

## Saudi Banking Sector – December 2024

Declining Benchmark rates to boost credit growth

Sector Weighting:  
**MARKET WEIGHT**

### Top Picks and Rating Changes

We maintain our MARKET WEIGHT rating on the Saudi banking sector. Saudi Arabia's economy is forecasted to grow 1.5% in 2024 primarily attributed to a strong growth in the non-oil sector partially offset by a decline in oil activity. The decline in oil activity is mainly attributable to voluntary oil output cuts agreed with OPEC+ to stabilize oil prices. The GDP growth rate is further expected to bounce back to 4.6% in 2025 owing to steady growth in the non-oil sector and recovery in the oil sector due to the expected normalization of oil production. According to the General Authority of Statistics (GaStat), KSA's real GDP grew 2.8% YOY in 3Q24 mainly attributable to a 4.3% YOY growth in non-oil activities and a 3.1% YOY expansion in government activities. Oil activity grew marginally 0.05% YOY in 3Q24. The voluntary oil output cut agreed with OPEC+ in June 2023 resulted in a slowdown in the KSA's oil economy. On the other hand, non-oil activities continued to expand owing to strong growth across wholesale and retail trade, restaurants, hotels, financial, insurance, business services, and construction activities. The Riyadh Bank Saudi Arabia non-oil PMI remained in the expansion territory but declined from 59.0 in November 2024 to 58.4 in December 2024. The expansion in the non-oil sector is mainly driven by a robust growth in new orders which increased at the highest rate in 2024 driven by strong domestic demand and increasing exports. Resultantly, business output increased at a healthy rate as businesses sought to capitalize on rising demand while purchases accelerated due to increased inventories resulting in increased input price inflation. Consequently, cost inflation increased at a sharp rate in December 2024 owing to an increase in material cost partially offset by the easing of wages. Additionally, robust sales growth increased businesses' hopes on improving activity levels in 2025. KSA banking system's total advances rose 13.3% YOY to SAR 2.9 Tn in November 2024, whereas deposits grew at a slower pace of 10.5% YOY to SAR 2.7 Tn.

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

**1) SNB:** SNB's advances grew 10.0% YOY and 2.8% QOQ to SAR 655.3 Bn in 3Q24 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 70.8% in 3Q24 which benefits the NIMs. The Bank's asset quality improved as reported NPLs remained stable at 1.1% in 3Q24 compared to 2Q24. SNB's capitalization stood strong with a CET 1 ratio of 16.7% and CAR of 19.4% in 3Q24.

**2) BSF:** Net advances grew 2.0% QOQ and 15.1% YOY to SAR 201.0 Bn in 3Q24 owing to strong growth in consumer and commercial lending activity. The Bank further anticipates its loan book to record mid-teens growth in 2024 primarily driven by robust demand from corporate lending. BSF's NPLs improved from 0.9% in 2Q24 to 0.8% in 3Q24. The maintained a healthy Capitalization with a Tier 1 capital ratio of 18.6% and a total CAR of 19.4% in 3Q24.

**3) RIYAD:** Riyadh Bank's net advances grew 14.3% YOY and 4.9% QOQ to SAR 305.4 Bn in 3Q24 attributed to robust corporate and SME credit growth. It further plans to double the credit attributed to the SME segment in the medium horizon. The Bank's asset quality remained stable as NPLs stood at 1.2% in 3Q24 compared to 2Q24 whereas, the provision coverage ratio stood strong at 144.9% in 3Q24. The Bank maintained a healthy capitalization with a Tier 1 Ratio of 15.6% and CAR of 18.2% in 3Q24.

## Key Industry Themes

KSA's Banking sector continues to record a solid performance in 3Q24 due to strong momentum in the non-oil sector and healthy loan growth. The US government sanctions on Russian oil under the Trump's presidency are set to boost oil prices in 2025 which will strongly benefit KSA's oil economy. Despite the uncertainty of monetary policy and geopolitical instability, IMF maintains its global economic growth projection at 3.2% in 2024 in its October 2024 WEO report compared to the July 2024 WEO report. Besides, the IMF revised the 2025 global economic growth forecast downwards by 0.1% to 3.2% in the October 2024 WEO report compared to its previous report. The developed economy's growth is revised upwards by 0.1% in the October 2024 WEO report at 1.8% for 2024 and remained unchanged for 2025 at 1.8% whereas the forecast for emerging markets and developing economies stood at 4.2% in 2024 and 2025 reflecting stable growth in 2025 with an upward revision of 0.1% for 2025. As per the IMF, global headline inflation is estimated to moderate from an annual average of 6.7% in 2023 to 5.8% in 2024 and 4.3% in 2025, with advanced economies returning to their inflation targets sooner than emerging and developing economies. IMF yet again revised Saudi Arabia's economic growth outlook in the October 2024 WEO report and expects the real GDP to bounce back from negative 0.8% in 2023 to 1.5% in 2024. This marks a 1.1% reduction from its previous projection in the April 2024 WEO and a slight downward revision of 0.2% compared to the July 2024 report. Similarly, for 2025 IMF revised KSA's real GDP forecast by 0.1% to 4.6%. The revision in the KSA's growth rate is mainly attributable to the voluntary oil output cut while the projected recovery in 2025 is linked to the anticipated normalization of oil production.

The Saudi Central Bank lowered the benchmark rates by 75 bps to 5.00% following the revision in Fed's policy rates in December 2024. According to the General Authority of Statistics (GaStat), KSA's real GDP grew 2.8% YOY in 3Q24 mainly attributable to a 4.3% YOY growth in non-oil activities and a 3.1% YOY expansion in government activities. Oil activity grew marginally 0.05% YOY in 3Q24. The voluntary oil output cut agreed with OPEC+ in June 2023 resulted in a slowdown in the KSA's oil economy. On the other hand, non-oil activities continued to expand owing to strong growth across wholesale and retail trade, restaurants, hotels, financial, insurance, business services, and construction activities. Saudi Arabia's banking sector experienced a healthy growth in profitability during 3Q24 mainly driven by a robust growth in advances and strong growth in non-core income partially offset by a moderate rise in impairments. The Saudi Arabia non-oil PMI remained in the expansion territory but declined from 59.0 in November 2024 to 58.4 in December 2024. The expansion in the non-oil sector is mainly driven by a robust growth in new orders which increased at the highest rate in 2024 driven by strong domestic demand and increasing exports. Resultantly, business output increased at a healthy rate as businesses sought to capitalize on rising demand while purchases accelerated due to increased inventories resulting in increased input price inflation. Consequently, cost inflation increased at a sharp rate in December 2024 owing to an increase in material cost partially offset by the easing of wages. Additionally, robust sales growth increased businesses' hopes on improving activity levels in 2025. Furthermore, Saudi Arabia's banking sector is expected to benefit from strong growth in the non-oil sector. KSA's overall banking assets rose 12.9% YOY to SAR 4.5 Tn in November 2024. The growth in banking assets is attributable to a strong rise in foreign assets, private assets, government & quasi-government assets, and SAMA Bills. Fixed assets rose 9.2% YOY to SAR 50.1 Bn in November 2024 while claims on private sector assets increased 12.7% YOY to SAR 2.8 Tn. Claims on government rose 14.8% YOY to SAR 779.4 Bn in November 2024 and claims on banks almost doubled from SAR 29.5 Bn in November 2023 to SAR 56.1 Bn in November 2024. KSA banking system's total advances rose 13.3% YOY to SAR 2.9 Tn in November 2024 whereas deposits grew at a slower pace of 10.5% YOY to SAR 2.7 Tn. Deposits from businesses and individuals in the KSA Banking system rose 8.1% YOY to SAR 1.8 Tn in November 2024 constituting 65.9% of total deposits, whereas deposits from government entities rose 15.2% YOY to SAR 866.5 Bn accounting for 31.9% of total deposits. On the other hand, time and savings deposits witnessed a growth of 18.1% YOY to SAR 990.0 Bn in November 2024. Demand deposits grew 7.7% YOY to SAR 1.4 Tn in November 2024, while demand deposits as a percentage of total deposits stood at 52.8% in November 2024 compared to 53.1% in December 2023.

Strong government and private sector investments in the region contributed positively toward credit growth in 3Q24. Advances in the KSA banking system recorded a strong growth of 12.2% YOY to SAR 2.9 Tn in 3Q24, whereas the KSA banking system's advances to the private sector rose 12.1% YOY to SAR 2.8 Tn. Advances to the public sector rose 10.4% YOY to SAR 748 Bn in 3Q24. All banks under our coverage recorded a solid growth in advances in 3Q24 out of which Alinma Bank and Banque Saudi Fransi witnessed the highest growth. Saudi's regulatory loan-to-deposit ratio increased from 80.7% in October 2024 to 82.2% in November 2024 well below the regulatory limit of 90.00%. KSA's banking system's NPL ratio improved to 1.3% in 3Q24 from 1.4% in 2Q24. Additionally, capitalization of Saudi banks stood healthy in 3Q24 with a CAR of 19.2% and a Tier 1 capital ratio of 17.7%.

The US Federal Reserve cut policy rates by 50 bps in September 2024 for the first time in four years. After that, the Fed reduced benchmark interest rates by 25 bps in November 2024 and 25 bps in December 2024 to a range of 4.25% to 4.50%. Additionally, the Fed announced to make fewer rate cuts in 2025. Since KSA's currency is pegged to the US dollar, SAMA closely monitors the Fed's monetary policy. SAMA also reduced its interest rates by 75 bps to 5.0% following the Fed's interest rate cut which is expected to boost the loan growth in the economy with improvement in asset quality which will be beneficial for the banks.

#### **Banque Saudi Fransi (BSF) to raise capital via sukuk issuance**

Banque Saudi Fransi (BSF) is set to issue Saudi Riyal (SAR)-denominated sukuk through a private placement as part of its SAR 8 Bn Tier 1 capital sukuk program. The new sukuk issuance aims to solidify the bank's capital base. It appointed Saudi Fransi Capital as the book runner, lead arranger, and lead manager for this potential private placement.

#### **Saudi National Bank plans to issue Additional Tier 1 sukuk**

Saudi National Bank intends to issue SAR-denominated Additional Tier 1 Sukuk to investors in Saudi Arabia. The proceeds from the issuance are aimed at strengthening the Bank's capital base. The final terms and offering amount will be determined based on prevailing market conditions at the time of issuance. SNB Capital Company has been appointed as the sole bookrunner, lead arranger, and lead manager for the transaction.

#### **Saudi Awwal Bank intends to Additional Tier 1 sukuk**

Saudi Awwal Bank intends to issue SAR-denominated Additional Tier 1 sukuk to strengthen its capital base and support its strategic objectives. The size and terms of the issue will depend on prevailing market conditions at the time of the offering. HSBC Saudi Arabia has been appointed as the sole lead manager for the issuance.

#### **Saudi Investment Bank set a 6.375% yield for Additional Tier 1 perpetual non-call Mudaraba Sukuk offering**

Saudi Investment Bank offered Additional Tier 1 capital sustainable 5-year perpetual non-callable Mudaraba sukuk at a yield of 6.375%, lower than initial price thoughts of c.6.875%. The perpetual non-callable Sukuk has a 5-year structure, with an anticipated issuance size between USD 500 Mn and USD 750 Mn. The issuance falls under SAIB Tier 1 Sukuk Limited's USD 1.5 Bn Additional Tier 1 Capital Certificate Issuance Programme, with SAIB serving as the obligor. The offering is open to both Saudi and global investors and will be listed on the London Stock Exchange. Alistithmar will be appointed as Financial Securities and Brokerage Company, while Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc, Goldman Sachs International, MUFG Securities EMEA plc, Arqam Capital Limited and Standard Chartered Bank will be joint lead managers and bookrunners. The Bank is rated A3, A, and BBB by Moody's, Fitch, and S&P, respectively.

### Al Rajhi Bank raised Sharia-compliant loan facility of USD 1.92 Bn

Al Rajhi Bank, the largest bank in Saudi Arabia, secured USD 1.92 Bn of a three-year sustainability-linked Islamic credit facility. The issue attracted interest from 20 lenders including Emirates NBD Bank, HSBC Holdings and Maybank Investment Bank Bhd. The syndicated loan has been split into two tranches of USD 1.2 Bn and USD 705 Mn. The transaction is being considered as the largest financing from a Middle Eastern Bank.

### Alinma Bank signs data centre MoU with Dell Technologies

Dell Technologies and Alinma Bank signed a Memorandum of Understanding (MoU) to jointly develop and deliver innovative data centre transformation solutions to accelerate the digital transformation initiatives of Saudi-based Alinma Bank. The agreement includes Dell's IT infrastructure and workload migration solutions, the Dell AI Factory models and frameworks, and cybersecurity enhancements, along with client, edge, and multi-cloud solutions through Dell APEX.

#### Target price and rating

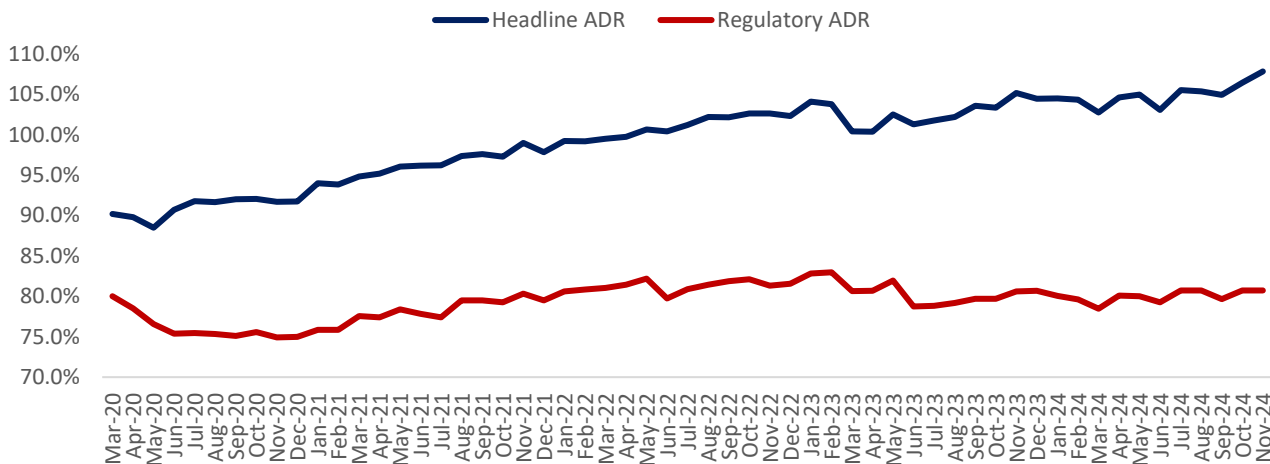
(SAR)	Target Price	Current Market Price	Gain/(-loss)	Rating
RJHI	100.00	96.00	4.17%	HOLD
ALBI	38.00	39.20	-3.06%	HOLD
RIBL	36.00	29.50	22.03%	BUY
ALINMA	37.00	30.15	22.72%	BUY
SNB	47.00	35.35	32.96%	BUY
ARNB	23.00	20.98	10.0%	ACCUMULATE
BSF	21.70	16.34	32.80%	BUY

FABS Estimate

### KSA Banking Liquidity

Credit growth in the KSA banking system rose 13.3% YOY and 1.7% MOM to SAR 2.9 Tn in November 2024, while deposits increased at a slower rate. KSA banking system deposits rose 10.5% YOY and 0.4% MOM to SAR 2.7 Tn in November 2024. As a result, the headline loan-to-deposit ratio (ADR) grew 268 bps YOY and 141 bps MOM to 107.9% in November 2024. KSA's economy experienced significant growth in investing, as a result of which overall banks in the KSA's banking sector recorded strong growth in advances on QOQ and YOY basis. All the banks under our coverage witnessed healthy growth in advances during 3Q24 of which, Alinma Bank recorded the highest credit growth of 15.9% YOY and 3.2% QOQ to SAR 195 Bn in 3Q24 followed by BSF with advances growth of 15.1% YOY and 2.0% QOQ to SAR 201 Bn. In terms of deposits, Arab National Bank recorded the highest deposit growth of 17.3% YOY in 3Q24. The broader (M3) money supply rose 10.3% YOY and 0.3% MOM to SAR 2.9 Tn in November 2024, boosting the banking sector's liquidity. Mortgages in the KSA banking sector grew 13.3% YOY to SAR 846 Bn in 3Q24. According to the recent KSA census 2022, overall home ownership in KSA stood at 60.6% for the local Saudi population. Despite higher growth in advances compared to deposits, the regulated LDR almost remained unchanged at 80.7% in November 2024 as the banks are also resorting to other sources of funding easing system liquidity pressure. We believe the corporate credit is expected to maintain pace going forward due to strong growth in the non-oil sector driven by the government's initiative to boost the non-oil economy.

