

Saudi Banking Sector – March 2023

Demand of loan from mega projects coupled with stable COR to drive profitability

Sector Weighting:
MARKET WEIGHT
Preview 1Q2023

Preferred stock

We maintain our MARKET WEIGHT rating on the Saudi banking sector. Saudi Arabia's economy continued to strengthen in 2022. Saudi Arabia's real GDP recorded a healthy growth of 8.7% in 2022, according to the GSTAT estimates. The growth is supported by 15.4% in the oil sector, 5.4% in the non-oil sector, and 2.6% contributed by government activities. It is also supported by an increase in hydrocarbon output, higher energy prices, and the government's efforts to diversify into non-oil sectors such as real estate, hotels, healthcare, and petrochemicals. The KSA's Vision 2030 initiative laid a solid foundation for future economic growth. Additionally, recent PMI data indicates that the non-oil sector is continuing to expand, with the KSA PMI survey data reaching a record high of 59.8 in February 2023 and later easing to 58.7 in March 2023. Although the PMI eased in March 2023 however the new order momentum and business condition still remained strong. The unemployment rate among Saudi citizens dipped from 9.9% in 3Q22 to 8% in 4Q22. The growth in PMI is attributed to the success of policies that have contained inflationary pressures and improved supply chains, resulting in reduced input costs. Saudi Arabia's CPI declined recorded a decline for the second straight month to 2.7% in March 2023. The banking sector is expected to continue to benefit from the country's robust economic growth, with strong profit growth due to lower provisioning and an increase in benchmark rates. Total assets across the KSA banking sector rose 11.2% YOY and 1.4% QOQ to SAR 3.7 Tn whereas, total advances expanded 13.2% on YOY basis to SAR 2.4 Tn in February 2023. While deposits grew at a slower pace 8.2% YOY to SAR 2.3 Tn in February 2023.

Among the Saudi banks in our coverage, we prefer banks with corporate exposure which are –

1) ALINMA: LINMA balance sheet remains sensitive to high-interest rates as NIMs rose 31 bps on YOY basis to 3.47% in 4Q22. The Bank further expects its NIM to rise 35-45 bps in 2023 owing to rising interest rate and strong increase in the CASA deposit. Alinma's CASA ratio stood healthy at 56.8% in 4Q22 bodes favorably for NIMs. The Bank net advances rose 16.0% YOY in 4Q22 and it further expects the advances to grow in the mid-teens in 2023 owing to the new products and offerings for Mid-Corp, SME, and Retail. Alinma also maintained strong capitalization with CAR at 19.8% in 4Q22.

2) BSFR: The Bank is trading at a PB ratio of 1.20x and is expected to generate a dividend yield of 5.1% in our 2023F. The Bank's net advances rose significantly in 4Q22 and is expected to benefit as it has the highest exposure of its loan book to the corporate segment. The corporate segment of the bank is further expected to benefit owing to the Vision 2030 which will provide opportunity to fund a number of large projects going forward. NPL ratio improved from 2.8% in 3Q22 to 2.6% in 4Q22 while provision coverage stood at 116.9% in 4Q22 which will provide bank more buffer going forward. Bank's capitalization also stood strong with a Tier 1 capital ratio of 18.9% and a CAR of 19.9% in 4Q22.

3) RIBL: RIBL NIMs grew 72 bps YOY to 3.3% in 4Q22 and is expected to stay high in a rising interest rate scenario. Around 62.4% of loans belong to the commercial segment whereas the Bank's CASA ratio stood strong at 59.6% in 4Q22 which results in easy and quick repricing of loans in the rising interest rate scenario benefiting the NIMs. It is expected to generate an ROE of 16.2% and 18.8% in 2022 and 2023, respectively. The Bank's Asset quality and capitalization remained strongest with NPL ratio of 1.7% and coverage of 112% in 4Q22.

Key Industry Themes

The IMF lowered the world economic growth forecast from 3.4% in 2022 to 2.8% for 2023. The global economy is struggling to return to pre-2022 growth levels due to the lingering impact of Russia's invasion of Ukraine, the COVID-19 pandemic, and recent financial sector turmoil. The slow income growth and increased unemployment indicate a long path to economic stability, even as central banks raise interest rates. The baseline scenario assumes that recent financial sector turmoil is going to be controlled and will not result in a widespread recession. Commodity prices are likely to fall in 2023 as global demand slows. Governments are expected to steadily withdraw fiscal policy support, and central banks are expected to keep interest rates higher to control inflation and maintain financial stability. However, the GCC countries would be negatively impacted due to an expected decline in energy prices by about 24% in 2023 and a further 5.8% in 2024, while nonfuel commodity prices are estimated to be relatively stable. According to the IMF forecasts, Saudi Arabia is one the leading growing economies with a real GDP growth rate of 8.7% in 2022 owing to higher energy prices, increased hydrocarbon output, and the Saudi government's initiatives to diversify into non-oil sectors such as petrochemicals, healthcare, hotels, and real estate supported growth. The economy is further anticipated to expand 3.7% in 2023. The KSA's Vision 2030 initiative established a solid foundation for future economic growth. Recently released PMI data indicates that the non-oil sector is continuing to expand, with the KSA PMI survey data reaching a record high of 59.8 in February 2023 and later easing to 58.7 in March 2023. Although the PMI eased in March 2023 however the new order momentum and business condition still remained strong. The unemployment rate among Saudi citizens dipped from 9.9% in 3Q22 to 8% in 4Q22. Saudi Arabia's CPI declined recorded a decline for the second straight month to 2.7% in March 2023. The banking sector in Saudi Arabia is projected to continue to benefit from the country's strong economic growth. The banking sector in Saudi Arabia experienced strong profit growth, supported by a rise in benchmark rates and lower provisioning. The aggregate profit of KSA banks rose 13.3% YOY to SAR 11.6 Bn in the first two months of 2023 maintaining its previous year momentum. Advances in the KSA banking system rose to SAR 2.4 Tn in February 2023 recording a strong growth of 13.2% YOY while the overall banking assets rose 11.2% YOY and 1.4% MOM to SAR 3.66 Tn. On the other hand, deposits grew 8.2% YOY and 1.2% MOM to SAR 2.3 Tn in February 2023. Total time and saving deposits of the KSA banking system rose 35.9% YOY to SAR 664 Bn in February 2023. Similarly, Quasi Money deposits rose 18.1% YOY to SAR 328 Bn in February 2023 driven by strong growth in government entities deposits which grew 29.6% YOY to SAR 153 Bn and foreign currency deposits inclined 24.6% to 274 Bn. CASA deposits declined 3.8% YOY to SAR 1.3 Tn in February 2023 making up 56.9% of the total deposit.

