Mn in 2Q25, supported by rise in deposits and funding base, partially offset by decline in cost of funds. Hence, the Bank's NIM fell from 2.7% in 2Q24 to 2.5% in 2Q25. Fees and commissions income grew 19.1% YOY to SAR 96 Mn in 2Q25. Additionally, exchange income grew 10.6% YOY to SAR 57 Mn in 2Q25. Furthermore, other non-funded income declined marginally 1.9% YOY to SAR 12 Mn in 2Q25. Thus, non-funded income, expanded 14.3% YOY to SAR 164 Mn in 2Q25.

SAIB's operating income grew 4.6% YOY to SAR 1,070 Mn in 2Q25, due to increase in employee related expenses, D&A expenses, and G&A expenses, partially offset by decline rent & premises related expenses. Hence, cost to income decreased 49 bps YOY to 40.8% in 2Q25, due to focus on cost efficiency and strong risk management initiatives. Financial impairments increased 3.5% YOY to SAR 64 Mn in 2Q25. Share in earnings of associates grew 11.2% YOY to SAR 27 Mn in 2Q25. The Bank's zakat expenses expanded 9.9% YOY to SAR 83 Mn in 2Q25.

Target price and recommendation

We maintain our BUY rating on SAIB with a target price of SAR 17.80. The Saudi Investment Bank reported a healthy growth in net income in 2Q25, supported by robust expansion in non-funded income, healthy expansion in net advances and increasing net investment. The Bank's net loan & advances, expanded 19.6% YOY and 4.1% QOQ to SAR 108.4 Bn in 2Q25, attributed to higher corporate lending driven by broad-based sectoral growth and an increase in private banking loans. Furthermore, loan growth was also reinforced by the Bank's active involvement in syndicated loans for infrastructure projects. Thus, indicating sustained demand momentum across key sectors and the Bank's resilient role in financing large-scale developments. The SAIB's deposits increased 16.7% YOY and 2.1% QOQ to SAR 167.3 Bn in 2Q25, supported by rise in corporate and retail customers. The Bank's cost of risk declined from 0.28% in 2Q24 to 0.24% in 2Q25, due to decline in provisions for credit and other losses. Similarly, NPL ratio fell from 1.5% in 2Q24 to 1.0% in 2Q25, supported by stable non-performing loans against an expanding loan portfolio. Furthermore, NPL coverage ratio improved from 151.1% in 2Q24 to 165.7% in 2Q25. Hence, highlighting the Bank's strengthened asset quality and healthy provisioning levels, which provide a solid buffer against potential credit risks. SAIB's maintained a strong liquidity position in the market with liquidity coverage ratio increased from 193.3% in 2Q24 to 212.0% in 2Q25. While, Net stable funding ratio stood at 110.1% in 2Q25 compared to 109.4% in 2Q24, all well above regulatory requirements. Furthermore, the Bank remained well-capitalized, with a capital adequacy ratio of 19.1% and a Tier 1 ratio of 18.5% in 2Q25. The Bank is undertaking multiple initiatives to strengthen its operations, with the 2027 strategy centered on 40+ programs across nine business lines and functions, focusing on digital transformation, cross-sell, advanced analytics, and reinforcing corporate, public, and consumer banking segments. Additionally, to strengthen its operations, the Bank's subsidiary Alistithmar Capital, through its S60 Ventures Fund, launched a USD 100 Mn fund dedicated to supporting promising fintech startups. Furthermore, to enhance its ROE the Bank aims to enhance its ROE by expanding market share, boosting fee income, and improving operational efficiency. Thus, based on our analysis, we maintain our BUY rating on the stock.

SAIB - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	10.71	17.63	12.28	10.51	9.36	9.77
P/B (x)	0.69	1.13	1.23	1.15	1.08	1.04
BVPS	19.36	11.84	10.86	11.62	12.36	12.93
EPS	1.25	0.76	1.09	1.28	1.43	1.37
DPS	0.000	0.420	0.600	0.680	0.761	0.801
Dividend yield	0.0%	3.1%	4.5%	5.0%	5.6%	5.9%