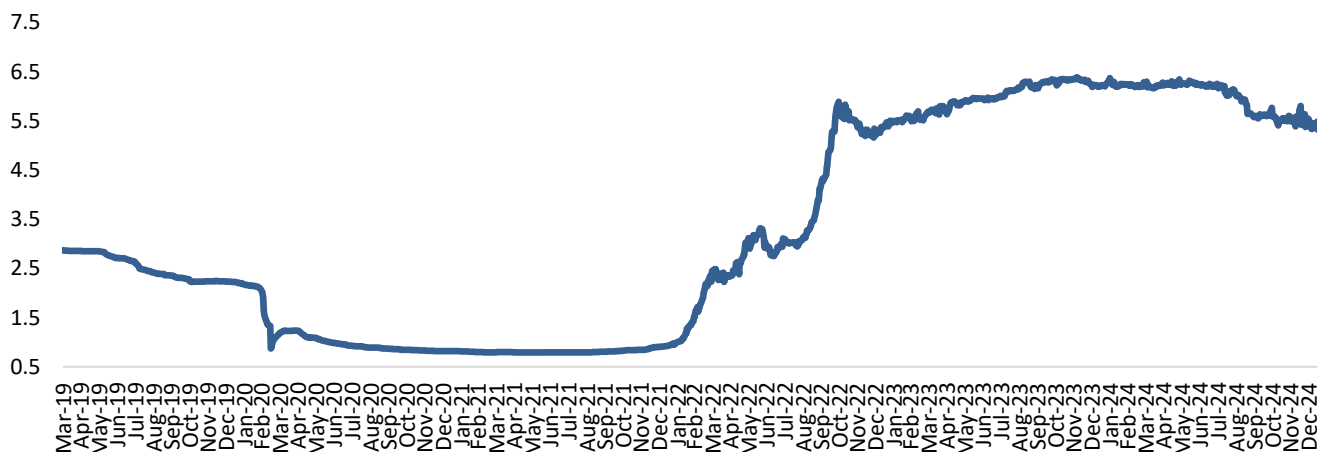
**KSA banking system Headline and Regulatory Loan to Deposit Ratio**



Source: FABS from SAMA data

The 3-Month SAIBOR rate during 4Q24 declined 324 bps to 5.54% on 31st December 2024 due to an interest rate cut by SAMA followed by a rate cut from the Fed. The rate averaged 5.6% in December 2024 compared to 5.5% in November 2024 due to decline in interest rates. SAMA slashed the Repo Rate and reverse repo rate by 25 bps each to 5.0% and 4.5% respectively during December to support financial stability. The spread between SAIBOR and the repo rate rose from negative 32 bps in September 2024 to negative 54 bps in December 2024, indicating a tightening liquidity situation in the overall banking system. KSA Banking system regulated LDR almost remained unchanged at 80.7% in November 2024 as the banks are also resorting to other sources of funding easing system liquidity pressure. The decline in the SAIBOR rate makes financing less expensive for borrowers and banks.

**3-Month SAIBOR (%) March 2019 – December 2024**



Source: Bloomberg

## Contents

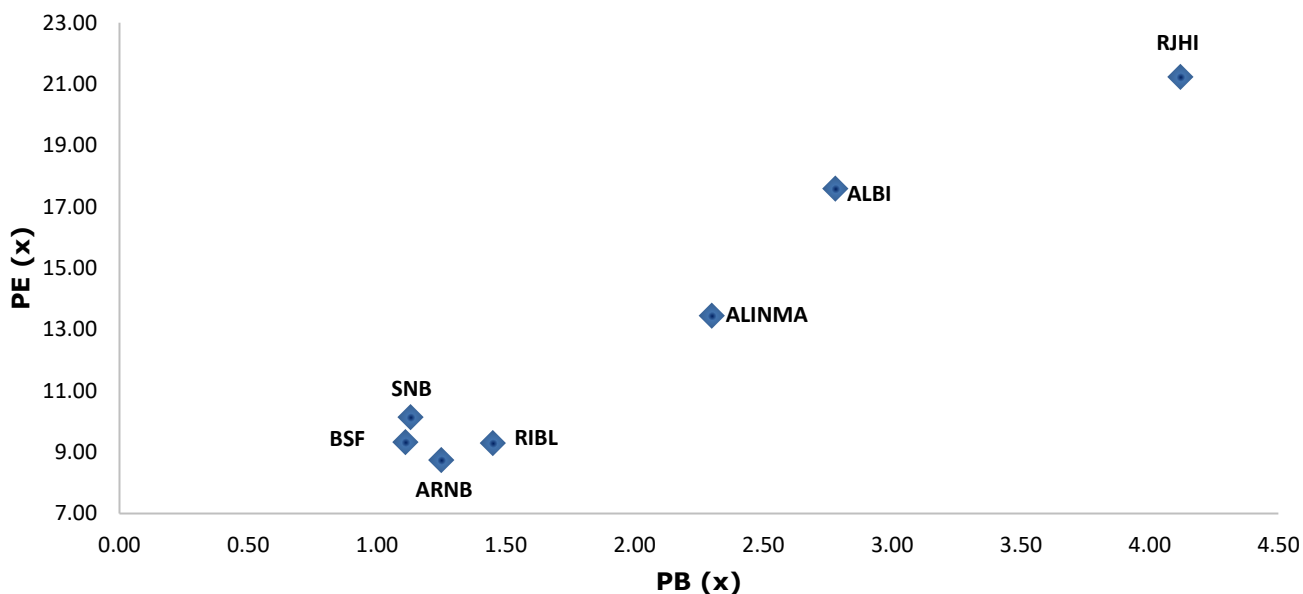
Relative valuation and rating .....	7
Banking indicators .....	8
Banking Stock performance .....	15
3Q24 preview: Saudi National Bank (SNB) .....	16
3Q24 preview: Banque Saudi Fransi .....	19
3Q24 preview: Riyadh Bank .....	22
3Q24 preview: Arab National Bank .....	25
3Q24 preview: Alinma Bank .....	28
3Q24 preview: Al Bilad Bank .....	31
3Q24 preview: Al Rajhi Bank .....	34
FAB Securities Contacts: .....	37
FAB Securities Awards .....	<b>Error! Bookmark not defined.</b>

## 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 2.02x. Among them, RJHI and ALBI are the most expensive trading at PB ratio of 4.12x and 2.78x, respectively based on 2024 estimated financials. RJHI and ALBI are the most expensive based on PE multiples trading at 21.24x and 17.60x, respectively based on FY2024 financials.

#### FY24 - P/E (x) vs. FY24 - P/B (x)



Source: FABS estimate

### Market Weight

Based on 4x BUYs, 2x HOLD, and 1X ACCUMULATE on the KSA banks under our coverage, we maintain our MARKET WEIGHT RATING. Yet, on a comparative basis, we remain inclined towards RIBL, BSF and SNB.

### Target price and rating

(SAR)	Target Price	Current Market Price	Gain/(-loss)	Rating
RJHI	100.00	96.00	4.17%	HOLD
ALBI	38.00	39.20	-3.06%	HOLD
RIBL	36.00	29.50	22.03%	BUY
ALINMA	37.00	30.15	22.72%	BUY
SNB	47.00	35.35	32.96%	BUY
ARNB	23.00	20.98	10.0%	ACCUMULATE
BSF	21.70	16.34	32.80%	BUY

FABS Estimate

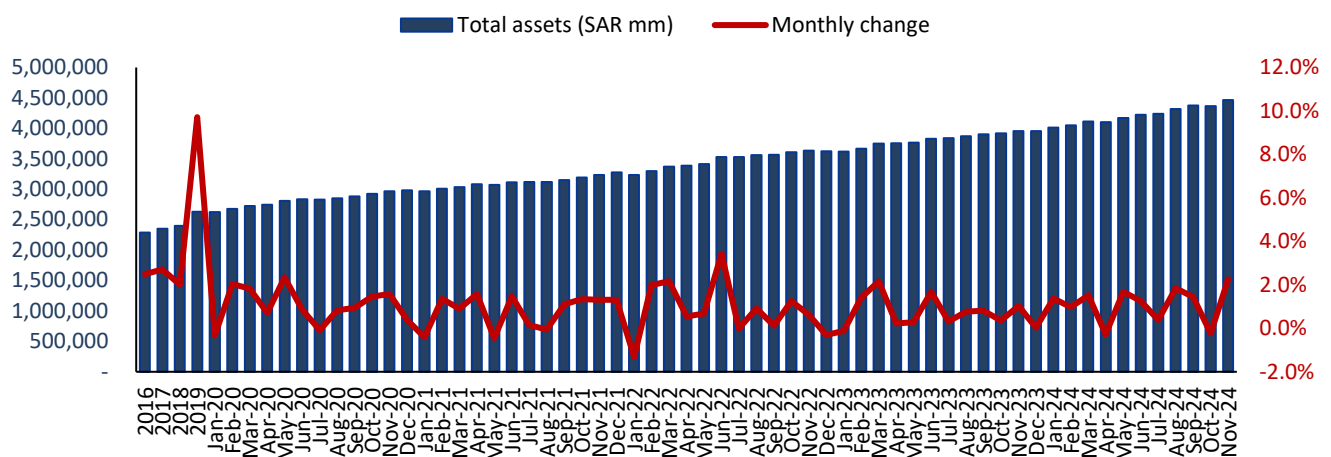
## Banking indicators

### 1. Assets

#### Total banking assets rose 12.9% YOY in November 2024

KSA's total banking assets increased 12.9% YOY and 2.3% MOM to SAR 4,465.6 Bn in November 2024.

#### KSA banking system assets (SAR Mn) and Monthly change, 2016 - November 2024



Source: FABS from SAMA data

#### Banque Saudi Fransi reported the highest growth in total assets on YOY basis in 3Q24

All banks under our coverage continue to report strong growth in total assets on a YOY basis in 3Q24. Banque Saudi Fransi recorded the highest growth of 15.1% YOY to SAR 288 Bn in 3Q24. Riyadh Bank recorded the second-highest growth of 14.9% YOY, followed by Alinma Bank of 14.8% and Al Rajhi of 12.6% YOY during 3Q24. However, on a QOQ basis, amongst all the banks, Banque Saudi Fransi recorded a marginal decline of 0.4% during 3Q24.

Total assets (SAR mm)	3Q23	4Q23	1Q24	2Q24	3Q24	YOY%	QOQ%
Al Rajhi	801,483	808,098	835,992	866,960	902,571	12.6%	4.1%
Bank Al Bilad	137,573	143,106	143,700	145,291	153,722	11.7%	5.8%
Riyadh Bank	377,012	386,849	404,859	405,029	433,366	14.9%	7.0%
Alinma Bank	232,585	236,715	244,859	260,138	266,983	14.8%	2.6%
Saudi National Bank	1,027,133	1,037,081	1,072,144	1,088,112	1,124,608	9.5%	3.4%
Arab National Bank	218,190	220,863	232,146	234,752	240,962	10.4%	2.6%
Banque Saudi Fransi	249,862	253,383	268,376	288,826	287,670	15.1%	-0.4%
KSA banking system	3,901,383	3,957,024	4,110,962	4,220,852	4,377,284	12.2%	3.7%

FABS from co data and SAMA



**Riyad Bank recorded the highest YOY growth in assets market share in 3Q24**

Riyad Bank records the highest growth in asset market share of 24 bps YOY to 9.9% in 3Q24 followed by Banque Saudi Fransi, Alinma Bank and Al Rajhi Bank recording a growth in assets market share of 17 bps, 14 bps, and 8 bps YOY, respectively during 3Q24. The remaining three banks under coverage recorded a decline in market share. Saudi National Bank recorded the largest decline of 64 bps YOY to 25.7% in 3Q24. Arab National Bank and Bank Al Bilad also recorded a decline of 9 bps YOY and 1 bps YOY during 3Q24. Saudi National Bank holds the largest market share of assets at 25.7% in 3Q24, followed by Al Rajhi at 20.6% and Riyad Bank at 9.9% during 3Q24.

Assets market share							
	3Q23	4Q23	1Q24	2Q24	3Q24	YOY (bps)	QOQ (bps)
Al Rajhi	20.5%	20.4%	20.3%	20.5%	20.6%	8	8
Bank Al Bilad	3.5%	3.6%	3.5%	3.4%	3.5%	-1	7
Riyad Bank	9.7%	9.8%	9.8%	9.6%	9.9%	24	30
Alinma Bank	6.0%	6.0%	6.0%	6.2%	6.1%	14	-6
Saudi National Bank	26.3%	26.2%	26.1%	25.8%	25.7%	-64	-9
Arab National Bank	5.6%	5.6%	5.6%	5.6%	5.5%	-9	-6
Banque Saudi Fransi	6.4%	6.4%	6.5%	6.8%	6.6%	17	-27

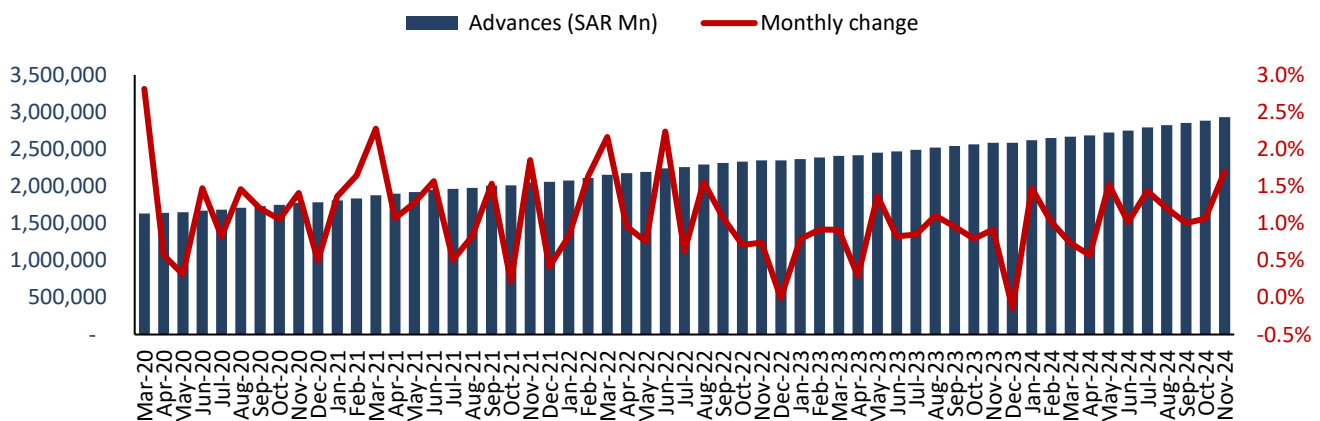
FABS from co-data

**2. Advances**

**KSA banking system Advances grew 13.3% YOY in November 2024**

KSA banking system net Advances increased 13.3% YOY and 1.7% MOM to SAR 2,932.5 Bn in November 2024.

**KSA banking system net advances (SAR Mn) and Monthly change, 2020 – Nov 2024**



Source: FABS from SAMA data

**Five banks under our coverage recorded double-digit YOY growth in advances during 3Q24**

All the banks under our coverage reported a growth in net advances on both YOY and QOQ basis in 3Q24 and five out of seven banks under our coverage witnessed a double-digit YOY growth in advances in 3Q24. Alinma Bank reported the highest growth of 15.9% YOY to SAR 196 Bn in 3Q24 followed by Banque Saudi Fransi with a growth of 15.1% YOY to SAR 201 Bn. Al Bilad Bank recorded the lowest growth in advances of 5.0% YOY in 3Q24. Saudi National Bank’s net advances stood

highest at SAR 655 Bn in the KSA banking system, closely followed by Al Rajhi Bank with SAR 649 Bn in 3Q24.

**Net advances**

(SAR mm)	3Q23	4Q23	1Q24	2Q24	3Q24	YOY%	QOQ%
Al Rajhi	590,826	594,205	608,990	621,891	649,024	9.9%	4.4%
Bank Al Bilad	101,603	102,080	103,306	104,310	106,695	5.0%	2.3%
Riyad Bank	267,151	274,398	282,854	291,051	305,408	14.3%	4.9%
Alinma Bank	169,063	173,624	180,702	189,912	195,895	15.9%	3.2%
Saudi National Bank	595,721	601,527	625,202	637,235	655,308	10.0%	2.8%
Arab National Bank	149,372	152,235	157,875	161,612	166,330	11.4%	2.9%
Banque Saudi Fransi	174,681	179,391	185,408	197,160	201,008	15.1%	2.0%
KSA banking system	2,543,851	2,583,698	2,668,079	2,751,842	2,853,139	12.2%	3.7%

FABS from co-data

**SNB recorded the highest advances in market share in 3Q24**

Saudi National Bank secured the top place in the advanced market share, holding a market share of 23.0%, closely followed by Al Rajhi Bank at 22.7%, Riyad Bank at 10.7%, and BSF at 7.0% during 3Q24. Amongst all the other banks, only Riyad Bank recorded growth on a YOY and QOQ basis in market share during 3Q24. Alinma Bank recorded the highest growth in advances market share by 22 bps YOY in 3Q24. Likewise, Al Rajhi Bank witnessed the highest growth on a QOQ basis recording 15 bps growth in advances market share during 3Q24. However, Al Rajhi Bank's advances market share declined the most 48 bps YOY followed by Saudi National Bank with 45 bps YOY decline in advances market share in 3Q24.