Saudi Arabia witnessed significant economic growth and investments, leading to a strong rise in lending, surpassing deposits' growth in 2022. This trend is further expected to continue, mainly due to continued credit growth, and higher interest rates resulting in the migration of current and savings accounts towards term deposits. Systems net advances of the Saudi's private sector rose 11.0% YOY to SAR 2.32 Tn in February 2023 mainly due to demand in personal loans and real estate activities. Four out of seven banks recorded the double-digit growth in advances in 4Q22 with Al Rajhi recording the highest growth rate followed by Saudi National Bank and Riyadh Bank. Furthermore, systems deposits grew 9.4% YOY to SAR 2.30 Tn in February 2023. As a result, Saudi's regulatory loan to deposits ratio stood at 82.98% in February 2023 below the regulatory limit of 90% which provides some room for more credit expansion. In addition, the KSA banking systems' asset quality remained stable with an NPL ratio of 1.8% in 4Q22 as compared to the previous quarter. The banks' capitalization also remained healthy with CAR of 19.9% and Tier 1 capital ratio of 18.4% in 4Q22.

The Federal Reserve raised the interest rates by 25 bps in March 2023, signalling the end of rate increase and expressing caution on the recent banking crisis. The rate was raised by 25 bps to 4.75%-5.00% in March 2023, mirroring the February hike and pushing borrowing costs to their highest levels since 2007 as inflation remains elevated in the US. This is the ninth-rate hike since March 2022, the fed further stated that future hikes are not guaranteed and will be primarily determined by incoming economic data points. Since the KSA's currency is tied to the US dollar, the SAMA closely monitors the Fed's monetary policies. SAMA also increased the interest rate by 25 bps to 5.5% in March 2023. KSA banks positively benefit from interest rate hike due to the positive interest rate sensitivity gap.

However, due to slower growth in deposits, the margins of some KSA banks are expected to remain under pressure owing to the higher cost of funds.

Fuel Finance, a microfinance firm received licence from the Saudi Central Bank

Fuel Finance Company, which specializes in consumer microfinance, was granted a licence by the Saudi Central Bank (SAMA). According to the SAMA, this is part of the central bank's role in enhancing and enabling the finance sector by facilitating the introduction of new financial activities. Moreover, the step will attract a new group of investors and mid-cap companies, which will add value to the sector. The contributions will ensure investor and company efficiency by ensuring full adherence to SAMA regulatory requirements related to corporate governance, risk management, compliance, and consumer protection.

Saudi Arabia installed its plan to acquire an Egyptian bank

Last year, Saudi Arabia, Abu Dhabi, and Qatar all offered large investments to assist Cairo in strengthening its finances. However, due to a disagreement with Egyptian authorities over its valuation, Saudi Arabia recently halted a plan by its sovereign wealth fund to acquire the United Bank of Egypt. The halt is the most recent setback in the vast investment program promised by Gulf states following Russia's invasion of Ukraine, which caused foreign investors to withdraw more than USD 20 Bn from Egyptian markets, causing the Egyptian economy to collapse. The two parties were also unable to reach an agreement on how to value the government-owned lender as a result of the Egyptian Pound's depreciation.

Saudi National Bank's investment in Credit Suisse has no impact on its growth and profitability

According to a statement, Saudi National Bank's (SNB) investment in Credit Suisse will have no impact on the bank's 2023 guidance, growth plans, and profitability. SNB acquired 9.88% stake in Credit Suisse worth around SAR 5.5 Bn as a financial investment allocation in November 2022. The investment was made a part of the capital raising exercise by Credit Suisse. SNB's stake in Credit Suisse accounted for around 1.7% of its investment portfolio and less than 0.5% of SNB's total assets of SAR 945 Bn (USD 252 Bn) as of December 2022. The potential impact on the bank's capital adequacy ratio is approximately 35 basis points, compared to 15 basis points as of December 2022, with no impact on the Bank's profitability.

Saudi PIF-owned SRC purchased real estate loans portfolio worth SAR 5 Bn from Al Rajhi Bank

The Saudi Real Estate Refinance Co. (SRC), owned by Saudi Arabia's Public Investment Fund, purchased a portfolio of real estate loans worth more than SAR 5 Bn (USD 1.3 Bn) from Al Rajhi Bank. The transaction is the largest in the Saudi banking industry, and aims to boost the growth of the residential real estate finance sector as well as to build a stable secondary real estate market in the country. SRC offers the liquidity, capital management, and balance sheet de-risking solutions through such agreements to improve real estate financiers' and originators' financing capacity, thus increasing home ownership in the country. The move is part of SRC's strategic partnerships with leading financiers and originators to establish a strong secondary mortgage market and increase citizens' access to affordable and flexible home financing solutions in accordance with Vision 2030 goals.

GCC banks no or limited risks from SVB, Signature Bank, and Credit Suisse

UAE and other GCC banks have limited exposure to the troubled banks in US and Europe. As a result, the GCC banks will be able to manage contagion risk from the collapse of the US-based Silicon Valley Bank (SVB), Signature Bank, and Credit Suisse. The bulk of GCC banks' lending activity in the US is restricted, with the majority of their assets in high-credit quality instruments or with the US Federal Reserve Bank. According to S&P, five of the 19 banks it assesses in the region have only 5% of their assets in the US, while four have more than 5% of their obligations to counterparties in the US. The US holdings of GCC banks have contributed to unrealized losses, although the overall total value appears manageable. The probability of GCC banks having to liquidate a significant amount of

investment securities appears limited. These banks are also supported by their governments, who have a proven track record of supporting their banking systems during times of duress.