FABS Estimates & Co Data, DPS are Bonus adjusted

SAIB - P&L

SAR Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Special commission income	2,320	2,394	2,458	5.9%	2.7%	8,864	9,779	10.3%
Special commission expense	-1,411	-1,489	-1,497	6.1%	0.6%	-5,327	-5,997	12.6%
Net Special Commission Inc	909	905	961	5.7%	6.1%	3,537	3,783	7.0%
Fee and commission income	87	96	100	15.1%	5.0%	343	380	10.8%
Exchange income, net	51	57	56	9.9%	-2.0%	208	228	10.0%
Other non-operating income	31	12	0	NM	NM	91	21	-76.5%
Non-funded income	169	164	156	-7.6%	-5.1%	641	629	-1.9%
Operating income	1,078	1,070	1,117	3.6%	4.4%	4,178	4,412	5.6%
Operating expenses	-447	-437	-462	3.4%	5.7%	-1,735	-1,808	4.2%
Pre-provision profit	631	633	655	3.8%	3.5%	2,444	2,604	6.6%
Financing Impairment	-66	-64	-98	49.0%	52.3%	-290	-355	22.4%
Net operating income	565	569	557	-1.5%	-2.0%	2,154	2,250	4.5%
Share in earnings of associates	33	27	33	-2.2%	20.0%	116	128	10.5%
Income before Zakat	599	596	590	-1.5%	-1.0%	2,270	2,378	4.8%
Zakat	-81	-83	-83	2.1%	-1.0%	-313	-333	6.3%
Net profit	518	512	507	-2.1%	-1.0%	1,957	2,045	4.5%

FABS estimate & Co Data

SAIB - KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	84.3%	84.6%	86.0%	170	139	84.6%	85.7%	108
NIM	2.7%	2.5%	2.6%	-5	15	2.7%	2.4%	-26
NIS	2.4%	2.0%	2.1%	-25	9	2.3%	2.1%	-20
Fees & commissions/OI	8.1%	8.9%	9.0%	90	5	8.2%	8.6%	40
Exchange income/OI	4.7%	5.3%	5.0%	28	-33	5.0%	5.2%	21
Cost to income (calculated)	41.5%	40.8%	41.4%	-10	53	41.5%	41.0%	-54
Impairment/PPP	10.4%	10.1%	14.9%	453	479	11.9%	13.6%	176
NP/OI	48.0%	47.9%	45.4%	-264	-250	46.8%	46.4%	-48
Cost of risk - calculated	0.28%	0.24%	0.35%	7	11	0.32%	0.33%	1
Loan-to-deposit	96.8%	108.2%	106.0%	922	-217	105.8%	103.0%	-280
NPL	1.4%	1.0%	1.0%	-42	3	1.0%	1.0%	-3
Provision coverage	154.7%	165.7%	158.0%	330	-772	156.7%	155.9%	-74
CET1	15.0%	13.9%	13.7%	-133	-20	14.2%	13.4%	-78
Capital adequacy	18.0%	19.1%	18.8%	85	-25	19.7%	18.5%	-124
ROAE	13.7%	11.6%	11.4%	-227	-21	11.9%	10.8%	-109
ROAA	1.4%	1.2%	1.2%	-21	-4	1.4%	1.2%	-16

FABS estimate & Co Data

SAIB - BS Key items

	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
SAR Mn						
Net advances	94,936	99,466	104,135	108,423	111,700	17.7%
QOQ Change	4.7%	4.8%	4.7%	4.1%	3.0%	
Total Assets	151,250	156,667	163,799	167,292	173,098	14.4%
QOQ Change	5.5%	3.6%	4.6%	2.1%	3.5%	
Customer deposits	98,094	94,013	101,666	100,236	105,377	7.4%
QOQ Change	2.9%	-4.2%	8.1%	-1.4%	5.1%	
Total Equity	15,335	15,416	15,530	15,933	15,926	3.9%
QOQ Change	2.2%	0.5%	0.7%	2.6%	0.0%	

FABS estimate & Co Data

FAB Securities Contacts:

Research Analysts

Ahmad Banihani	+971-2 -6161629	ahmad.banihani@Bankfab.com
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Sales & Execution

Trading Desk Abu Dhabi Head Office	+971-2 -6161777
	+971-2 -6161700/1
Institutional Desk	+971-4 -5658395
Sales and Marketing	+971-2 -6161703

Customer Service

Abu Dhabi Office	+971-2 -6161600	Online Trading Link
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