**Advances market share**

	3Q23	4Q23	1Q24	2Q24	3Q24	YOY (bps)	QOQ (bps)
Al Rajhi	23.2%	23.0%	22.8%	22.6%	22.7%	-48	15
Bank Al Bilad	4.0%	4.0%	3.9%	3.8%	3.7%	-25	-5
Riyad Bank	10.5%	10.6%	10.6%	10.6%	10.7%	20	13
Alinma Bank	6.6%	6.7%	6.8%	6.9%	6.9%	22	-4
Saudi National Bank	23.4%	23.3%	23.4%	23.2%	23.0%	-45	-19
Arab National Bank	5.9%	5.9%	5.9%	5.9%	5.8%	-4	-4
Banque Saudi Fransi	6.9%	6.9%	6.9%	7.2%	7.0%	18	-12

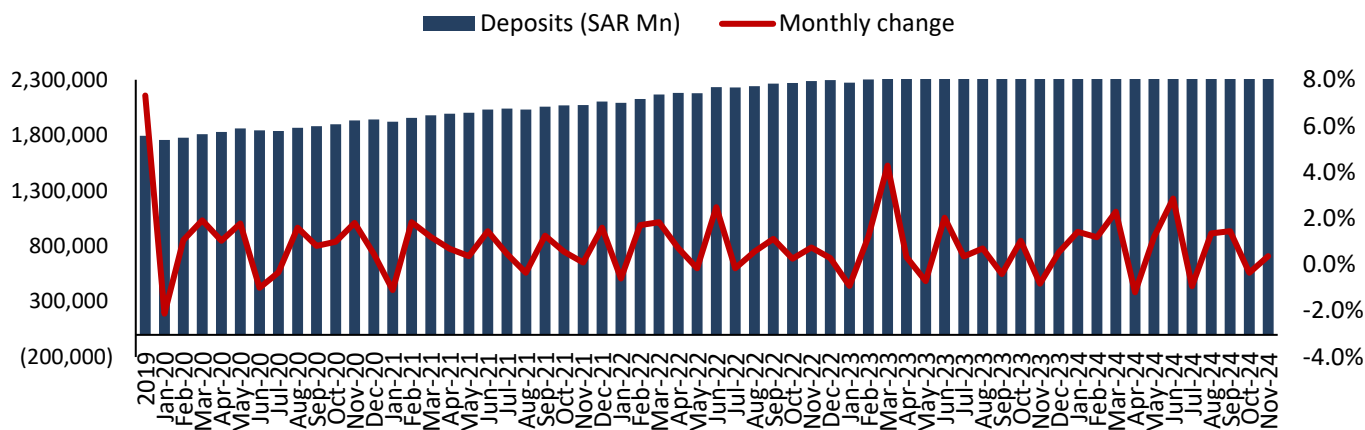
FABS from co data

**3. Customer Deposits**

**KSA banking system customer deposits grew 10.5% YOY in November 2024**

KSA banking system deposits reported a growth of 10.5% YOY and 0.4% MOM to SAR 2,719.0 Bn in November 2024.

**KSA banking system customer deposits (SAR Mn) and Monthly change, 2019 – Nov 2024**



Source: FABS from SAMA data

**Saudi National Bank deposits stood highest in 3Q24 and grew on QOQ & YOY basis**

All the banks under our coverage experienced a growth in deposits on a YOY basis while six out of seven banks recorded double digit YOY growth in 3Q24. Arab National Bank witnessed the highest growth in deposits of 17.3% YOY to SAR 181 Bn in 3Q24. Banque Saudi Fransi recorded second highest YOY growth in deposits followed by Alinma Bank in 3Q24. Saudi National Bank witnessed the slowest deposit growth on a YOY basis in 3Q24. However, Saudi National Bank deposits stood highest at SAR 634 Bn followed by Al Rajhi Bank at SAR 623 Bn in 3Q24.

**Deposits**

(SAR mm)	3Q23	4Q23	1Q24	2Q24	3Q24	YOY%	QOQ%
Al Rajhi	565,719	573,101	603,978	622,572	622,572	10.0%	0.0%
Bank Al Bilad	108,915	112,831	113,741	114,530	122,342	12.3%	6.8%
Riyad Bank	254,719	254,908	270,948	276,009	293,575	15.3%	6.4%
Alinma Bank	180,233	187,901	188,988	205,357	209,140	16.0%	1.8%
Saudi National Bank	624,769	590,051	656,261	632,693	634,195	1.5%	0.2%
Arab National Bank	154,220	165,861	174,541	175,586	180,843	17.3%	3.0%
Banque Saudi Fransi	166,367	172,209	174,828	196,248	193,342	16.2%	-1.5%
KSA banking system	2,455,348	2,473,458	2,596,255	2,669,519	2,718,880	10.7%	1.8%

FABS from co-data and SAMA

**Saudi National Bank recorded the highest deposit market share during 3Q24**

Saudi National Bank continues to lead the KSA banking system deposits market share with a market share of 23.3%, followed by Al Rajhi Bank with 22.9% during 3Q24. Only Arab National Bank, Riyad Bank, and Bank Al Bilad recorded growth in deposits market share on YOY and QOQ basis in 3Q24. Riyad Bank recorded the highest growth in deposit market share on YOY and QOQ basis of 42 bps and 46 bps respectively to 10.8% in 3Q24. Saudi National Bank recorded the highest decline in deposit market share by 212 bps YOY to 23.3% in 3Q24.

**Deposits market share**

	3Q23	4Q23	1Q24	2Q24	3Q24	YOY (bps)	QOQ (bps)
Al Rajhi	23.0%	23.2%	23.3%	23.3%	22.9%	-14	-42
Bank Al Bilad	4.4%	4.6%	4.4%	4.3%	4.5%	6	21
Riyad Bank	10.4%	10.3%	10.4%	10.3%	10.8%	42	46
Alinma Bank	7.3%	7.6%	7.3%	7.7%	7.7%	35	0
Saudi National Bank	25.4%	23.9%	25.3%	23.7%	23.3%	-212	-38
Arab National Bank	6.3%	6.7%	6.7%	6.6%	6.7%	37	7
Banque Saudi Fransi	6.8%	7.0%	6.7%	7.4%	7.1%	34	-24

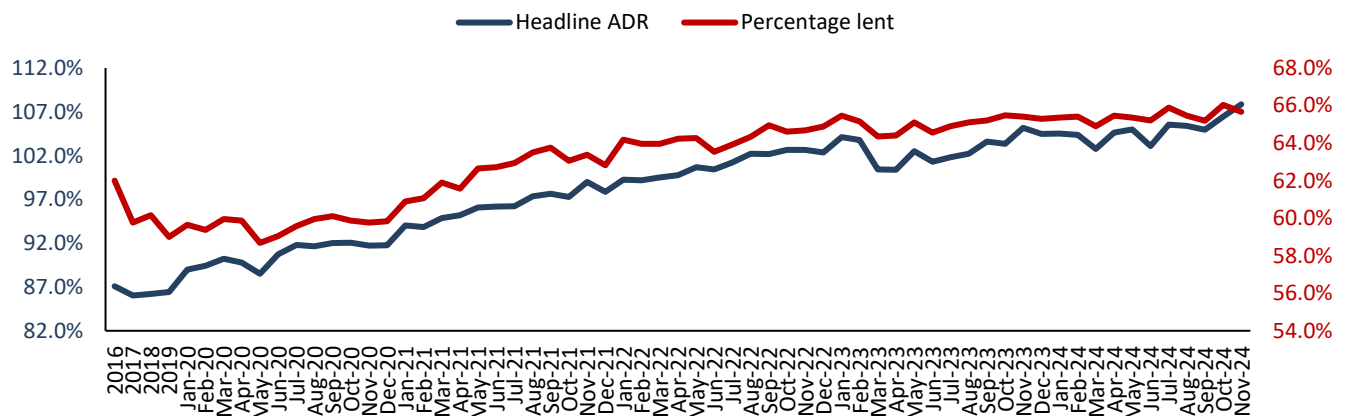
FABS from co data

**4. Liquidity**

**KSA banking system’s liquidity contracted in November 2024**

KSA’s banking system’s headline ADR ratio climbed from 106.4% in October 2024 to 107.9% November 2024. The lending percentage to total assets declined 36 bps MOM and reached 65.7% in November 2024.

**KSA banking system ADR and % lent, 2016 - November 2024**



Source: FABS from SAMA data

**Bank Al Bilad continued to record the lowest ADR in 3Q24**

Except Bank Al Bilad all the other banks under our coverage continued to record a loan-to-deposit ratio of more than 90% in 3Q24. All the other banks except Saudi National Bank reported a decline in ADR on a YOY basis in 3Q24. Saudi National Bank saw the highest growth in ADR of 798 bps YOY to 103.3% in 3Q24. On the other hand, Bank Al Bilad reported the highest decline in ADR of 608 bps YOY to 87.2% in 3Q24. Arab National Bank and Banque Saudi Fransi also recorded a decline of 488 bps and 103 bps, respectively on a YOY basis during 3Q24. On a QOQ basis, three out of seven banks witnessed a decline in ADR, with Bank Al Bilad reporting the highest decline of 387 bps, followed by Riyad Bank whose ADR fell 142 bps in 3Q24. Al Rajhi Bank recorded the highest ADR of 104.2% in 3Q24, followed by both Riyad Bank of 104.0% and Banque Saudi Fransi of 103.3% in 3Q24. Bank Al Bilad’s ADR stood the lowest at 87.2% compared to all the other banks in 3Q24.

**ADR**

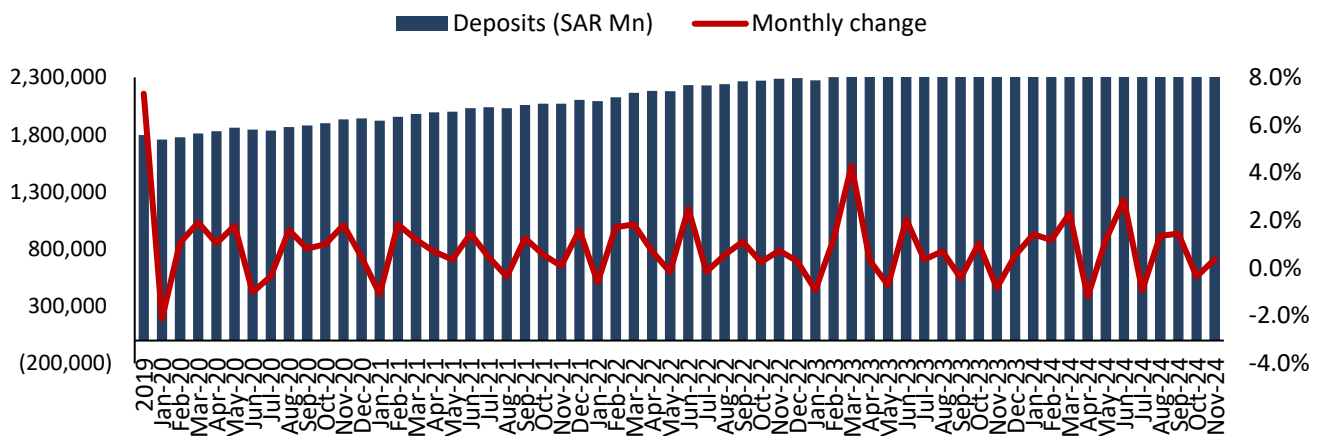
	3Q23	4Q23	1Q24	2Q24	3Q24	YOY (bps)	QOQ (bps)
Al Rajhi	104.4%	103.7%	100.8%	99.9%	104.2%	-19	436
Bank Al Bilad	93.3%	90.5%	90.8%	91.1%	87.2%	-608	-387
Riyad Bank	104.9%	107.6%	104.4%	105.4%	104.0%	-85	-142
Alinma Bank	93.8%	92.4%	95.6%	92.5%	93.7%	-14	119
Saudi National Bank	95.4%	101.9%	95.3%	100.7%	103.3%	798	261
Arab National Bank	96.9%	91.8%	90.5%	92.0%	92.0%	-488	-7
Banque Saudi Fransi	105.0%	104.2%	106.1%	100.5%	104.0%	-103	350

FABS from co data

**KSA banking system deposits less advances declined significantly in November 2024**

KSA banking deposits less advances fell significantly from negative SAR 174.4 Bn in October 2024 to negative SAR 213.5 Bn in November 2024.

**KSA banking system deposits less advances and as % of deposits, 2016 – November 2024**



Source: FABS from SAMA data

**Bank Al Bilad recorded the highest deposit surplus in 3Q24**

Three out of seven banks under our coverage recorded a deposit surplus in 3Q24. Bank Al Bilad reported the highest surplus of SAR 15.6 Bn in 3Q24, followed by Arab National Bank with a deposit surplus of SAR 14.5 Bn and Alinma Bank with SAR 13.2 Bn. Al Rajhi Bank recorded the largest deposit deficit of SAR 26.5 Bn during 3Q24. Saudi National Bank and Riyad Bank also recorded a deposit deficit of SAR 21.1 Bn and 11.8 Bn respectively during 3Q24. Arab National Bank saw the highest growth in surplus on YOY basis in 3Q24. While on a QOQ basis, Banque Saudi Fransi recorded the highest increase in deposit surplus in 3Q24.

**Deposit surplus/-deficit**

SAR mm	3Q23	4Q23	1Q24	2Q24	3Q24	YOY%	QOQ%
Al Rajhi	-25,107	-21,104	-5,012	681	-26,452	5.4%	NM
Bank Al Bilad	7,313	10,751	10,435	10,220	15,647	114.0%	53.1%
Riyad Bank	-12,432	-19,491	-11,906	-15,042	-11,833	-4.8%	-21.3%
Alinma Bank	11,170	14,277	8,285	15,445	13,245	18.6%	-14.2%

Saudi National Bank	29,047	-11,476	31,059	-4,542	-21,113	-172.7%	364.8%
Arab National Bank	4,848	13,626	16,666	13,974	14,513	199.4%	3.9%
Banque Saudi Fransi	-8,314	-7,182	-10,580	-912	-7,666	-7.8%	740.6%

*FABS from co data*

## Banking Stock performance

### Five out of seven KSA banks generated positive YTD returns in 2024

The average return generated by the KSA Banking Sector stood lower than TASI but higher than the other market headline indices such as DSM, Abu Dhabi, Egypt, and Dubai. TASI recorded the highest growth rate among the below-listed indices. Five out of seven KSA banks under our coverage registered a YTD growth in 2024. SNB (+4.5%), ALINMA (+3.1%), BSF (+2.8%), RJHI (+2.2%), and RIBL (+0.9%) recorded an increase in the following order, whereas only ALBI (-2.2%) and ARNB (-0.4%) witnessed a decline in 2024.