Target price and rating

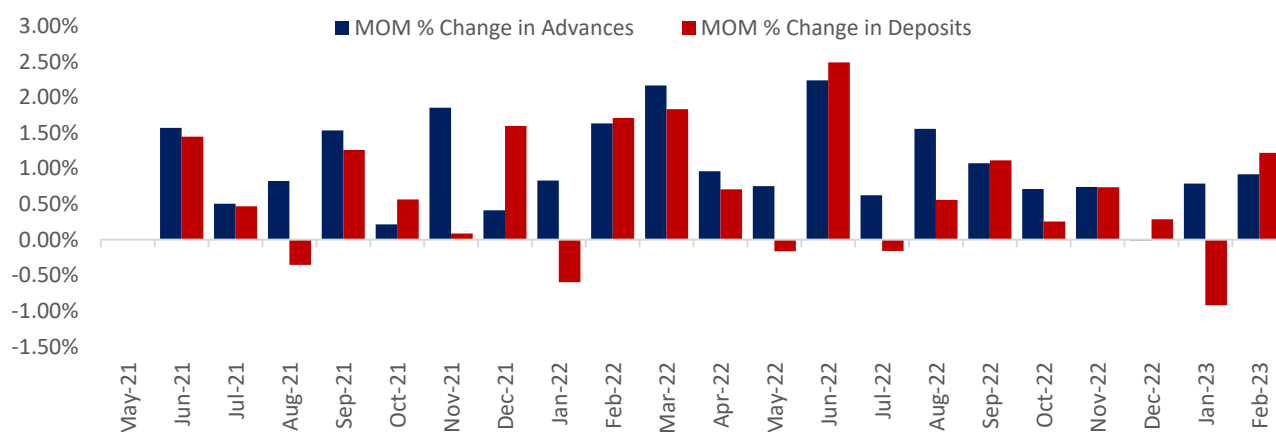
(SAR)	TP	CMP	Gain/(-loss)	Rating
RJHI	85.00	76.50	11.11%	ACCUMULATE
ALBI	45.00	41.70	7.9%	HOLD
RIBL	40.00	30.90	29.44%	BUY
ALINMA	40.00	32.05	24.80%	BUY
SNB	68.00	50.40	34.92%	BUY
ARNB	30.00	27.10	10.7%	ACCUMULATE
BSFR	51.00	39.40	29.44%	BUY

FABS Estimate

KSA Banking Liquidity

Credit Growth in KSA Banking system further rose 13.2% YOY and 0.9% on MOM basis to SAR 2.39 Tn in February 2023 whereas, deposits rose only by 9.4% YOY and 1.2% on MOM basis to SAR 2.30 Tn in February 2023. As a result, the advances to deposits ratio (ADR) grew 461 bps YOY to 103.8% in February 2023. Overall, the banking sector recorded a considerable increase in advances, primarily as a result of the economy's continuous expansion and diversification from the oil sector, which is further supported by Vision 2030 plans. The KSA banking industry also experienced solid growth in all kinds of credit, with a substantial rebound in lending to the private sector. All KSA banks under our coverage registered a solid growth in advances in 4Q22 with Al Rajhi recording the highest growth of 25.5% YOY to SAR 568 Bn in 4Q11, followed by Saudi National Bank which grew from SAR 536 Bn in 3Q22 to SAR 54 Bn in 4Q22. However, deposits increased at a slower rate than advances, creating a liquidity pressure in the KSA banking sector. The broader (M3) money supply only rose 7.4% YOY to SAR 2.50 Tn in February 2023 pressurizing the liquidity concern in the banking system. As the Kingdom's currency is pegged to the US Dollar, KSA banks closely follow the US policy rates. The Federal Reserve raised the interest rates by 25 bps in March 2023, signalling the end of rate increase and expressing caution on the recent banking crisis. The rate was raised by 25 bps to 4.75%-5.00% in March 2023, mirroring the February hike and pushing borrowing costs to their highest levels since 2007 as inflation remained elevated in the US.

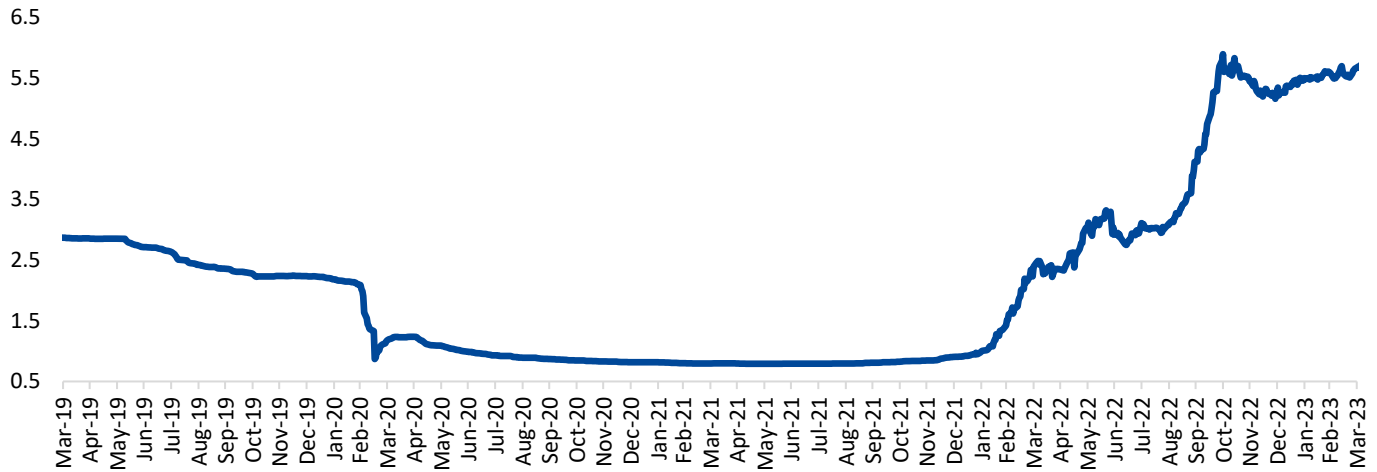
Monthly change in KSA banking system Advances and Deposits



Source: FABS from SAMA data

Resultantly this further created a liquidity crunch in the KSA banking system which made the 3-month SAIBOR rates to rise unabated by 5416 bps on a YTD basis to 5.75% as of 13 April 2023. In addition, the industry's loan-to-deposit ratio of 103.8% proves to be higher than anticipated, and it represents some pressure on banks to increase their liquidity by growing deposits in order to reap the advantages of economic growth. The KSA Banks are also anticipating liquidity issues, and almost all banks are implementing capitalization of retained earnings, issuance of Tier I capital, and tailored solutions to accommodate changing market dynamics and future economic needs. Resultantly, an increase in such Tier I capital issuance has been observed across KSA banks in order to strengthen the core equity base and meet financial and strategic needs.

3-Month SAIBOR (%) March 2019 – Mar 2023



Source: Bloomberg

Source: FABS from SAMA data

Contents

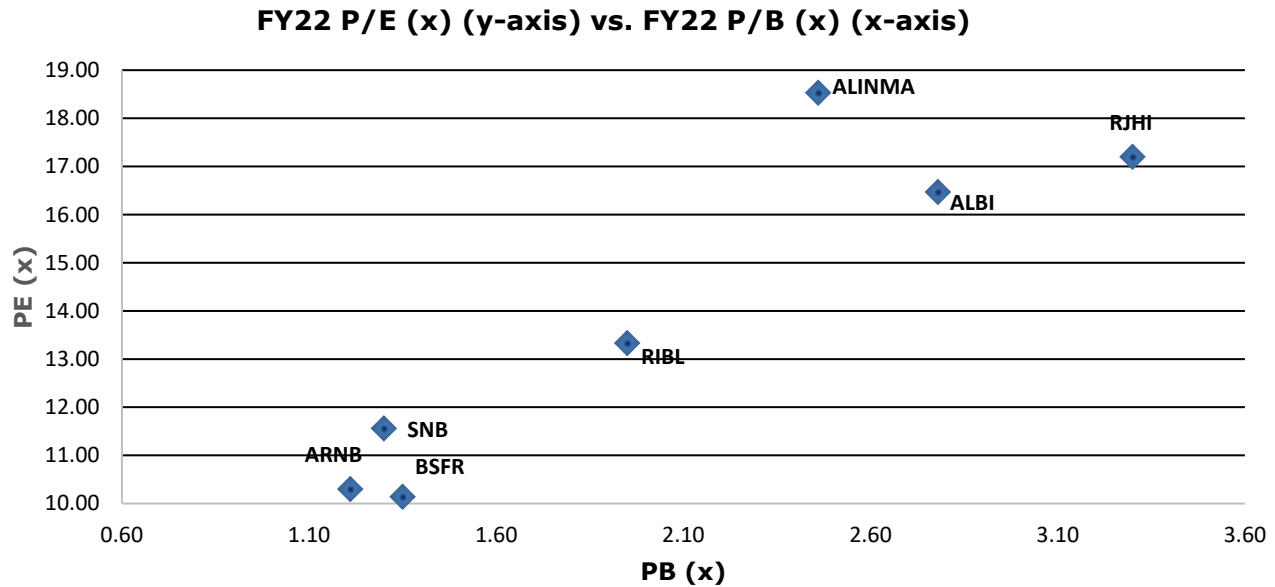
Relative valuation and rating	7
Banking indicators	8
Banking Stock performance	14
1Q23 preview: Saudi National Bank	15
1Q23 preview: Banque Saudi Fransi	18
1Q23 preview: Riyadh Bank	21
1Q23 preview: Arab National Bank	24
1Q23 preview: Alinma Bank	27
1Q23 preview: Al Bilad Bank	30
1Q23 preview: Al Rajhi Bank	33
FAB Securities Contacts:	36
FAB Securities Awards	37

Relative valuation and rating

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

All KSA banks under coverage are trading above the book value. Among them, RJHI and ALBI are the most expensive trading at PB ratio of 3.30x and 2.78x, respectively based on 2023 estimated financial. ALINMA and RJHI are the most expensive based on PE multiples trading at 18.53x and 17.20x, respectively based on FY2023 financials.

FY23 - P/E (x) vs. P/B (x)



Source: FABS estimate

Market Weight

Based on 6x BUYs 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 ALINMA, RIBL and BSFR.

Target price and rating

(SAR)	TP	CMP	Gain/(-loss)	Rating
RJHI	85.00	76.50	11.11%	ACCUMULATE
ALBI	45.00	41.70	7.9%	HOLD
RIBL	40.00	30.90	29.44%	BUY
ALINMA	40.00	32.05	24.80%	BUY
SNB	68.00	50.40	34.92%	BUY
ARNB	30.00	27.10	10.7%	ACCUMULATE
BSFR	51.00	39.40	29.44%	BUY

FABS Estimate

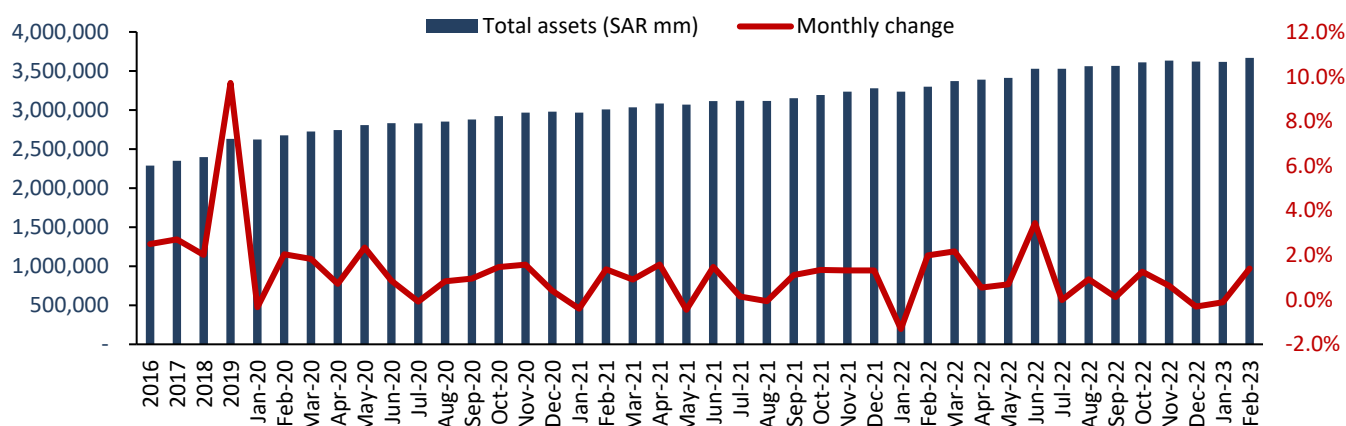
Banking indicators

1. Assets

Total banking assets rose 11.2% YOY in February 2023

KSA's total banking assets increased 11.2% YOY and 1.4% MOM to SAR 3,667 Bn in February 2023.