#### 27 MENA bank stocks: YE23 to 17th of January 2025, Ranked

			UAE	KSA	Qatar	Egypt	Ranking
QIBK QD Equity	QIBK	-2.9%			-2.9%		30
MARK QD Equity	MARK	-1.9%			-1.9%		26
CBD UH Equity	CBD	0.3%	0.3%				18
MASQ UH Equity	MASQ	0.0%	0.0%				20
QNBK QD Equity	QNBK	-2.8%			-2.8%		29
UAB UH Equity	UAB	-1.5%	-1.5%				25
SIB UH Equity	SIB	9.2%	9.2%				2
CBQK QD Equity	CBQK	-0.7%			-0.7%		23
DSM Index	<b>DSM</b>	-0.9%					24
RJHI AB Equity	RJHI	2.2%		2.2%			11
SASEIDX Index	<b>TASI</b>	1.8%					12
ADSMI Index	<b>ADI</b>	0.8%					16
ALINMA AB Equity	ALINMA	3.1%		3.1%			6
ALBI AB Equity	ALBI	-2.2%		-2.2%			27
BSF AB Equity	BSF	2.8%		2.8%			9
RAKBANK UH Equity	RAKBANK	0.0%	0.0%				19
DHBK QD Equity	DHBK	1.6%			1.6%		13
COMI EC Equity	COMI	-2.8%				-2.8%	28
FAB UH Equity	FAB	4.2%	4.2%				5
EGX30 Index	<b>EGX30</b>	-0.5%					22
BOS UH Equity	BOS	2.4%	2.4%				10
SNB AB Equity	NCB	4.5%		4.5%			4
DFMGI Index	<b>DFM</b>	0.9%					14
ARNB AB Equity	ARNB	-0.4%		-0.4%			21
RIBL AB Equity	RIBL	0.9%		0.9%			15
CBI UH Equity	CBI	-13.6%	-13.6%				31
EMIRATES UH Equity	ENBD	3.0%	3.0%				7
ADIB UH Equity	ADIB	9.3%	9.3%				1
DIB UH Equity	DIB	2.8%	2.8%				8
AJMANBAN UH Equity	AJMANBANK	0.6%	0.6%				17
ADCB UH Equity	ADCB	4.8%	4.8%				3
<b>AVERAGE</b>	<b>AVERAGE</b>		<b>1.7%</b>	<b>1.6%</b>	<b>-1.4%</b>	<b>-2.8%</b>	

FABS from Bloomberg

## 4Q24 preview: Saudi National Bank (SNB)

Higher exposure to retail loans will benefit NIMs

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 35.35	SAR 47.00	+32.96%	BUY

### 4Q24 estimate

Saudi National Bank's (SNB/the Bank) net profit is expected to rise 20.6% YOY to SAR 5.7 Bn in 4Q24 mainly driven by an anticipated increase in net funded, non-funded income and reduction in operating expenses, partially offset by an estimated rise in other operating expenses, impairment charges, increase in non-controlling interest, and zakat expenses. The Bank's commission income is forecasted to rise 20.5% YOY to SAR 16.5 Bn in 4Q24, driven by strong growth expected in net advances and high asset yield. SNB's funded expense is expected to grow 29.0% YOY to SAR 8.8 Bn in 4Q24, attributable to higher benchmark rates. Thus, net funded income is likely to grow 12.0% YOY to SAR 7.7 Bn in 4Q24. SNB's non-funded income is projected to grow 27.9% YOY to SAR 2.0 Bn in 4Q24, due to an anticipated increase in fees & commission, exchange income, higher gains on non-trading investments, and decline in other operating expenses partially offset by an expected decline in income from FVIS investments. Fees and commission income is projected to rise 40.8% YOY to SAR 1.1 Bn in 4Q24 and other operating expense is predicted to fall 35.4% YOY to SAR 192 Mn in 4Q24. Additionally, income from FVIS investments is forecasted to decline 22.8% YOY to SAR 428 Mn in 4Q24. Similarly, the Bank operating expenses is expected to decline 1.8% YOY to SAR 2.5 Bn in 4Q24, attributed to an expected decline in salaries & employee-related expenses, rent and premises-related expenses partially offset by rise in depreciation charges. The Bank's other non-operating expenses is anticipated to rise from SAR 138 Mn in 4Q23 to SAR 221 Mn in 4Q24. Thus, SNB's cost to income is likely to decline from 27.8% in 4Q23 to 23.7% in 4Q24. Impairment charge is projected to increase 13.4% YOY to SAR 488 Mn in 4Q24. SNB's zakat expenses is anticipated to increase 12.3% YOY to SAR 647 Mn in 4Q24.

### 2024 forecast

SNB's net profit is expected to grow 6.8% YOY to SAR 21.4 Bn in 2024 owing to a healthy growth expected in funded, non-funded income along with lower non-controlling interest and zakat charge partially offset by an anticipated increase in operating expenses and impairments charges. The Bank's commission income is projected to increase 19.2% YOY to SAR 59.4 Bn in 2024, driven by a solid growth expected in net advances. On the other hand, commission expense is projected to boost 35.3% YOY to SAR 30.9 Bn in 2024. As a result, net funded income is likely to increase 5.6% YOY to SAR 28.5 Bn in 2024. The Bank's non-funded income is projected to grow 8.2% YOY to SAR 8.2 Bn in 2024, supported by expected rise in fees and commission and income from FVIS investments partially offset by an estimated decline in exchange income and higher other operating expenses. Fees and commission income is assumed to increase 18.0% YOY to SAR 4.6 Bn in 2024, whereas exchange income is anticipated to decline 5.0% YOY to SAR 1.8 Bn in 2024. Furthermore, other operating expenses is predicted to grow 5.0% YOY to SAR 1.4 Bn in 2024. Thus, the Bank's operating income is likely to grow 6.2% YOY to SAR 36.7 Bn in 2024. SNB's total operating expenses is expected to surge 4.1% YOY to SAR 10.8 Bn in 2024, due to increase in Salaries and employee-related expenses, depreciation of property and equipment and other G&A expenses, partially offset by decline in rent and premises-related expenses. SNB's cost to income is predicted to fall from 27.6% in 2023 to 27.1% in 2024. Other non-operating expenses is expected to increase 2.0% YOY to SAR 548 Mn in 2024. The Bank's impairment charge is forecasted to surge substantially from 923 Mn in 2023 to 1.5 Bn in 2024. Thus, SNB's zakat expenses will likely to increase 5.8% YOY to SAR 2.510 Bn in 2024. Additionally, the share of profit attributable to non-controlling interest holders is expected to reduce from SAR 99 Mn in 2023 to SAR 21 Mn in 2024.



### 3Q24 Outturn

SNB's funded income rose 14.3% YOY to SAR 15.0 Bn in 3Q24, mainly driven by solid growth in net advances and investment portfolio. Funded expenses grew significantly from SAR 6.3 Bn in 3Q23 to SAR 8.2 Bn in 3Q24. Thus, net funded income rose marginally 0.5% YOY to SAR 6.9 Bn in 3Q24. SNB's total non-funded income grew significantly 22.4% YOY to SAR 2.3 Bn in 3Q24 mainly due to higher fees and commission income and total investment income. Fees and commission expanded to 19.6% YOY to SAR 1.2 Bn and investment income boosted 60.2% YOY to SAR 888 Mn in 3Q24. Thus, total operating income rose 5.2% YOY to SAR 9.2 Bn in 3Q24. Total operating expenses grew 3.9% YOY to SAR 2.9 Bn in 3Q24. SNB's cost-to-income declined marginally from 29.3% in 3Q23 to 29.0% in 3Q24. Furthermore, the Bank's other non-operating expenses declined significantly from SAR 379 Mn in 3Q23 to SAR 87 Mn in 3Q24. SNB's impairment charges stood at SAR 227 Mn in 3Q24 compared to a reversal of SAR 77 Bn in 3Q23. Zakat expense declined 7.7% YOY to SAR 661 Mn in 3Q24. Share of profit attributable to NCI declined from SAR 53 Bn in 3Q23 to SAR 16 Bn in 3Q24 supporting profitability.

### Target price and recommendation

We maintain our BUY rating on SNB with a target price of SAR 47.00. The Bank's advances grew 10.0% YOY and 2.8% QOQ to SAR 655 Bn in 3Q24, owing to solid momentum across retail mortgages and wholesale financing. Moreover, the Bank's Customer deposits grew 1.5% YOY and 0.2% QOQ to SAR 634 Bn in 3Q24. As a result, the headline loan-to-deposit ratio rose to 103.3% in 3Q24 compared to 100.7% in 2Q24. SNB's reported NIMs moderated from 3.1% in 2Q24 to 2.9% in 3Q24. The Bank expects its NIMs to range 3.0-3.2% in 2024, which underpins its ability to deliver a solid performance amid declining interest rates. The Bank's cost of risk increased 6 bps YOY to 0.14% in 3Q24, which indicates its ability to manage risk efficiently. Furthermore, the Bank's asset quality remained stable as the NPL ratio held steady at 1.1% in 3Q24 compared to 2Q24. Moreover, the Provision coverage stood, as per our calculation, stood at 144.6% in 3Q24 compared to 151.4% in 2Q24, which is expected to provide a strong cushion against potential bad loans. SNB's capitalization stood strong with a CET 1 ratio of 16.7% and CAR of 19.4% in 3Q24. The Bank issued a 5-year senior unsecured FRN bond worth USD 500 Mn in the Taiwanese Formosa market under its Euro Medium Term Note Programme. 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 compared to wholesale financing. Thus, based on our analysis, we maintain our BUY rating on the stock.

#### SNB - Relative valuation

(At CMP)	2019	2020	2021	2022	2023	2024F
PE (x)	12.68	12.68	15.56	11.46	10.79	10.14
PB (x)	3.62	3.03	1.32	1.26	1.19	1.13
Dividend yield %	3.3%	1.7%	3.3%	3.6%	5.0%	5.1%

FABS Estimates & Co Data

**SNB - P&L**

SAR mm	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Commission income	13,673	15,029	16,472	20.5%	9.6%	49,857	59,432	19.2%
Commission expense	6,800	8,165	8,772	29.0%	7.4%	22,848	30,906	35.3%
<b>Net funded income</b>	<b>6,873</b>	<b>6,864</b>	<b>7,700</b>	<b>12.0%</b>	<b>12.2%</b>	<b>27,009</b>	<b>28,526</b>	<b>5.6%</b>
Fees and commissions	794	1,216	1,117	40.8%	-8.1%	3,925	4,632	18.0%
Exchange income, net	418	469	447	7.0%	-4.6%	1,945	1,848	-5.0%
Income from FVIS investment	554	888	428	-22.8%	-51.8%	2,416	2,488	3.0%
Gains/Loss on non-trading invst	79	146	179	NM	22.4%	594	600	1.0%
Other Operating Income / Exp	-297	-389	-192	-35.4%	-50.6%	-1,300	-1,365	5.0%
<b>Non-funded income</b>	<b>1,547</b>	<b>2,330</b>	<b>1,979</b>	<b>27.9%</b>	<b>-15.1%</b>	<b>7,580</b>	<b>8,203</b>	<b>8.2%</b>
<b>Operating income</b>	<b>8,420</b>	<b>9,195</b>	<b>9,679</b>	<b>14.9%</b>	<b>5.3%</b>	<b>34,589</b>	<b>36,729</b>	<b>6.2%</b>
Salaries and emp-related exps	1,113	1,221	1,054	-5.3%	-13.7%	4,662	4,708	1.0%
Rent and premises-related exps	135	137	122	-9.8%	-11.0%	549	511	-7.0%
Dep of property and equipment	411	447	455	10.5%	1.7%	1,459	1,749	19.9%
Amort of intangible assets	205	205	205	0.0%	0.0%	820	820	0.0%
Other G&A expenses	681	859	665	-2.4%	-22.7%	2,867	2,996	4.5%
<b>Total operating Expenses</b>	<b>2,545</b>	<b>2,869</b>	<b>2,500</b>	<b>-1.8%</b>	<b>-12.9%</b>	<b>10,357</b>	<b>10,784</b>	<b>4.1%</b>
Other non-operating inc (exp), net	-138	-87	-221	60.0%	NM	-537	-548	2.0%
<b>Pre-provision profit</b>	<b>5,737</b>	<b>6,239</b>	<b>6,958</b>	<b>21.3%</b>	<b>11.5%</b>	<b>23,695</b>	<b>25,397</b>	<b>7.2%</b>
Impairment	431	227	488	13.4%	NM	923	1,491	61.6%
<b>PBT</b>	<b>5,306</b>	<b>6,011</b>	<b>6,470</b>	<b>21.9%</b>	<b>7.6%</b>	<b>22,773</b>	<b>23,907</b>	<b>5.0%</b>
Zakat	576	661	647	12.3%	-2.2%	2,664	2,510	-5.8%
<b>Profit after tax</b>	<b>4,730</b>	<b>5,350</b>	<b>5,823</b>	<b>23.1%</b>	<b>8.8%</b>	<b>20,109</b>	<b>21,396</b>	<b>6.4%</b>
Non-controlling interest	-29	-16	84	NM	NM	99	21	-78.4%
<b>Net Profit attri. to equity</b>	<b>4,759</b>	<b>5,366</b>	<b>5,739</b>	<b>20.6%</b>	<b>6.9%</b>	<b>20,010</b>	<b>21,375</b>	<b>6.8%</b>

FABS estimate & Co Data

**SNB - P&L KPI**

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Net FI/OI	81.6%	74.7%	79.6%	-207	490	78.1%	77.7%	-42
NIM	2.9%	2.7%	2.9%	2	22	3.0%	2.8%	-17
NIS	2.4%	2.2%	2.4%	0	22	2.4%	2.2%	-22
Fees & comns/OI	9.4%	13.2%	11.5%	212	-168	11.3%	12.6%	126
Trading/OI	5.0%	5.1%	4.6%	-34	-48	5.6%	5.0%	-59
Cost to income	27.8%	29.0%	23.7%	-408	-526	27.6%	27.1%	-44
Impairment/PPP	7.5%	3.6%	7.0%	-49	338	3.9%	5.9%	198
NP/OI	56.5%	58.4%	59.3%	277	93	57.8%	58.2%	35
Cost of risk - Calculated	0.3%	0.14%	0.3%	0	15	0.2%	0.2%	7
Loan-to-deposit (Headline)	101.9%	103.3%	99.3%	-262	-400	101.9%	99.3%	-262
NPL (Reported)	1.2%	1.2%	1.2%	-5	3	1.2%	1.6%	35
NPL Coverage - Calculated	135.2%	144.6%	138.0%	285	-663	135.2%	138.0%	285
Tier 1	19.4%	18.6%	18.0%	-139	-62	19.4%	18.0%	-139
Capital adequacy	20.1%	19.4%	18.7%	-146	-77	20.1%	18.7%	-146
ROAE	12.2%	11.6%	11.8%	-43	24	12.5%	12.2%	-32
ROAA	2.0%	1.9%	1.9%	-6	5	2.0%	1.9%	-8

FABS estimate & Co Data

**SNB- Key BS Items**

SAR mm	4Q23	1Q24	2Q24	3Q24	4Q24F	YOY Ch
Net advances	601,527	625,202	637,235	655,308	676,347	12.4%
QOQ Change	1.0%	3.9%	1.9%	2.8%	3.2%	
Total assets	1,037,081	1,072,144	1,088,112	1,124,608	1,165,699	12.4%
QOQ Change	1.0%	3.4%	1.5%	3.4%	3.7%	
Customer deposits	590,051	656,261	632,693	634,195	680,926	15.4%
QOQ Change	-5.6%	11.2%	-3.6%	0.2%	7.4%	
Total equity	176,629	180,622	179,991	183,839	185,581	5.1%
QOQ Change	4.5%	2.3%	-0.3%	2.1%	0.9%	

FABS estimate & Co Data

## 4Q24 preview: Banque Saudi Fransi

Robust income growth to drive substantial profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 16.34	SAR 21.70	+32.80%	BUY

### 4Q24 estimate

Banque Saudi Fransi (BSF/ the Bank) is expected to report a significant growth of 43.1% YOY in net profit to SAR 1,184 Mn in 4Q24 owing to an expected growth in net funded income and non-funded income coupled with lower impairments partially offset by an estimated rise in zakat expense. BSF's funded income is expected to grow 22.0% YOY to SAR 4,279 Mn in 4Q24 driven by a healthy growth in net advances. On the other hand, funded expense is estimated to rise from SAR 1,639 Mn in 4Q23 to SAR 2,200 Mn in 4Q24. Thus, the Bank's net funded income is forecasted to rise 11.3% YOY to SAR 2,080 Mn in 4Q24. BSF's non-funded income is likely to increase 36.3% YOY to SAR 440 Mn in 4Q24. As a result, operating income is expected to rise 15.0% YOY to SAR 2,520 Mn in 4Q24. Salaries and employee-related expenses are expected to rise 1.7% YOY to SAR 465 Mn in 4Q24, whereas rent and premises-related expenses are anticipated to decline marginally by 0.7% YOY to SAR 17 Mn in 4Q24. Furthermore, depreciation and amortization expenses are estimated to fall 5.6% YOY to SAR 75 Mn in 4Q24. Other G&A expenses are anticipated to fall marginally by 0.3% YOY to SAR 291 Mn in 4Q24. In addition, impairments are expected to decline 14.6% YOY to SAR 353 Mn in 4Q24. Zakat expense is forecasted to increase 28.9% YOY to SAR 134 Mn in 4Q24.

### 2024 forecast

BSF's net profit is expected to increase 9.2% YOY to SAR 4,612 Mn in 2024 attributable to growth in non-funded income and lower impairment charges partially offset by an expected rise in operating expenses and higher zakat charge. The Bank's funded income is expected to grow 24.8% YOY to SAR 16,492 Mn in 2024. On the other hand, the funded expense is anticipated to rise from SAR 5,383 Mn in 2023 to SAR 8,568 Mn in 2024. Thus, net funded income is likely to increase 1.1% YOY to SAR 7,924 Mn in 2024. Total non-funded income is expected to increase 13.0% YOY to SAR 1,682 Mn in 2024 mainly due to a rise in fee and commission, exchange, trading, dividend, and other operating income. As a result, total operating income is likely to increase 3.0% YOY to SAR 9,606 Mn in 2024. Operating expenses are estimated to rise 8.8% YOY to SAR 3,287 Mn in 2024 mainly driven by an expected growth in salaries and depreciation expenses. Additionally, impairments are anticipated to decline 26.2% YOY to SAR 1,177 Mn in 2024, whereas zakat charge is estimated to increase 9.2% YOY to SAR 530 Mn in 2024.