KSA banking system assets (SAR Mn) and Monthly change, 2016 - Feb 2023



Source: FABS from SAMA data

Al Rajhi maintains the highest asset growth in 4Q22 on a YOY basis

All the banks under our coverage recorded an increase in total assets on both YOY and QOQ basis except Saudi National Bank which witnessed a decline of 2.0% QOQ in 4Q22. Al Rajhi bank recorded the highest asset growth of 22.3% on YOY basis to SAR 762 Bn in 4Q22. Meanwhile, Alinma Bank witnessed the highest asset growth of 3.7% on QOQ basis to SAR 200 Bn in 4Q22. Amongst the peers, Saudi National Bank witnessed the slowest asset growth 3.4% YOY reaching to SAR 945 Bn in 4Q22. However, Saudi National Bank has the largest asset base among the below mentioned banks.

Total assets							
(SAR mm)	4Q21	1Q22	2Q22	3Q22	4Q22	YOY%	QOQ%
Al Rajhi	623,672	657,628	709,779	740,627	762,366	22.3%	2.9%
Bank Al Bilad	110,854	116,442	121,511	127,020	129,543	16.9%	2.0%
Riyad Bank	325,736	348,468	357,954	347,881	359,653	10.4%	3.4%
Alinma Bank	173,476	179,519	184,622	193,229	200,436	15.5%	3.7%
Saudi National Bank	914,150	921,565	958,473	964,421	945,496	3.4%	-2.0%
Arab National Bank	192,502	204,620	209,828	207,266	212,628	10.5%	2.6%
Banque Saudi Fransi	215,802	222,211	231,267	231,659	232,078	7.5%	0.2%
KSA banking system	3,277,846	3,370,359	3,529,096	3,565,149	3,620,949	10.5%	1.6%

FABS from co data and SAMA

Al Rajhi recorded the highest increase in market share of assets with gain of 203 bps YOY in 4Q22

Five out of seven banks recorded an increase in asset market share in 4Q22. Al Rajhi witnessed the highest increase (+204 bps YOY; 28 bps QOQ) in 4Q22. SNB maintained the highest asset market share of 26.1% in 4Q22 although it experienced a decline of 178 bps YOY and 94 bps QOQ. Banque Saudi Fransi asset market share also declined (-17 bps YOY; -9 bps QOQ) to 6.4% in 4Q22.

Assets market share	4Q21	1Q22	2Q22	3Q22	4Q22	YOY (bps)	QOQ (bps)
Al Rajhi	19.0%	19.5%	20.1%	20.8%	21.1%	204	28
Bank Al Bilad	3.4%	3.5%	3.4%	3.6%	3.6%	20	1
Riyad Bank	9.9%	10.3%	10.1%	9.8%	9.9%	0	17
Alinma Bank	5.3%	5.3%	5.2%	5.4%	5.5%	24	12
Saudi National Bank	27.9%	27.3%	27.2%	27.1%	26.1%	-178	-94
Arab National Bank	5.9%	6.1%	5.9%	5.8%	5.9%	0	6
Banque Saudi Fransi	6.6%	6.6%	6.6%	6.5%	6.4%	-17	-9

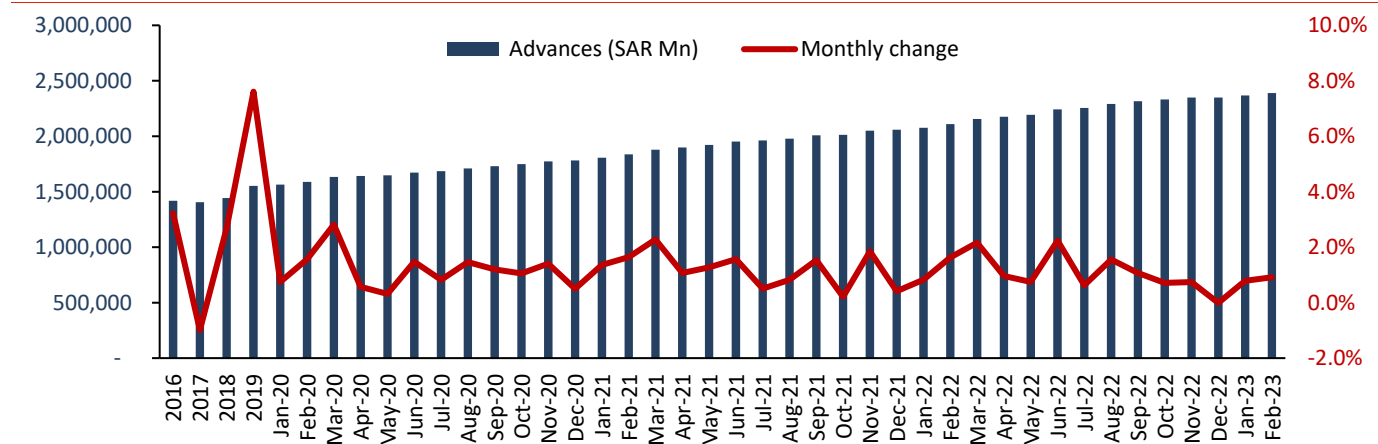
FABS from co data

2. Advances

Advances rose 13.2% YOY and 0.9% MOM in February 2023

After expanding in previous months, the net advances of the KSA banking system continued to rise in February 2023. Net advances recorded solid growth to SAR 2,389 Bn (+13.2% YOY; 0.9% MOM) in February 2023 primarily due to strong economic growth in the region.

KSA banking system net advances (SAR Mn) and Monthly change, 2016 - Feb 2023



Source: FABS from SAMA data

Most of the banks recorded strong growth in net advances

All the banks under our coverage reported a solid increase in net advances on YOY basis. Amongst all the peers Al Rajhi bank recorded the highest growth 25.5% YOY in advances to SAR 568 Bn in 4Q22. Alinma Bank reported a second highest growth 16.0% YOY in net advances to SAR 146 Bn in 4Q22, followed by Arab National Bank which reported a 13.5% YOY increase to SAR 144 Bn in 4Q22. On the other hand, only two banks out of seven witnessed a decline on QOQ basis. Bank Al Bilad net advances declined from SAR 92 Bn in 3Q22 to SAR 91 Bn in 4Q22, followed by Arab National Bank which declined 1.1% QOQ to SAR 144 Bn in 4Q22.

Net advances

(SAR mm)	4Q21	1Q22	2Q22	3Q22	4Q22	YOY%	QOQ%
Al Rajhi	452,831	484,526	519,701	557,498	568,338	25.5%	1.9%
Bank Al Bilad	82,933	86,391	91,206	92,288	91,179	9.9%	-1.2%
Riyad Bank	217,290	234,793	239,650	241,586	242,365	11.5%	0.3%
Alinma Bank	126,271	128,965	131,193	139,987	146,492	16.0%	4.6%
Saudi National Bank	497,568	512,898	536,189	536,176	545,311	9.6%	1.7%
Arab National Bank	126,674	138,642	143,055	145,475	143,829	13.5%	-1.1%
Banque Saudi Fransi	147,813	152,690	159,625	158,481	159,012	7.6%	0.3%
KSA banking system	2,059,220	2,155,861	2,241,918	2,315,578	2,349,071	14.1%	1.4%

Al Rajhi retains its position as a market leader in advances market share

Al Rajhi Bank witnessed the highest advances market share as compared to its peers in 4Q22. Saudi National Bank recorded the second highest advances market share of 23.2%, followed by Riyadh Bank at 10.3% in 4Q22. Additionally, Al Rajhi recorded the highest growth in advances market share, with an increase of 220 bps YOY in 4Q22. While, Saudi National Bank's advances market share declined significantly 95 bps on YOY basis in 4Q22. Bank Al Bilad held the lowest advances market share of 3.9% (declining by 15 bps YOY, -10 bps QOQ) in 4Q22.

Advances market share

	4Q21	1Q22	2Q22	3Q22	4Q22	YOY (bps)	QOQ (bps)
Al Rajhi	22.0%	22.5%	23.2%	24.1%	24.2%	220	12
Bank Al Bilad	4.0%	4.0%	4.1%	4.0%	3.9%	-15	-10
Riyad Bank	10.6%	10.9%	10.7%	10.4%	10.3%	-23	-12
Alinma Bank	6.1%	6.0%	5.9%	6.0%	6.2%	10	19
Saudi National Bank	24.2%	23.8%	23.9%	23.2%	23.2%	-95	6
Arab National Bank	6.2%	6.4%	6.4%	6.3%	6.1%	-3	-16
Banque Saudi Fransi	7.2%	7.1%	7.1%	6.8%	6.8%	-41	-7

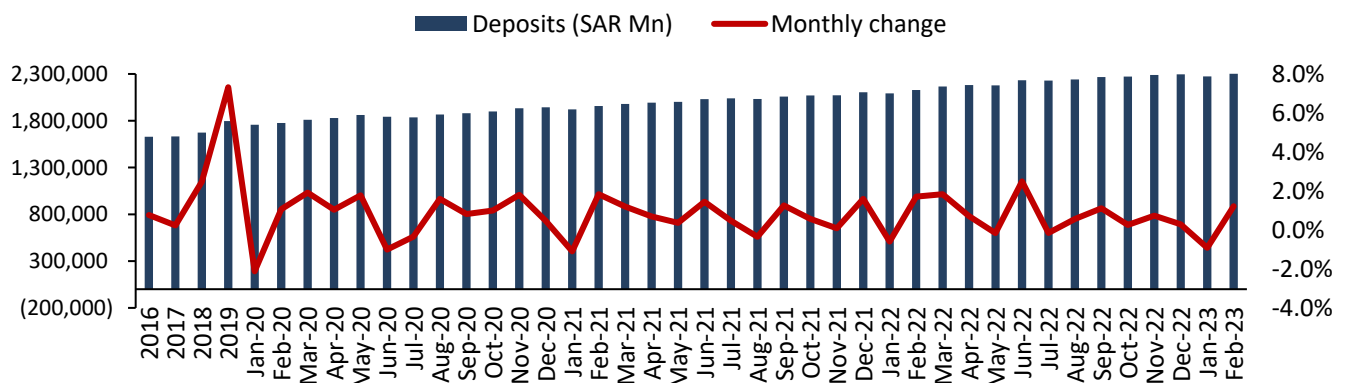
FABS from co data

3. Customer Deposits

System Customer deposits witnessed a solid rise of 9.4% YOY in Feb 2023

KSA banking system deposits rose from SAR 2,128 Bn in February 2022 to SAR 2,302 Bn (+8.2% YOY; +1.2% MOM) in February 2023.

KSA banking system customer deposits (SAR Mn) and Monthly change, 2016 - Feb 2023



Source: FABS from SAMA data

Alinma Bank recorded the highest growth in deposits in 4Q22

Except Saudi National Bank all banks reported a solid growth in deposits in 4Q22. Alinma Bank reported the highest increase of 19.9% YOY and 9.9% QOQ to SAR 145 Bn in 4Q22. Bank Al Bilad reported the second highest rise of 16.9% YOY to SAR 95 Bn, followed by Arab National Bank which rose 14.1% YOY to SAR 155 Bn in 4Q22. Moreover, on QOQ basis Banque Saudi Fransi declined marginally 0.1% QOQ to SAR 158 Bn in 4Q22 followed by Saudi National Bank which declined from SAR 597 Bn in 3Q22 to SAR 568 Bn in 4Q22. However Saudi National Bank holds the highest amount of deposits in 4Q22.