### 3Q24 outturn

BSF's net profit declined 7.8% YOY to SAR 1,148 Mn in 3Q24 mainly due to a fall in net funded income along with a rise in operating expenses and zakat charges partially offset by an increase in non-funded income and a decline in impairments. Funded income grew 21.0% YOY to SAR 4,221 Mn in 3Q24 driven by strong loan growth and an increase in return from financing and investments. On the other hand, funded expenses rose significantly from SAR 1,421 Mn in 3Q23 to SAR 2,235 Mn in 3Q24 owing to high benchmark rates. Thus, net funded income fell 4.0% YOY to SAR 1,986 Mn in 3Q24. Total non-funded income rose 6.7% YOY to SAR 426 Mn in 3Q24 due to higher exchange income and gains on non-trading investments partially offset by a decline in net fee and commission income and trading income. Thus, the Bank's operating income fell 2.3% YOY to SAR 2,412 Mn in 3Q24. Operating expenses rose 15.8% YOY to SAR 857 Mn in 3Q24 owing to higher salaries & employee-related expenses, other operating and G&A expenses, and depreciation & amortization expenses. As a result, the Bank's cost-to-income ratio grew 554 bps YOY and 98 QOQ to 35.5% in 3Q24. In addition, impairment charges declined 20.3% YOY to SAR 275 Mn in 3Q24 owing to a decline in impairment on loans and advances partially offset by higher impairment charge for investments, financial assets and others. Zakat expense fell 3.6% YOY to SAR 132 Mn in 3Q24 owing to a decline in profitability.

### Target price and recommendation

We maintain our BUY rating on BSF with a revised target price of SAR 21.70. The revision in target price is mainly driven by the bonus issued which increased the shares from 1,205 Mn to 2,500 Mn. The Bank continued to record strong momentum in loan book with 15.1% YOY and 2.0% QOQ growth to SAR 201.0 Bn in 3Q24. However, deposits declined 1.5% QOQ but rose 16.2% YOY to SAR 193.3 Bn in 3Q24. BSF's headline loan-to-deposit ratio increased from 100.5% in 2Q24 to 104.0% in 3Q24. BSF revised its 2024 advances growth forecast from low double-digit to mid-teens in 2Q24. Moreover, BSF's reported NPL ratio declined to 0.8% in 3Q24 compared to 0.9% in 2Q24, whereas the Bank's reported NPL coverage ratio stood increased to 193.1% in 3Q24 compared to 161.9% in 2Q24. A higher coverage ratio will provide sufficient cushion to absorb losses in case of a loan default. The Bank's CASA ratio increased from 42.8% in 2Q24 to 46.7% in 3Q24. Moreover, BSF's capitalization stood healthy with a Tier 1 capital ratio of 18.6% and a total CAR of 19.4% in 3Q24. BSF funded the bonus issue by transferring SAR 5 Bn from the statutory reserve and SAR 7.95 Bn from retained earnings to the Company's capital. The increase in capital is aimed to improve the Bank's financial position for achieving its strategic objectives. Thus, based on our analysis, we maintain our BUY rating on the stock.

### BSF – Relative valuation

(At CMP)	2019	2020	2021	2022	2023	2024F
PE	13.07	27.35	12.56	12.15	10.18	9.33
PB	1.28	1.21	1.21	1.25	1.17	1.11
Dividend Yield	5.8%	1.2%	4.4%	4.9%	5.8%	6.2%

FABS Estimates & Co Data

### BSF – P&L

SAR mm	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Special commission income	3,506	4,221	4,279	22.0%	1.4%	13,218	16,492	24.8%
Special commission expense	1,639	2,235	2,200	34.2%	-1.6%	5,383	8,568	59.2%
<b>Net Special Commission Inc</b>	<b>1,868</b>	<b>1,986</b>	<b>2,080</b>	<b>11.3%</b>	<b>4.7%</b>	<b>7,835</b>	<b>7,924</b>	<b>1.1%</b>
Fee and commission income	237	223	249	4.8%	11.4%	915	983	7.5%
Exchange income, net	118	138	149	26.5%	8.3%	455	480	5.5%
Trading income, net	-38	53	30	180.3%	-42.7%	114	171	50.0%
Dividend Income	5	4	4	-12.0%	-1.5%	15	16	5.2%
Gains on non-trading investments	0	8	2	831.6%	-74.1%	-16	25	NM
Other operating income	1	0	6	774.5%	4622.4%	6	7	10.0%
<b>Non-funded income</b>	<b>323</b>	<b>426</b>	<b>440</b>	<b>36.3%</b>	<b>3.3%</b>	<b>1,489</b>	<b>1,682</b>	<b>13.0%</b>
<b>Operating income</b>	<b>2,191</b>	<b>2,412</b>	<b>2,520</b>	<b>15.0%</b>	<b>4.5%</b>	<b>9,324</b>	<b>9,606</b>	<b>3.0%</b>
Salaries & employee-related exp.	457	480	465	1.7%	-3.1%	1,742	1,872	7.5%
Rent & premises related exp.	17	18	17	-0.7%	-8.2%	67	66	-2.0%
Depreciation and amortization	80	77	75	-5.6%	-1.5%	251	286	14.1%
Other G&A expenses	292	282	291	-0.3%	3.2%	962	1,063	10.5%
<b>Total operating Expenses</b>	<b>846</b>	<b>857</b>	<b>848</b>	<b>0.3%</b>	<b>-1.0%</b>	<b>3,022</b>	<b>3,287</b>	<b>8.8%</b>
<b>Pre-provision profit</b>	<b>1,345</b>	<b>1,555</b>	<b>1,672</b>	<b>24.3%</b>	<b>7.5%</b>	<b>6,302</b>	<b>6,318</b>	<b>0.3%</b>
Impairment	413	275	353	-14.6%	28.6%	1,594	1,177	-26.2%
<b>PBT</b>	<b>932</b>	<b>1,281</b>	<b>1,319</b>	<b>41.6%</b>	<b>3.0%</b>	<b>4,708</b>	<b>5,141</b>	<b>9.2%</b>
Zakat	104	132	134	28.9%	1.5%	485	530	9.2%
<b>Net profit attributable</b>	<b>827</b>	<b>1,148</b>	<b>1,184</b>	<b>43.1%</b>	<b>3.2%</b>	<b>4,223</b>	<b>4,612</b>	<b>9.2%</b>

FABS Estimates & Co Data

**BSF - P&L KPI**

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Net FI/OI	85.2%	82.3%	82.5%	-273	20	84.0%	82.5%	-154
NIM	3.1%	2.9%	2.98%	-65	-4	3.4%	3.0%	-37
NIS	2.2%	1.8%	1.9%	-88	2	2.7%	2.0%	-69
Fees & comms/OI	10.8%	9.3%	9.9%	-11	-203	9.8%	10.2%	43
Trading/OI	-1.7%	2.2%	1.2%	-75	98	1.2%	1.8%	56
Cost to income	38.6%	35.5%	33.7%	-494	-187	32.4%	34.2%	181
Impairment/PPP	30.7%	17.7%	21.1%	-962	346	25.3%	18.6%	-667
NP/OI	37.8%	47.6%	47.0%	923	-60	45.3%	48.0%	272
Cost of risk	0.91%	0.5%	0.7%	-23	14	0.9%	0.6%	-32
Loan-to-deposit	104.2%	104.0%	94.0%	-1015	-994	104.2%	103.3%	-85
NPL calculated	1.1%	0.9%	0.9%	-23	-1	1.1%	0.9%	-23
Coverage excluding collateral	137.7%	186.0%	188.0%	5030	204	134.2%	188.0%	5376
Tier 1	18.9%	18.6%	18.6%	-35	-5	18.9%	18.6%	-35
Capital Adequacy	19.5%	19.4%	19.3%	-27	-17	19.5%	19.3%	-27
ROAE	11.8%	11.1%	11.7%	-12	62	11.8%	12.4%	56
ROAA	1.7%	1.6%	1.7%	-5	10	1.7%	1.7%	-5

FABS estimate & Co Data

**BSF- Key BS Items**

	4Q23	1Q24	2Q24	3Q24	4Q24F	YOY Ch
<b>SAR mm</b>						
Net advances	179,391	185,408	197,160	201,008	205,995	14.8%
QOQ Change	2.7%	3.4%	6.3%	2.0%	2.5%	
Total assets	253,383	268,376	288,826	287,670	293,988	16.0%
QOQ Change	1.4%	5.9%	7.6%	-0.4%	2.2%	
Customer deposits	172,209	174,828	196,248	193,342	199,372	15.8%
QOQ Change	3.5%	1.5%	12.3%	-1.5%	3.1%	
Total equity	41,121	41,928	41,809	46,117	48,856	18.8%
QOQ Change	4.7%	2.0%	-0.3%	10.3%	5.9%	

FABS estimate & Co Data

## 4Q24 preview: Riyadh Bank

Strategy to increase the exposure of SME loans to boost profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 29.50	SAR 36.00	+22.03%	BUY

### 4Q24 estimate

Riyadh Bank (RIBL/ the Bank) is forecasted to report net profit growth of 29.6% YOY to SAR 2,532 Mn in 4Q24. The growth in net profit will be mainly driven by an expected increase 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 anticipated to increase 23.3% YOY to SAR 6,905 Mn in 4Q24 mainly due to an expected increase in the Bank's loan book and higher asset yield. Special commission expense is expected to increase 27.8% YOY to SAR 3,143 Mn in 4Q24 due to the rise in the cost of funds owing to higher benchmark rates. Therefore, net special commission income is anticipated to increase 19.7% YOY to SAR 3,762 Mn in 4Q24. Total non-funded income is likely to increase 74.0% YOY to SAR 1,375 Mn in 4Q24 due to an expected increase in fee & commission income, trading income and other operating income. Thus, operating income is expected to increase 30.6% YOY to SAR 5,137 Mn in 4Q24. The Bank's operating expenses are forecasted to grow 24.9% YOY to SAR 1,591 Mn in 4Q24. In addition, we expect the cost-to-income ratio to decline 142 bps YOY to 31.0% in 4Q24. Impairment charges are forecasted to increase 49.8% YOY to SAR 724 Mn in 4Q24. Furthermore, tax expense is anticipated to increase 29.1% YOY to SAR 290 Mn in 4Q24 in line with growth in profit before tax.

### 2024 forecast

We expect Riyadh Bank to witness a 19.3% YOY growth in net profit to SAR 9,597 Mn in 2024, mainly due to an expected increase in net funded and non-funded income coupled with lower impairments partially offset by an estimated rise in operating expenses and tax charges. Special commission income is expected to rise 19.3% YOY to SAR 24,579 Mn in 2024, while special commission expense is predicted to grow 38.9% YOY to SAR 11,377 Mn in 2024. Thus, net special commission income is likely to rise 6.4% YOY to SAR 13,203 Mn in 2024. Additionally, the Bank's total non-funded income is expected to grow 31.0% YOY to SAR 4,564 Mn in 2024 mainly due to an expected increase in fees & commission, trading, and other operating income. Resultantly, operating income is likely to grow 11.7% YOY to SAR 17,767 Mn in 2024. Furthermore, operating expenses are expected to rise 10.1% YOY to SAR 5,469 Mn in 2024. RIBL's cost-to-income ratio is estimated to decrease 47 bps YOY to 30.8% in 2024. Impairment charges are anticipated to decline 17.8% YOY to SAR 1,621 Mn in 2024. Share in earnings of associates is forecasted to increase from SAR 12 Mn in 2023 to SAR 22 Mn in 2024. Zakat expense is expected to increase 19.1% YOY to SAR 1,102 Mn in 2024, dragging profitability.

### 3Q24 outturn

Riyadh Bank's special commission income rose 16.8% YOY to SAR 6,200 Mn in 3Q24 mainly due to a strong growth in advances and investments. The Bank's special commission expense surged 30.2% YOY to SAR 2,907 Mn in 3Q24 mainly attributed to growth in deposits and higher benchmark rates. Thus, net special commission income increased 7.1% YOY to SAR 3,293 Mn in 3Q24. Additionally, the Bank's non-funded income grew drastically by 38.6% YOY to SAR 1,252 Mn in 3Q24 owing to an increase in fee and commission income, trading income, exchange income, dividend income and non-trading investment. Hence, Riyadh Bank's operating income surged 14.3% YOY to SAR 4,545 Mn in 3Q24. The Bank's operating expenses rose marginally 0.7% YOY to SAR 1,307 Mn in 3Q24 due to growth in salaries and employee-related expenses, rent and premises-related expenses, and other operating expenses. The impairment charges declined 18.9% YOY to SAR 286 Mn in 3Q24 due to a reversal in impairment charge for investments, and a lower impairment charge for credit losses

and other financial assets. The tax expenses expanded 26.7% YOY to SAR 305 Mn in 3Q24 in line with growth in profit before tax.

### Target price and recommendation

We maintain our BUY rating on Riyadh Bank with a target price of SAR 36.0 per share. Riyadh Bank recorded a solid growth in profitability in 3Q24 owing to strong growth in funded and non-funded income coupled with a decline in impairments and marginal growth in operating expenses. The Bank's reported NIMs recorded 6 bps QOQ growth to 3.4% in 3Q24. In addition, the Bank's strategy is paying off well as it recorded a strong growth in net advances which grew 14.3% YOY and 4.9% QOQ to SAR 305.4 Bn in 3Q24. It plans to increase the credit attributed to the SME segment in the medium term and also aims to focus on the private and affluent segments by improving its value proposition and product offering, boosting profitability. Furthermore, the Bank's loan recoveries increased significantly driven by proactive risk management in 2Q24 and it expects this trend to continue. It has also guided a strong risk management plan which has been set up to accelerate the recovery of assets to be implemented through 2024 and 2025. Riyadh Bank expects to maintain NIMs through the change in loan mix and estimates it to contract between 10 to 20 bps in FY2024. CASA deposits amounted to 51.8% of total deposits in 3Q24 and the Bank is focusing on further increasing this weightage, as it believes there is a potential for improvement in this segment resulting in improving its NIM. Riyadh Bank expects to record strong growth in fee income owing to solid capital market activity and plans to expand the hedging business to enhance cross-selling opportunities. RIBL is also guided to grow its revenue stream further from FX and other fee income by offering holistic risk management offers and services to customers. Riyadh Bank maintained healthy asset quality with an unchanged NPL ratio of 1.2% in 3Q24 compared to 2Q24, whereas the provision coverage ratio stood at 144.9% in 3Q24. In addition, the Bank's Tier 1 ratio fell from 16.7% in 2Q24 to 15.6% in 3Q24. Moreover, CAR grew from 19.5% in 2Q24 to 18.2% in 3Q24. The Bank undertook various strategic initiatives which are expected to drive revenue growth and enhance customer experience. It launched its next gen mobile app in 2Q24, which aims to offer its customers a wide set of products and services, further increasing ease of access. RIBL also launched its multi-currency Credit Card to further penetrate the micro-segmented credit card market and offer an enhanced value proposition. RIBL distributed a dividend of SAR 0.80 in 1H24 and expected to a distribute a dividend of SAR 1.75 in FY2024 equivalent to a dividend yield of 6.0%. Thus, looking at the positives, we maintain our BUY rating on the stock.