Deposits							
(SAR mm)	4Q21	1Q22	2Q22	3Q22	4Q22	YOY%	QOQ%
Al Rajhi	478,331	512,072	507,892	552,957	555,767	16.2%	0.5%
Bank Al Bilad	82,346	81,110	86,079	89,108	93,886	14.0%	5.4%
Riyad Bank	203,996	211,678	232,416	237,477	235,892	15.6%	-0.7%
Alinma Bank	116,652	121,061	128,035	130,376	132,048	13.2%	1.3%
Saudi National Bank	589,190	588,574	604,963	593,011	596,886	1.3%	0.7%
Arab National Bank	129,395	135,714	148,138	146,791	147,806	14.2%	0.7%
Banque Saudi Fransi	143,322	141,950	150,759	157,919	157,821	10.1%	-0.1%
KSA banking system	2,057,984	2,104,454	2,166,619	2,232,569	2,266,387	10.1%	1.5%

FABS from co data and SAMA

SNB & Al Rajhi continues to maintain the highest deposit market share

Except Saudi National Bank all the banks under our coverage recorded an increase in deposits market share. However, Saudi National Bank retained its position with the highest deposits market share at 24.6% in 4Q22, followed by Al Rajhi with 24.6% in 4Q22 and Riyad Bank with 10.5% in 4Q22. Alinma Bank recorded the highest increase in both 57 bps YOY and 50 bps QOQ to 6.3% in 4Q22. While Saudi National Bank recorded the highest decline both 321 bps YOY and 158 QOQ in 4Q22.

Deposits market share							
	4Q21	1Q22	2Q22	3Q22	4Q22	YOY (bps)	QOQ (bps)
Al Rajhi	24.3%	23.4%	24.8%	24.5%	24.6%	28	9
Bank Al Bilad	3.9%	4.0%	4.0%	4.1%	4.1%	28	-1
Riyad Bank	10.1%	10.7%	10.6%	10.4%	10.5%	40	5
Alinma Bank	5.8%	5.9%	5.8%	5.8%	6.3%	57	50
Saudi National Bank	28.0%	27.9%	26.6%	26.3%	24.8%	-321	-158
Arab National Bank	6.4%	6.8%	6.6%	6.5%	6.7%	30	23
Banque Saudi Fransi	6.7%	7.0%	7.1%	7.0%	6.9%	12	-10

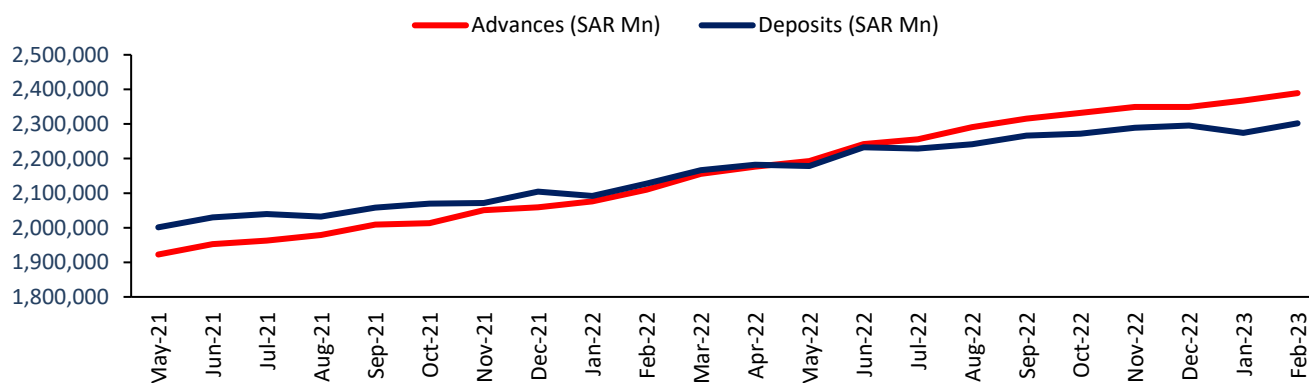
FABS from co data

4. Liquidity

System liquidity contracted YOY and MOM in October 2022

KSA's banking liquidity further declined as ADR ratio declined from 104.1% in January 2023 to 103.8% in February 2023. However, the lending percentage to total assets declined marginally to 65.2% in February 2023 from 65.5% in January 2023 due to the diversification of assets.

KSA banking system ADR and % lent, 2016 - Feb 2023



Source: FABS from SAMA data

Most KSA banks reported a decline in ADR in 4Q22

Al Rajhi and Saudi National Bank reported an increase in ADR in 4Q22. Al Rajhi reported the highest increase of 1217 bps YOY to 100.6% in 4Q22. Saudi National Bank reported the highest increase of 613 bps QOQ to 96.0% in 4Q22. While when compared to QOQ basis Banque Saudi Fransi reported an increase of 48 bps to 100.9% in 4Q22. However, all the other banks recorded the decline in ADR in 4Q22. Bank Al Bilad recorded the highest decline from 98.3% in 3Q22 to 96.1% in 4Q22, followed by Alinma Bank which declined (339 bps YOY; 510 bps QOQ) to 100.9% in 4Q22. While on QOQ basis Arab National Bank witnessed the highest decline of 555 bps to 92.9% in 4Q22.