#### RIBL - Relative valuation

(At CMP)	2019	2020	2021	2022	2023	2024F
P/E (x)	15.45	18.36	14.36	12.44	11.19	9.30
P/B (x)	2.22	1.95	1.89	1.95	1.61	1.45
Dividend Yield	3.7%	1.7%	3.6%	4.0%	4.8%	6.0%

FABS Estimates & Co Data

**RIBL - P&L**

SAR mm	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Special commission income	5,600	6,200	6,905	23.3%	11.4%	20,606	24,579	19.3%
Special commission expense	-2,459	-2,907	-3,143	27.8%	8.1%	-8,192	-11,377	38.9%
<b>Net special commission income</b>	<b>3,142</b>	<b>3,293</b>	<b>3,762</b>	<b>19.7%</b>	<b>14.2%</b>	<b>12,414</b>	<b>13,203</b>	<b>6.4%</b>
Fees and commissions	554	735	815	47.0%	10.9%	2,385	2,981	25.0%
Trading gain/(loss)	72	240	224	212.9%	-6.3%	420	630	50.0%
Other non-funded income	164	277	335	104.5%	21.0%	680	953	40.2%
<b>Total other operating income</b>	<b>790</b>	<b>1,252</b>	<b>1,375</b>	<b>74.0%</b>	<b>9.9%</b>	<b>3,485</b>	<b>4,564</b>	<b>31.0%</b>
<b>Operating income</b>	<b>3,932</b>	<b>4,545</b>	<b>5,137</b>	<b>30.6%</b>	<b>13.0%</b>	<b>15,899</b>	<b>17,767</b>	<b>11.7%</b>
Operating expenses	-1,274	-1,307	-1,591	24.9%	21.7%	-4,969	-5,469	10.1%
<b>Pre-provision profit</b>	<b>2,658</b>	<b>3,237</b>	<b>3,546</b>	<b>33.4%</b>	<b>9.5%</b>	<b>10,930</b>	<b>12,298</b>	<b>12.5%</b>
Impairment	-483	-286	-724	49.8%	153.0%	-1,972	-1,621	-17.8%
Share of profit of associates	4	8	0	NM	NM	12	22	78.1%
<b>Profit Before Tax</b>	<b>2,179</b>	<b>2,959</b>	<b>2,822</b>	<b>29.5%</b>	<b>-4.6%</b>	<b>8,971</b>	<b>10,699</b>	<b>19.3%</b>
Zakat	-225	-305	-290	29.1%	-5.0%	-925	-1,102	19.1%
<b>Net profit attributable</b>	<b>1,955</b>	<b>2,654</b>	<b>2,532</b>	<b>29.6%</b>	<b>-4.6%</b>	<b>8,046</b>	<b>9,597</b>	<b>19.3%</b>

FABS estimate & Co Data

**RIBL - KPI**

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Net FI/OI	79.9%	72.5%	73.2%	-667	77	78.1%	74.3%	-377
NIM	3.4%	3.3%	3.6%	19	34	3.4%	3.3%	-10
NIS	2.9%	2.7%	3.0%	16	33	2.9%	2.7%	-20
Fees & comms/OI	14.1%	16.2%	15.9%	177	-30	15.0%	16.8%	178
Trading/OI	1.8%	5.3%	4.4%	255	-90	2.6%	3.5%	90
Cost to income	32.4%	28.8%	31.0%	-142	221	31.3%	30.8%	-47
Impairment/PPP	18.2%	8.8%	20.4%	223	1,157	18.0%	13.2%	-486
NP/OI	49.7%	58.4%	49.3%	-41	-910	50.6%	54.0%	341
Cost of risk	0.7%	0.4%	0.9%	24	57	0.7%	0.6%	-16
Loan-to-deposit	107.6%	104.0%	104.0%	-365	-3	107.6%	104.0%	-365
NPL	1.2%	1.2%	1.3%	1	5	1.2%	1.3%	1
NPL Coverage	142.1%	144.9%	144.0%	190	-93	142.1%	144.0%	190
CET1	17.6%	15.6%	16.7%	-100	104	17.6%	16.7%	-100
Capital Adequacy	20.7%	18.2%	19.3%	-145	113	20.7%	19.3%	-145
ROAE	15.3%	16.2%	16.4%	110	16	15.3%	16.4%	110
ROAA	2.2%	2.2%	2.3%	19	12	2.2%	2.3%	19

FABS estimate & Co Data

**RIBL - Key B/S items**

SAR mm	4Q23	1Q24	2Q24	3Q24	4Q24F	YOY Ch
Net advances	274,398	282,854	291,051	305,408	304,465	11.0%
QOQ change	2.7%	3.1%	2.9%	4.9%	-0.3%	
Total assets	386,849	404,859	405,029	433,366	431,173	11.5%
QOQ change	2.6%	4.7%	0.0%	7.0%	-0.5%	
Customer deposits	254,908	270,948	276,009	293,575	292,755	14.8%
QOQ change	0.1%	6.3%	1.9%	6.4%	-0.3%	
Total equity	53,696	53,514	55,783	56,577	59,766	11.3%
QOQ change	5.5%	-0.3%	4.2%	1.4%	5.6%	

FABS estimate & Co Data



## 4Q24 preview: Arab National Bank

Growth in operating income and lower operating expenses to support profitability

<b>Current Price</b> SAR 20.98	<b>12-m Target Price</b> SAR 23.00	<b>Upside/Downside (%)</b> +10.0%	<b>Rating</b> ACCUMULATE
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### 4Q24 Forecast

Arab National Bank's (ARNB/ the Bank) net profit is estimated to rise 15.6% YOY to SAR 1,090 Mn in 4Q24. The growth in net profit will mainly be driven by expected growth in net funded and non-funded income partially offset by a rise in impairment charges and higher taxes. Funded income is forecasted to increase 14.2% YOY to SAR 3,737 Mn in 4Q24 due to an expected rise in the Bank's loan book. Funded expense is anticipated to grow 13.4% YOY to SAR 1,735 Mn in 4Q24, mainly due to a rise in interest-bearing liabilities. Resultantly, net funded income is expected to grow 14.8% YOY to SAR 2,002 Mn in 4Q24. Non-funded income is estimated to rise 12.9% YOY to SAR 398 Mn in 4Q24. The growth will be mainly driven by an expected rise in fees & commission income, dividend income, and other non-funded income partially offset by a decline in exchange income. Moreover, operating income is expected to rise 14.5% YOY to SAR 2,400 Mn in 4Q24. Operating expenses are expected to decline 11.0% YOY to SAR 705 Mn in 4Q24. We expect the cost-to-income ratio to decline 841 bps YOY to 29.4% in 4Q24. Impairment charges are anticipated to more than double from SAR 182 Mn in 4Q23 to SAR 384 Mn in 4Q24. Tax expense is estimated to grow 57.6% YOY to SAR 226 Mn in 4Q24.

### 2024 Forecast

ARNB's net profit is anticipated to grow 17.9% YOY to SAR 4,799 Mn in 2024, mainly due to an increase in net funded and non-funded income and non-funded income along with lower impairments partially offset by a rise in operating expenses and higher tax expenses. Funded income is estimated to grow 16.6% YOY to SAR 14,550 Mn in 2024, mainly due to higher asset yield and an increase in the Bank's loan book. Funded expense is expected to rise 23.7% YOY to SAR 6,604 Mn in 2024, mainly due to the higher cost of funds. Resultantly, net funded income is expected to grow 11.3% YOY to SAR 7,946 Mn in 2024. Total non-funded income is anticipated to grow 5.4% YOY to SAR 1,508 Mn in 2024, primarily due to an expected increase in fees & commission income, trading income, other operating income, and dividend income partially offset by a decline in exchange income. Thus, operating income is estimated to rise 10.3% YOY to SAR 9,454 Mn in 2024. Operating expenses are estimated to grow 4.0% YOY to SAR 2,960 Mn in 2024. Cost-to-income is expected to fall 193 bps YOY to 31.3% in 2024. Impairment charges are estimated to fall 11.6% YOY to SAR 877 Mn in 2024. Tax expense is anticipated to increase 24.3% YOY to SAR 834 Mn in 2024, due to an increase in profitability.

### 3Q24 Outturn

ARNB's funded income grew 15.2% YOY to SAR 3,772 Mn in 3Q24 attributable to strong growth in advances and investments. On the other hand, funded expenses increased significantly 20.5% YOY to SAR 1,698 Mn in 3Q24 due to growth in deposits and higher benchmark rates. Thus, net funded income grew 11.2% YOY to SAR 2,075 Mn in 3Q24. Additionally, non-funded income fell marginally 0.6% YOY to SAR 334 Mn in 3Q24 mainly attributable to a decline in net gains on FVSI financial instruments, net other operating income, and other funded income partially offset by growth in fee & commission and trading income. Thus, operating income expanded 9.4% YOY to SAR 2,409 Mn in 3Q24. Operating expenses grew 9.1% YOY to SAR 789 Mn in 3Q24, due to a growth in salaries and employee-related expenses, other G&A expenses, D&A expenses, and rent & premises-related expenses. Thus, the cost-to-income fell remained flat at 32.8% in 3Q24 compared to 3Q23. Impairment charges fell substantially 32.3% YOY to SAR 165 Mn in 3Q24. Furthermore, tax expense surged 22.8% to SAR 219 Mn in 3Q24.

### Target Price and Recommendation

We revise our rating from BUY to ACCUMULATE on Arab National Bank with an unchanged target price of SAR 23.00. Arab National Bank recorded a growth in profitability in 3Q24 owing to an increase in net funded income further supported by a decline in impairment losses. The Bank recorded an expansion in yield along with a growth in the cost of funds. However, asset yield expanded at a faster compared to funding cost leading to an expansion in NIMs. The NIM expansion bodes favourably for ARNB. ARNB continued to record healthy growth in advances on a YTD basis. Net advances rose 9.3% on a YTD basis to SAR 166.3 Bn in 3Q24. The management expects advances to grow by the mid-teens in FY2024. It also plans to benefit from the higher interest rate regime by boosting its investment value from SAR 46.7 Bn in 4Q23 to SAR 49.7 Bn in 3Q24. The growth in customer deposits matched credit growth thus, the loan-to-deposit ratio stayed flat at 92.0% in 3Q24 compared to 2Q24. CASA deposits increased marginally from 52.9% in 2Q24 to 54.0% in 3Q24. ARNB has a large exposure to corporate loans. As a result, it will face fast repricing of its loan book in the declining interest rate period owing to its large exposure to corporate credit. Furthermore, ARNB's asset quality improved as the calculated NPL ratio fell from 1.5% in 2Q24 to 1.3% in 3Q24. Provision coverage grew from 137.0% in 2Q24 to 144.5% in 3Q24 providing a solid buffer against loan losses in the forthcoming period. The Bank's capitalization stood well above the regulatory limits with a Tier 1 ratio of 17.4% and CAR of 19.2% in 3Q24. Thus, based on our analysis, we assign an ACCUMULATE rating on the stock.

#### ARNB - Relative valuation

(At CMP)	2019	2020	2021	2022	2023	2024F
P/E (x)	13.90	20.27	19.30	13.68	10.32	8.75
P/B (x)	1.52	1.41	1.38	1.33	1.20	1.25
Dividend yield	3.6%	1.4%	2.9%	3.9%	4.8%	6.5%

FABS Estimates & Co Data

#### ARNB- P&L

SAR mm	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Funded income	3,273	3,772	3,737	14.2%	-0.9%	12,477	14,550	16.6%
Funded expense	-1,529	-1,698	-1,735	13.4%	2.2%	-5,340	-6,604	23.7%
<b>Net funded income</b>	<b>1,743</b>	<b>2,075</b>	<b>2,002</b>	<b>14.8%</b>	<b>-3.5%</b>	<b>7,137</b>	<b>7,946</b>	<b>11.3%</b>
Fees and commissions	212	184	236	11.4%	28.1%	637	840	32.0%
Exchange income, net	85	81	79	-6.6%	-1.9%	331	301	-9.1%
Unrealised gain on FVIS invt, net	-5	-6	3	NM	NM	31	20	-34.9%
Trading Income	-1	10	2	NM	-77.1%	27	65	141.3%
Dividend income	32	45	42	29.6%	-7.1%	143	169	18.0%
Other operating income	29	19	36	24.5%	84.2%	106	109	3.0%
Other non-funded income	141	150	162	15.1%	8.1%	794	668	-15.9%
<b>Non-funded income</b>	<b>353</b>	<b>334</b>	<b>398</b>	<b>12.9%</b>	<b>19.1%</b>	<b>1,430</b>	<b>1,508</b>	<b>5.4%</b>
<b>Operating income</b>	<b>2,096</b>	<b>2,409</b>	<b>2,400</b>	<b>14.5%</b>	<b>-0.4%</b>	<b>8,567</b>	<b>9,454</b>	<b>10.3%</b>
Operating expenses	-792	-789	-705	-11.0%	-10.7%	-2,848	-2,960	4.0%
<b>Pre-provision profit</b>	<b>1,305</b>	<b>1,620</b>	<b>1,695</b>	<b>30.0%</b>	<b>4.7%</b>	<b>5,719</b>	<b>6,493</b>	<b>13.5%</b>
Impairment	-182	-165	-384	110.6%	133.4%	-992	-877	-11.6%
Share of results of associates	-17	7	7	NM	-2.5%	20	20	0.0%
<b>PBT</b>	<b>1,105</b>	<b>1,462</b>	<b>1,318</b>	<b>19.3%</b>	<b>-9.9%</b>	<b>4,747</b>	<b>5,636</b>	<b>18.7%</b>
Zakat	-144	-219	-226	57.6%	3.4%	-671	-834	24.3%
<b>Profit after tax</b>	<b>944</b>	<b>1,243</b>	<b>1,092</b>	<b>15.6%</b>	<b>-12.2%</b>	<b>4,076</b>	<b>4,802</b>	<b>17.8%</b>
Non-controlling int.	-2	0	-2	18.4%	NM	-5	-3	-51.3%
<b>Net profit attributable</b>	<b>942</b>	<b>1,243</b>	<b>1,090</b>	<b>15.6%</b>	<b>-12.4%</b>	<b>4,071</b>	<b>4,799</b>	<b>17.9%</b>

FABS estimate & Co Data

**ARNB - KPI**

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Net FI/OI	83.2%	86.1%	83.4%	24	-272	83.3%	84.1%	74
NIM	3.3%	3.6%	3.4%	7	-25	3.4%	3.5%	6
NIS	2.7%	3.1%	2.9%	14	-19	2.9%	3.0%	5
Fees & comms/OI	10.1%	7.7%	9.8%	-28	219	7.4%	8.9%	146
Impairment/PPP	14.0%	10.2%	22.7%	868	1,250	17.3%	13.5%	-384
Cost to income	37.8%	32.8%	29.4%	-841	-339	33.2%	31.3%	-193
NP/OI	44.9%	51.6%	45.4%	46	-620	47.5%	50.8%	325
Cost of risk	-0.2%	0.4%	0.9%	NM	50	0.4%	0.5%	6
Loan-to-deposit calculated	91.8%	92.0%	74.6%	NM	NM	91.8%	88.3%	-346
NPL calculated	1.5%	1.3%	1.2%	-24	-11	1.5%	1.3%	-22
NPL coverage calculated	144.6%	144.5%	150.0%	537	548	144.6%	150.0%	537
Tier 1	18.8%	17.4%	15.7%	-312	-170	18.8%	15.7%	-312
Capital adequacy	20.9%	19.2%	17.5%	-338	-176	20.9%	17.5%	-338
ROAE	12.2%	13.3%	27.4%	1,514	1,410	12.2%	14.0%	177
ROAA	1.9%	2.0%	4.3%	247	232	1.9%	2.0%	15

FABS estimate & Co data

**ARNB - Key B/S items**

SAR mm	4Q23	1Q24	2Q24	3Q24	4Q24F	YOY Ch
Net advances	152,235	157,875	161,612	166,330	172,095	13.0%
QOQ change	1.9%	3.7%	2.4%	2.9%	3.5%	
Total assets	220,683	232,146	234,752	240,962	252,900	14.6%
QOQ change	1.1%	5.2%	1.1%	2.6%	5.0%	
Customer deposits	165,861	174,541	175,586	180,843	194,854	17.5%
QOQ change	7.5%	5.2%	0.6%	3.0%	7.7%	
Total equity	35,069	35,170	36,172	36,381	33,524	-4.4%
QOQ change	4.0%	0.3%	2.9%	0.6%	-7.9%	

FABS estimate & Co data

## 4Q24 preview: Alinma Bank

Robust growth in advances to boost funded income

<b>Current Price</b> SAR 30.15	<b>12-m Target Price</b> SAR 37.00	<b>Upside/Downside (%)</b> +22.72%	<b>Rating</b> BUY
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### 4Q24 estimate

Alinma Bank (Alinma/the Bank) is estimated to report a 13.4% YOY rise in net profit to SAR 1,498 Mn in 4Q24. The growth in net profit will mainly be driven by an expected rise in net funded income and non-funded income along with lower impairments, partially offset by an increase in operating expenses and zakat charges. Funded income is estimated to grow 11.7% YOY to SAR 4,193 Mn in 4Q24 as the bank is projected to witness an increase in advances and other interest-earning assets. Consequently, the funded expense is expected to grow from SAR 1,700 Mn in 4Q23 to SAR 1,997 Mn in 4Q24 due to an estimated rise in deposits and high benchmark rates. Thus, net funded income is estimated to rise 6.9% YOY to SAR 2,196 Mn in 4Q24. The fee and commission income is anticipated to grow 16.9% YOY to SAR 419 Mn in 4Q24. Trading gains are anticipated to rise 6.5% YOY to SAR 84 Mn in 4Q24. Other non-funded income is projected to increase 4.9% YOY to SAR 80 Mn in 4Q24. Thus, total non-funded income is estimated to rise by 13.5% YOY to SAR 584 Mn in 4Q24. As a result, operating income is likely to grow 8.2% YOY to SAR 2,780 Mn in 4Q24. Operating expenses are anticipated to grow 9.9% YOY to SAR 850 Mn in 4Q24 primarily due to an increase in salaries and employee-related expenses and other G&A expenses. Moreover, we expect the cost-to-income ratio to increase 48 bps YOY to 30.6% in 4Q24. Impairment charges are anticipated to fall 14.2% YOY to SAR 260 Mn in 4Q24. Zakat expense is expected to grow 12.9% YOY to SAR 171 Mn in 4Q24, mainly due to a rise in profitability.

### 2024 forecast

We forecast Alinma's net profit to rise significantly 19.9% YOY to SAR 5,800 Mn in 2024. The growth in net profit is mainly driven by an expected rise in net funded and non-funded income, coupled with a decline in impairment partially offset by an estimated growth in operating expenses and higher zakat expenses. Funded income is expected to rise 22.0% YOY to SAR 16,141 Mn in 2024 as we expect strong growth in net advances. Funded expense is expected to rise from SAR 5,573 Mn in 2023 to SAR 7,562 Mn in 2024 due to a hike in benchmark rates. Thus, net funded income is anticipated to grow 12.1% YOY to SAR 8,578 Mn in 2024. The fees and commission income is anticipated to rise 11.0% YOY to SAR 1,619 Mn in 2024. Trading gains are projected to increase 8.0% YOY to SAR 357 Mn in 2024, while the other non-funded income is estimated to rise from SAR 282 Mn in 2023 to SAR 350 Mn in 2024. Thus, non-funded income is expected to grow 12.3% YOY to SAR 2,327 Mn in 2024. Consequently, total operating income is estimated to grow 12.1% YOY to SAR 10,905 Mn in 2024. Operating expenses are anticipated to rise 10.7% YOY to SAR 3,370 Mn in 2024. Impairment expense is expected to decline 16.9% YOY to SAR 1,058 Mn in 2024. Zakat expense is expected to grow 19.7% YOY to SAR 666 Mn in 2024 due to higher profitability.

### 3Q24 outturn

Funded income rose 19.1% YOY to SAR 4,188 Mn in 3Q24, primarily due to an increase in net advances and other interest-earnings assets. Funded expenses grew substantially from SAR 1,509 Mn in 3Q23 to SAR 1,967 Mn in 3Q24 due to an increase in the cost of funds driven by high benchmark rates. Thus, net funded income rose 10.7% YOY to SAR 2,220 Mn in 3Q24. Fees and commission income declined marginally 1.4% YOY to SAR 402 Mn in 3Q24, whereas trading gains rose 25.1% YOY to SAR 93 Mn. Moreover, other non-funded income almost doubled from SAR 53 Mn in 3Q23 to SAR 101 Mn in 3Q24. Thus, the Bank's non-funded income grew 11.3% YOY to SAR 595 Mn in 3Q24. Resultantly, total operating income grew 10.8% YOY to SAR 2,815 Mn in 3Q24. Furthermore, total operating expenses rose 11.4% YOY to SAR 852 Mn in 3Q24 mainly due to an increase in employee-related costs and G&A expenses. However, the cost-to-income ratio improved 15 bps YOY to 30.3%

in 3Q24, while the company expects it to remain below 31% in 2024. Besides, impairment charges declined significantly 29.7% YOY to SAR 212 Mn in 3Q24. In addition, zakat expenses rose 18.7% YOY to SAR 181 Mn in 3Q24, in line with the rise in profitability.

### Target price and recommendation

We maintain our BUY rating on Alinma Bank with an unchanged target price of SAR 37.00. The Bank reported an increase in profitability driven by a healthy growth in core and non-core income. ALINMA's gross financing grew 15.1% YOY to SAR 199.7 Bn in 3Q24 mainly driven by 16.8% YOY growth in corporate financing to SAR 150.7 Bn and 14.3% YOY growth in retail financing to SAR 47.4 Bn. Strong growth in gross financing is attributable to a substantial rise in mid-corporate and SME financing. Furthermore, the Bank estimates its advances portfolio to record high-teens growth in 2024. Impairments declined 29.7% YOY in 3Q24 resulting in a fall in cost of risk to 0.43% in 3Q24 from 0.71% in 3Q23. CASA deposits improved to 51.4% of the Bank's total deposits in 3Q24 compared to 50.6% in 2Q24. The Bank revised its expected change in NIMs guidance range from negative 5 bps – positive 5 bps in 2Q24 to negative 10 bps – 0 bps in 3Q24, attributable to declining rates coupled with improving margins. Additionally, the Bank lowered its cost of risk guidance from 60-70 bps to 50-60 bps due to the improving economic environment. Furthermore, asset quality remained stable as the NPL ratio stood unchanged at 0.8% in 3Q24 compared to 2Q24, while provision coverage increased from 240.1% in 2Q24 to 245.2% in 3Q24. ALINMA maintained a healthy capitalization, with a CAR of 18.2% & Tier 1 capital ratio of 17.0% in 3Q24. Furthermore, the Bank announced a cash dividend of SAR 0.30 per share amounting to SAR 746 Mn for 3Q24. Thus, based on the above-mentioned factors, we assign a BUY rating on the stock.

#### Alinma - Relative valuation

(At CMP)	2019	2020	2021	2022	2023	2024F
P/E (x)	29.44	37.96	27.54	20.73	15.42	13.54
P/B (x)	4.28	3.05	3.00	2.88	2.54	2.30
Dividend Yield	NM	0.8%	2.0%	2.5%	2.3%	3.6%

FABS Estimates & Co Data

#### Alinma Bank- P&L

SAR mm	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Funded income	3,754	4,188	4,193	11.7%	0.1%	13,228	16,141	22.0%
Funded expense	-1,700	-1,967	-1,997	17.5%	1.5%	-5,573	-7,562	35.7%
<b>Net funded income</b>	<b>2,054</b>	<b>2,220</b>	<b>2,196</b>	<b>6.9%</b>	<b>-1.1%</b>	<b>7,655</b>	<b>8,578</b>	<b>12.1%</b>
Fees and commissions	359	402	419	16.9%	4.5%	1,459	1,619	11.0%
Trading gain/(loss)	79	93	84	6.5%	-9.0%	330	357	8.0%
Other non-funded income	76	101	80	4.9%	-20.4%	282	350	24.3%
<b>Non-funded income</b>	<b>515</b>	<b>595</b>	<b>584</b>	<b>13.5%</b>	<b>-1.9%</b>	<b>2,071</b>	<b>2,327</b>	<b>12.3%</b>
<b>Operating income</b>	<b>2,569</b>	<b>2,815</b>	<b>2,780</b>	<b>8.2%</b>	<b>-1.3%</b>	<b>9,726</b>	<b>10,905</b>	<b>12.1%</b>
Operating expenses	-774	-852	-850	9.9%	-0.3%	-3,044	-3,370	10.7%
<b>Pre-provision profit</b>	<b>1,795</b>	<b>1,963</b>	<b>1,929</b>	<b>7.5%</b>	<b>-1.7%</b>	<b>6,682</b>	<b>7,535</b>	<b>12.8%</b>
Impairment	-303	-212	-260	-14.2%	23.0%	-1,272	-1,058	-16.9%
Impair on other financial assets	21	-3	0	-100.0%	-100.0%	27	2	NM
Share of profit of assoc	1	-2	0	NM	NM	12	-8	NM
<b>Net profit before zakat</b>	<b>1,472</b>	<b>1,752</b>	<b>1,669</b>	<b>13.4%</b>	<b>-4.7%</b>	<b>5,396</b>	<b>6,467</b>	<b>19.9%</b>
Zakat	-152	-181	-171	12.9%	-5.1%	-556	-666	19.7%
<b>Net profit attributable</b>	<b>1,320</b>	<b>1,571</b>	<b>1,498</b>	<b>13.4%</b>	<b>-4.7%</b>	<b>4,839</b>	<b>5,800</b>	<b>19.9%</b>

FABS estimate & Co Data

**Alinma Bank - KPI**

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Net FI/OI	80.0%	78.9%	79.0%	-98	13	78.7%	78.7%	-4
NIM	3.6%	3.5%	3.3%	-27	-14	3.6%	3.4%	-15
NIS	3.0%	2.9%	2.7%	-33	-16	3.1%	2.8%	-24
Fees & comms/OI	14.0%	14.3%	15.1%	112	83	15.0%	14.9%	-15
Trading/OI	3.1%	3.3%	3.0%	-5	-26	3.4%	3.3%	-12
Cost to income	30.1%	30.3%	30.6%	48	31	31.3%	30.9%	-39
Impairment/PPP	16.9%	10.8%	13.5%	-341	270	19.0%	14.0%	-500
NP/OI	51.4%	55.8%	53.9%	248	-194	49.8%	53.2%	343
Cost of risk (calculated)	0.7%	0.4%	0.5%	-18	8	0.8%	0.6%	-22
Loan-to-deposit	92.4%	93.7%	94.7%	232	106	94.8%	96.5%	174
NPL (calculated)	1.6%	0.8%	0.8%	-81	2	1.6%	0.8%	-81
NPL Coverage	154.9%	245.2%	230.0%	7510	-1523	154.9%	230.0%	NM
Tier 1	16.3%	17.0%	17.3%	97	32	16.3%	17.3%	97
Capital adequacy	17.5%	18.2%	18.5%	101	33	17.5%	18.5%	101
ROAE	16.8%	17.4%	17.7%	92	30	17.7%	18.9%	118
ROAA	2.2%	2.3%	2.3%	5	1	2.2%	2.3%	5

FABS estimate & Co Data

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

SAR mm	4Q23	1Q24	2Q24	3Q24	4Q24F	YOY Ch
Net advances	173,624	180,702	189,912	195,895	202,745	16.8%
QOQ change	2.7%	4.1%	5.1%	3.2%	3.5%	
Total assets	236,715	244,859	260,138	266,983	276,030	16.6%
QOQ change	1.8%	3.4%	6.2%	2.6%	3.4%	
Customer deposits	187,901	188,988	205,357	209,140	214,037	13.9%
QOQ change	4.3%	0.6%	8.7%	1.8%	2.3%	
Total equity	34,334	39,348	40,037	41,158	41,251	20.1%
QOQ change	2.6%	14.6%	1.8%	2.8%	0.2%	

FABS estimate & Co Data

## 4Q24 preview: Al Bilad Bank

Improving asset quality to boost profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 39.20	SAR 38.00	-3.06%	HOLD

### 4Q24 Estimate

Bank Albilad's (ALBI/ the Bank) net profit is expected to rise 14.8% YOY to SAR 697 Mn in 4Q24 mainly driven by an anticipated increase in net funded income partially offset by an estimated decline in non-funded income coupled with rise in operating expenses, impairments, and zakat expenses. ALBI's funded income is forecasted to grow 10.7% YOY to SAR 2,248 Mn in 4Q24, driven by a rise in net advances. The Bank's funded expenses are anticipated to increase 3.4% YOY to SAR 1,061 Mn in 4Q24, due to high cost of funds. Thus, net funded income is likely to grow 18.1% YOY to SAR 1,187 Mn in 4Q24. The Bank's exchange income is expected to fall 42.4% YOY to SAR 67 Mn in 4Q24. Fees and commission income is projected to decline marginally 1.3% YOY to SAR 158 Mn and other non-funded income is forecasted to increase from SAR 56 Mn in 4Q23 to SAR 84 Mn in 4Q24. Thus, total non-funded income is forecasted to decline 7.0% YOY to SAR 310 Mn in 4Q24. The Bank's total expenses are expected to grow 4.1% YOY to SAR 639 Mn in 4Q24 mainly attributed to an increase in salaries and other G&A expenses. The cost-to-income ratio is anticipated to decline 320 bps YOY to 42.7% in 4Q24. Further, the Bank's impairments are forecasted to increase substantially from SAR 47 Mn in 4Q23 to SAR 81 Mn in 4Q24. In addition, Zakat expenses are estimated to increase 14.8% YOY to SAR 80 Mn in 4Q24.

### 2024 Forecast

ALBI's net profit is estimated to increase 14.5% YOY to SAR 2,713 Mn in 2024 driven by a healthy growth expected in net funded and non-funded income coupled with a decline in impairment charge, partially offset by a rise in operating expenses and zakat expense. ALBI's funded income is anticipated to rise 14.2% YOY to SAR 8,617 Mn in 2024 mainly driven by projected growth in net advances coupled with higher asset yield. On the other hand, the funded expense is forecasted to increase from SAR 3,434 Mn in 2023 to SAR 4,141 Mn in 2024 owing to an expected rise in the cost of funds and customer deposits. Thus, net funded income is estimated to grow 8.9% YOY to SAR 4,476 Mn in 2024. Fee and commission income is projected to rise 5.0% YOY to SAR 652 Mn in 2024. The Bank's exchange income is expected to decline 20.0% YOY to SAR 279 Mn in 2024, while other non-funded income is anticipated to rise significantly 27.4% YOY to SAR 285 Mn. Thus, total non-funded income is forecasted to rise 1.9% YOY to SAR 1,216 Mn in 2024. Resultantly, total operating income is likely to increase 7.3% YOY to SAR 5,691 Mn in 2024. Moreover, operating expenses are expected to grow 2.6% YOY to SAR 2,398 Mn in 2024. The cost-to-income ratio is predicted to improve 195 bps YOY to 42.1% in 2024. Additionally, impairments are anticipated to fall 17.1% YOY to SAR 268 Mn in 2024. Zakat expenses are expected to increase 14.5% YOY to SAR 312 Mn in 2024 owing to an increase in profit.

### 3Q24 Outturn

ALBI's funded income grew 11.6% YOY to SAR 2,205 Mn in 3Q24, driven by growth in advances. On the other hand, funded expenses grew 13.2% YOY to SAR 1,045 Mn in 3Q24. Thus, net funded income grew 10.2% YOY to SAR 1,160 Mn in 3Q24. Total non-funded income grew marginally 0.9% YOY to SAR 287 Mn in 3Q24, primarily due to a rise in exchange income, net fee and commission income, and other non-funded income partially offset by a decline in dividend income and net gain on FVIS instruments. Thus, the Bank's total operating income rose 8.3% YOY to SAR 1,446 Mn in 3Q24. Furthermore, the Bank's operating expenses rose 5.7% YOY to SAR 609 Mn in 3Q24 mainly due to the increase in salaries and employee-related expenses partially offset by a decline in D&A and other G&A expenses. However, the Bank's cost-to-income ratio declined 102 bps YOY to 42.1% in 3Q24. Impairment charge for expected credit losses declined 26.0% YOY to SAR 54 Mn in 3Q24.

due to improvements in asset quality and favourable portfolio mix. Zakat expenses grew 14.0% YOY to SAR 81 Mn in 3Q24 in line with growth in profitability.

### Target price and recommendation

We maintain our rating of HOLD on the ALBI stock with a revised target price of SAR 38.0. ALBI reported growth in profitability primarily due to an increase in total operating income coupled with a decline in net impairment charge for expected credit loss partially offset by a rise in operating expenses in 3Q24. The Bank's cost-to-income ratio improved from 43.1% in 3Q23 to 42.1% in 3Q24 mainly attributable to the decline in D&A and G&A charges. ALBI's asset quality improved in 3Q24 supported by a favorable portfolio mix resulting in lower impairment charges and boosted profitability. Total assets grew 11.7% YOY and 5.8% QOQ to SAR 153.7 Bn in 3Q24 owing to growth in advances and investments. Net advances grew 5.0% YOY and 2.3% QOQ to SAR 106.7 Bn in 3Q24. The Bank's investment portfolio grew 6.6% YOY and 0.5% QOQ to SAR 23.0 Bn in 3Q24. The Bank also paid a dividend of SAR 0.5 for 1H24, equivalent to SAR 625 Mn. Furthermore, ALBI's customer deposits grew 12.3% YOY and 6.8% QOQ to SAR 122.3 Bn in 3Q24. Loan-to-deposit ratio declined from 91.1% in 2Q24 to 87.2% in 3Q24. Asset quality marginally improved from 1.26% in 2Q24 to 1.25% in 3Q24 with a strong coverage ratio of 203.0% in 3Q24. Robust coverage ratio provides a cushion to the profit against future loan losses. Meanwhile, the Bank Stage 2 assets declined from SAR 11.9 Bn in 2Q24 to SAR 10.3 Bn in 3Q24 due to improvement in recoveries. The Bank continued to preserve capital to maintain growth with CET 1 and CAR ratios of 14.6% and 18.5%, respectively in 3Q24. Thus, based on our analysis, we assign a HOLD rating on the stock.

#### Bank Al Bilad - Relative valuation

(At CMP)	2019	2020	2021	2022	2023	2024F
PE	38.39	35.41	28.31	22.94	20.16	17.60
PB	5.07	4.45	3.99	3.70	3.13	2.78
Dividend Yield	1.4%	NA	NA	1.0%	1.0%	2.6%

FABS Estimates & Co Data

#### Bank Al Bilad - P&L

SAR mm	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	YOY Ch
Income from invest & fin.	2,031	2,205	2,248	10.7%	2.0%	7,544	8,617	14.2%
Return on deposits & fin. liab.	-1,027	-1,045	-1,061	3.4%	1.6%	-3,434	-4,141	20.6%
<b>Net funded income</b>	<b>1,004</b>	<b>1,160</b>	<b>1,187</b>	<b>18.1%</b>	<b>2.3%</b>	<b>4,110</b>	<b>4,476</b>	<b>8.9%</b>
Fees and commissions	160	182	158	-1.3%	-13.1%	621	652	5.0%
Exchange income	117	85	67	-42.4%	-20.8%	348	279	-20.0%
Other non-funded income	56	20	84	50.2%	326.3%	224	285	27.4%
<b>Total non-funded income</b>	<b>333</b>	<b>286</b>	<b>310</b>	<b>-7.0%</b>	<b>8.1%</b>	<b>1,193</b>	<b>1,216</b>	<b>1.9%</b>
<b>Total operating income</b>	<b>1,337</b>	<b>1,446</b>	<b>1,496</b>	<b>11.9%</b>	<b>3.4%</b>	<b>5,303</b>	<b>5,691</b>	<b>7.3%</b>
General & admin. Expenses	-614	-609	-639	4.1%	4.8%	-2,338	-2,398	2.6%
<b>Pre provision profit</b>	<b>724</b>	<b>837</b>	<b>857</b>	<b>18.5%</b>	<b>2.4%</b>	<b>2,965</b>	<b>3,293</b>	<b>11.1%</b>
Impairment	-47	-54	-81	72.1%	50.8%	-324	-268	-17.1%
<b>Profit before zakat</b>	<b>677</b>	<b>783</b>	<b>777</b>	<b>14.8%</b>	<b>-0.9%</b>	<b>2,641</b>	<b>3,025</b>	<b>14.5%</b>
Zakat expenses	-70	-81	-80	14.8%	-0.9%	-272	-312	14.5%
<b>Net profit attributable</b>	<b>607</b>	<b>703</b>	<b>697</b>	<b>14.8%</b>	<b>-0.9%</b>	<b>2,369</b>	<b>2,713</b>	<b>14.5%</b>

FABS Estimates & Co Data



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

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Net FI/OI	75.1%	80.2%	79.3%	421	-88	77.5%	78.6%	114
NIM	2.9%	3.2%	3.1%	16	-8	3.1%	3.1%	-3
NIS	2.5%	2.7%	2.6%	13	-13	2.7%	2.6%	-13
Fees & comms/OI	12.0%	12.6%	10.6%	-141	-202	11.7%	11.5%	-25
Other Operating Inc/OI	12.9%	7.2%	10.1%	-279	290	10.8%	9.9%	-88
Cost to income	45.9%	42.1%	42.7%	-320	56	44.1%	42.1%	-195
Impairment/PPP	6.5%	6.4%	9.4%	294	303	10.9%	8.1%	-277
NP/OI	45.4%	48.6%	46.6%	117	-203	44.7%	47.7%	300
Cost of risk	0.2%	0.2%	0.3%	11	9	0.4%	0.3%	-11
Loan-to-deposit	90.5%	87.2%	92.1%	166	492	90.5%	92.1%	166
NPL (calculated)	1.4%	1.2%	1.2%	-14	-2	1.4%	1.2%	-14
Coverage excluding collateral	202.1%	203.0%	204.0%	191	103	202.1%	204.0%	191
CET1	13.9%	14.6%	14.3%	43	-28	13.9%	14.3%	43
Capital Adequacy	17.8%	18.5%	17.9%	9	-62	17.8%	17.9%	9
ROAE	16.8%	17.1%	16.7%	-11	-35	16.8%	16.7%	-11
ROAA	1.7%	1.8%	1.8%	7	1	1.7%	1.8%	7

FABS estimate & Co Data

**Bank Al Bilad-Key BS Items**

	4Q23	1Q24	2Q24	3Q24	4Q24F	Change
SAR mm						
Net advances	1,02,080	1,03,306	1,04,310	1,06,695	1,12,576	10.3%
QOQ Change	0.5%	1.2%	1.0%	2.3%	5.5%	
Total assets	1,43,106	1,43,700	1,45,291	1,53,722	1,56,714	9.5%
QOQ Change	4.0%	0.4%	1.1%	5.8%	1.9%	
Customer deposits	1,12,831	1,13,741	1,14,530	1,22,342	1,22,194	8.3%
QOQ Change	3.6%	0.8%	0.7%	6.8%	-0.1%	
Total equity	15,258	15,701	15,806	16,132	17,193	12.7%
QOQ Change	4.4%	2.9%	0.7%	2.1%	6.6%	

FABS estimate & Co Data

## 4Q24 preview: Al Rajhi Bank

Rising costs weigh on profits despite growth in income streams

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 96.00	SAR 100.00	+4.17%	HOLD

### 4Q24 estimate

Al Rajhi Bank (Al Rajhi/the Bank) net profit is expected to grow 22.8% YOY to SAR 5,122 Mn in 4Q24. The increase is attributed to the anticipated rise in net-funded and non-funded income partially offset by an expected increase in operating expenses, impairments charges, and higher zakat expense. Financing and investment income is expected to grow 11.9% YOY to SAR 11,981 Mn in 4Q24, driven by expected growth in net advances and other interest-earnings assets. Financing and investment expenses are anticipated to increase 6.1% YOY to SAR 5,469 Mn in 4Q24 due to a rise in customer deposits and high benchmark rates. Thus, net financing and investment income are forecasted to grow 17.3% YOY to SAR 6,511 Mn in 4Q24. Net fees from banking services is anticipated to increase 30.2% YOY to SAR 1,286 Mn while net exchange income is estimated to increase by 5.9% YOY to SAR 341 Mn in 4Q24. Moreover, other operating income is projected to rise substantially from SAR 192 Mn in 4Q23 to SAR 458 Mn in 4Q24. Thus, total non-funded income is expected to increase 38.8% YOY to SAR 2,085 Mn in 4Q24. Al Rajhi's operating income is likely to rise 21.9% YOY to SAR 8,596 Mn in 4Q24. Depreciation and amortization charges are estimated to increase 13.6% YOY to SAR 499 Mn in 4Q24. Salaries and employee-related expenses are likely to rise 13.2% YOY to SAR 1,002 Mn in 4Q24. Other G&A Expenses are expected to remain at the same level as 4Q23 at SAR 673 Mn in 4Q24. As a result, total operating expenses are anticipated to increase 8.9% YOY to SAR 2,175 Mn in 4Q24. Impairment charges are expected to grow significantly from SAR 406 Mn in 4Q23 to SAR 683 Mn in 4Q24. Additionally, the zakat expense is predicted to grow 27.9% YOY to SAR 610 Mn in 4Q24.

### 2024 forecast

Al Rajhi Bank is expected to report a 16.3% YOY growth in net profit to SAR 19,328 Mn in 2024, 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 expense. Financing and investment income is expected to increase 19.2% YOY to SAR 46,171 Mn in 2024, driven by expected growth in net advances and expansion in asset yield. However, financing and investment expenses are expected to increase 24.6% YOY to SAR 21,758 Mn in 2024. Resultantly, net financing and investment income is anticipated to grow 14.8% YOY to SAR 24,413 Mn in 2024. Total non-funded income is likely to increase 19.6% YOY to SAR 7,488 Mn in 2024 primarily due to an expected increase in fee income, exchange income, and other operating income. Thus, net operating income is anticipated to grow 15.9% YOY to SAR 31,901 Mn in 2024. Total operating expenses are anticipated to grow 8.0% YOY to SAR 8,096 Mn in 2024. Impairment charges are expected to increase from SAR 1,504 Mn in 2023 to SAR 2,247 Mn in 2024. Zakat expense is anticipated to increase 16.4% YOY to SAR 2,220 Mn in 2024 due to growth in profitability.

### 3Q24 outturn

ALRAJHI's funded income rose 21.9% YOY to SAR 12,150 Mn in 3Q24 driven by a healthy growth in net advances and increase in asset yield. On the other hand, funded expenses increased significantly 25.9% YOY to SAR 5,753 Mn in 3Q24 primarily due to a rise in the cost of funds. Thus, ALRAJHI's net funded income grew 18.5% YOY to SAR 6,397 Mn in 3Q24. Net fees from banking services increased 38.2% YOY to SAR 1,242 Mn in 3Q24 due to the management's efforts to boost the fee income, while exchange income grew marginally 1.8% YOY to SAR 342 Mn in 3Q24. Furthermore, the Bank's other operating income almost doubled to SAR 457 Mn in 3Q24 from SAR 237 Mn in 3Q23. Thus, the Bank's total non-funded income rose significantly 38.7% YOY to SAR 2,042 Mn in 3Q24. ALRAJHI's total operating income expanded 22.8% YOY to SAR 8,439 Mn in 3Q24. Salaries &

employee-related expenses rose 9.0% YOY to SAR 961 Mn in 3Q24, whereas other general and administrative expenses grew 4.8% YOY to SAR 612 Mn in 3Q24. Additionally, depreciation and amortization expenses grew 26.1% YOY to SAR 497 Mn in 3Q24. Resultantly, the Bank's total operating expenses increased 23.2% YOY to SAR 2,758 Mn in 3Q24. However, the cost-to-income ratio improved to 24.5% in 3Q24 from 27.1% in 3Q23. The Bank's impairment charges increased significantly from SAR 379 Mn in 3Q23 to SAR 688 Mn in 3Q24 due to an increase in gross charge and rise in write-offs. Additionally, the Bank zakat expenses rose 20.1% to SAR 574 Mn in 3Q24. Share of profit attributable to non-controlling interest holders stood at SAR 4 Mn in 3Q24.

### Target price and recommendation

We maintain our HOLD rating on ALRAJHI with a revised target price of SAR 100.00. ALRAJHI witnessed strong growth in profitability driven by a substantial rise in funded and non-funded income in 3Q24. The Bank's net advances rose 9.9% YOY to SAR 649.0 Bn in 3Q24, owing to strong growth in retail, corporate, and SME financing. The Bank revised its 2024 loan guidance from high-single-digit to low-teens owing to strong growth in 9M24. On the other hand, customer deposits increased 10.0% YOY to SAR 622.6 Bn but remained flat on QOQ basis. Meanwhile, CASA deposits represented a significant proportion of total deposits at 72.2% in 3Q24. Hence, ALRAJHI's headline loan-to-deposit ratio increased from 99.9% in 2Q24 to 104.2% in 3Q24. The Bank's reported NIMs improved 13 bps QOQ to 3.17% in 3Q24 benefiting the profitability. The Bank further expects its NIMs to grow by 10-20 bps in 2024. ALRAJHI is expected to witness slower repricing in the declining interest rate scenario as the Bank's major financing comprises a retail portfolio. Furthermore, the Bank's cost-to-income declined 253 bps YOY and 109 bps QOQ to 24.5% in 3Q24, indicating the Bank's ability to control costs effectively. ALRAJHI's asset quality remained stable as the NPL ratio remained unchanged at 0.8% in 3Q24 compared to 2Q24 while provision coverage moderated from 168.1% in 2Q24 to 165.2% in 3Q24 providing a solid buffer against loan losses in the forthcoming period. Additionally, the Bank plans to enhance its product penetration and acquire new customer segments by investing in digitization & automation. Besides, capitalization remained strong with a Tier 1 ratio of 19.7% and CAR of 20.7% in 3Q24. Thus, based on our analysis, we assign a HOLD rating on the stock.

#### Al Rajhi Bank - Relative valuation

(At CMP)	2019	2020	2021	2022	2023	2024F
P/E (x)	38.08	36.51	26.23	22.81	24.48	21.24
P/B (x)	8.15	6.66	5.75	4.91	4.29	4.12
Dividend yield	1.9%	0.6%	0.9%	1.3%	2.4%	2.7%

FABS Estimates & Co Data

**Al Rajhi Bank - P&L**

SAR mm	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Funded income	10,704	12,150	11,981	11.9%	-1.4%	38,738	46,171	19.2%
Funded expense	-5,155	-5,753	-5,469	6.1%	-4.9%	-17,468	-21,758	24.6%
<b>Net Funded Income</b>	<b>5,550</b>	<b>6,397</b>	<b>6,511</b>	<b>17.3%</b>	<b>1.8%</b>	<b>21,269</b>	<b>24,413</b>	<b>14.8%</b>
Fees from banking services	988	1,242	1,286	30.2%	3.5%	4,226	4,690	11.0%
Exchange income, net	322	342	341	5.9%	-0.4%	1,246	1,296	4.0%
Other operating income	192	457	458	139.0%	0.1%	790	1,501	90.0%
<b>Total non-funded Income</b>	<b>1,501</b>	<b>2,042</b>	<b>2,085</b>	<b>38.8%</b>	<b>2.1%</b>	<b>6,262</b>	<b>7,488</b>	<b>19.6%</b>
<b>Total Operating Income</b>	<b>7,051</b>	<b>8,439</b>	<b>8,596</b>	<b>21.9%</b>	<b>1.9%</b>	<b>27,531</b>	<b>31,901</b>	<b>15.9%</b>
Salaries & employee benefits	-885	-961	-1,002	13.2%	4.3%	-3,525	-3,781	7.3%
Rent and premises related exp	-673	-612	-673	0.1%	10.1%	-2,395	-2,395	0.0%
Other G&A expenses	-439	-497	-499	13.6%	0.4%	-1,578	-1,920	21.7%
Depreciation and amortization	-1,998	-2,070	-2,175	8.9%	5.1%	-7,498	-8,096	8.0%
<b>Total operating Expenses</b>	<b>5,053</b>	<b>6,369</b>	<b>6,421</b>	<b>27.1%</b>	<b>0.8%</b>	<b>20,033</b>	<b>23,805</b>	<b>18.8%</b>
<b>Profit before provisions</b>	<b>-406</b>	<b>-688</b>	<b>-683</b>	<b>68.5%</b>	<b>-0.7%</b>	<b>-1,504</b>	<b>-2,247</b>	<b>49.4%</b>
Impairment charge	-2,403	-2,758	-2,858	18.9%	3.6%	-9,002	-10,343	14.9%
<b>Total Operating Expenses</b>	<b>4,647</b>	<b>5,681</b>	<b>5,737</b>	<b>23.5%</b>	<b>1.0%</b>	<b>18,529</b>	<b>21,558</b>	<b>16.3%</b>
<b>Net income before zakat</b>	<b>-477</b>	<b>-574</b>	<b>-610</b>	<b>27.9%</b>	<b>6.3%</b>	<b>-1,908</b>	<b>-2,220</b>	<b>16.4%</b>
Zakat	0	-4	-6	NM	69.4%	0	-10	NM
<b>Net profit for the year</b>	<b>4,171</b>	<b>5,103</b>	<b>5,122</b>	<b>22.8%</b>	<b>0.4%</b>	<b>16,621</b>	<b>19,328</b>	<b>16.3%</b>

FABS estimate & Co Data

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

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Net FI/OI	78.7%	75.8%	75.7%	-296	-6	77.3%	76.5%	-73
NIM	2.9%	3.0%	2.9%	8	-6	2.8%	2.9%	11
NIS	2.4%	2.5%	2.5%	7	-4	2.4%	2.5%	3
Fees & comms/OI	14.0%	14.7%	15.0%	95	24	15.3%	14.7%	-65
Exchange Income/OI	4.6%	4.1%	4.0%	-60	-9	4.5%	4.1%	-46
Cost to income	28.3%	24.5%	25.3%	-303	77	27.2%	25.4%	-186
Impairment/PPP	-8.0%	-10.8%	-10.6%	-261	16	-7.5%	-9.4%	-193
NP/OI	59.2%	60.5%	59.6%	43	-89	60.4%	60.6%	22
Cost of risk	0.3%	0.4%	0.4%	14	-2	0.3%	0.4%	10
Loan-to-deposit	103.7%	104.2%	106.0%	232	175	103.7%	106.0%	232
NPL (Reported)	0.7%	0.8%	0.8%	8	0	0.7%	0.8%	8
Coverage excluding collateral	203.0%	165.2%	165.0%	-3,803	-18	203.0%	165.0%	-3,803
Tier 1	20.4%	19.7%	20.6%	24	97	20.4%	20.6%	24
Capital Adequacy	21.5%	20.7%	21.6%	12	94	21.5%	21.6%	12
ROAA	2.1%	2.2%	2.2%	11	7	2.1%	2.2%	11
ROAE	18.7%	19.4%	19.1%	40	-27	18.7%	19.1%	40

FABS estimate & Co Data

**Al Rajhi Bank - Key B/S Items**

SAR mm	4Q23	1Q24	2Q24	3Q24	4Q24F	Change
Net advances	594,205	608,990	621,891	649,024	672,399	13.2%
QOQ change	0.6%	2.5%	2.1%	4.4%	3.6%	
Total assets	808,098	835,992	866,960	902,571	929,758	15.1%
QOQ change	0.9%	3.5%	3.7%	4.1%	3.0%	
Customer deposits	573,101	603,978	622,572	622,572	634,339	10.7%
QOQ change	1.3%	5.4%	3.1%	0.0%	1.9%	
Total Equity	106,759	108,272	116,396	117,879	123,332	15.5%
QOQ change	4.4%	1.4%	7.5%	1.3%	4.6%	

FABS estimate & Co Data

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