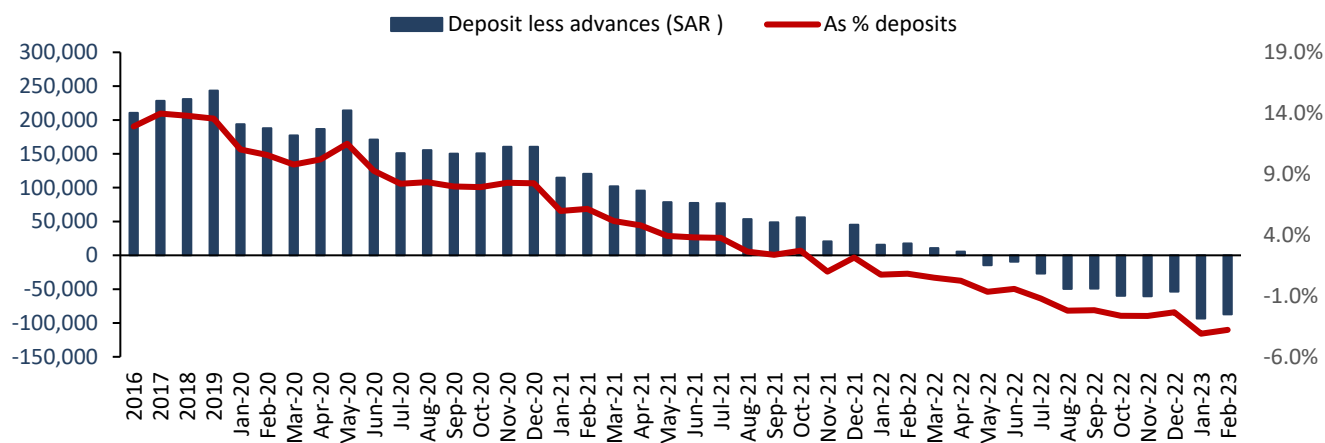
ADR	4Q21	1Q22	2Q22	3Q22	4Q22	YOY (bps)	QOQ (bps)
Al Rajhi	88.4%	95.4%	94.0%	100.3%	100.6%	1217	29
Bank Al Bilad	102.2%	100.4%	102.4%	98.3%	96.1%	-611	-216
Riyad Bank	102.7%	101.0%	100.9%	102.4%	101.0%	-167	-143
Alinma Bank	104.3%	100.7%	100.6%	106.0%	100.9%	-339	-510
Saudi National Bank	84.5%	84.8%	90.4%	89.8%	96.0%	1142	613
Arab National Bank	93.3%	93.6%	97.5%	98.4%	92.9%	-47	-555
Banque Saudi Fransi	104.1%	101.3%	101.1%	100.4%	100.9%	-323	48

FABS from co data

KSA banking system deposits less advances declined 6.4% MOM in February 2023

KSA banking deposits less advances declined from a negative SAR 93 Bn in January 2023 to a negative SAR 87 Bn in February 2023.

KSA banking system deposits less advances and as % of deposits, 2016 - Feb 2023



Source: FABS from SAMA data

Four out of seven KSA Banks witnessed deposit deficit in 4Q22

Out of the below-listed banks, only Al Rajhi, Bank Al Bilad, Arab National Bank, and Banque Saudi Fransi reported a growth in deposit surplus on a QOQ basis in 4Q22. SNB deposit surplus stood highest at SAR 23 Bn in 4Q22, followed by Arab National Bank's surplus of SAR 11 Bn in 4Q22. On the other hand, Al Rajhi, Riyadh Bank, Alinma Bank and Banque Saudi Fransi reported a negative deposit surplus in 4Q22 which implies higher advances growth as compared to deposits.

Deposit surplus/-deficit

SAR mm	4Q21	1Q22	2Q22	3Q22	4Q22	YOY%	QOQ%
Al Rajhi	59,242	23,366	33,256	-1,731	-3,413	-105.8%	97.2%
Bank Al Bilad	-1,823	-312	-2,098	1,598	3,664	-301.0%	129.3%
Riyad Bank	-5,612	-2,377	-2,173	-5,694	-2,358	-58.0%	-58.6%
Alinma Bank	-5,210	-930	-817	-7,939	-1,323	-74.6%	-83.3%
National Commercial Bank	91,006	92,065	56,823	60,710	22,972	-74.8%	-62.2%
Arab National Bank	9,040	9,496	3,736	2,331	11,042	22.1%	373.7%
Banque Saudi Fransi	-5,863	-1,931	-1,706	-660	-1,420	-75.8%	115.2%

FABS from co data

Banking Stock performance

Al Rajihi Bank performed the top among the KSA Banks

UAE Banking Sector outperformed the KSA and Qatar Banking Sector but underperformed the Egypt banking sector. KSA banking sector generated an average return of -4.5%, based on a simple average. RJHI (1.7%) headed KSA banks in terms of stock performance Year-to-Date (YTD). All Banks underperformed the market index TASI during YTD 2023. RJHI generated the highest return and ARNB generated the lowest return in the KSA Banking sector YTD 2023.

26 MENA bank stocks: YE20 to 19th of April 2023, Ranked

		UAE	KSA	Qatar	Egypt	Ranking
QIBK	-6.0%			-6.0%		20
MARK	-19.0%			-19.0%		28
CBD	-6.7%	-6.7%				23
MASQ	23.1%	23.1%				3
QNBK	-16.2%			-16.2%		27
UAB	-2.4%	-2.4%				16
SIB	2.8%	2.8%				10
CBQK	15.0%			15.0%		6
DSM	-7.0%					24
RJHI	1.7%		1.7%			12
TASI	6.5%					8
ADI	-5.7%					19
ALINMA	-1.5%		-1.5%			15
ALBI	-6.2%		-6.2%			21
BSFR	-3.0%		-3.0%			18
RAKBANK	10.6%	10.6%				7
DHBK	-19.6%			-19.6%		29
COMI	29.2%				29.2%	2
FAB	-22.0%	-22.0%				31
EGX30	20.0%					4
BOS	-10.6%	-10.6%				25
NCB	-0.2%					14
DFM	4.0%					9
ARNB	-15.4%		-15.4%			26
RIBL	-2.8%		-2.8%			17
CBI	-19.9%	-19.9%				30
ENBD	1.5%	1.5%				13
ADIB	19.4%	19.4%				5
DIB	-6.7%	-6.7%				22
AJMANBANK	43.2%	43.2%				1
ADCB	1.9%	1.9%				11
AVERAGE		2.6%	-4.5%	-9.2%	29.2%	

FABS from Bloomberg

1Q23 preview: Saudi National Bank

Growth in net advances and cost synergy to boost profitability

CMP (SAR): 50.40

Potential upside/(downside) (%): **+34.92%**

12-m target price:

SAR 68.00

Stock rating:

BUY

1Q23 estimate

Saudi National Bank (SNB/the bank) is estimated to witness a 4.7% growth in net profit to SAR 4,714 Mn in 1Q23 mainly due to strong growth in net funded income offset by a significant increase in funded expenses and impairment. Funded income is expected to increase 53.3% from SAR 6,918 Mn in 1Q22 to SAR 10,607 Mn in 1Q23 as we assume 7% YOY growth in advances further supported by higher interest rates. Funded expense is expected to grow significantly from SAR 833 Mn in 1Q22 to 3,649 Mn in 1Q23 due to a rise in benchmark rates. Thus, net funded income is estimated to grow 13.6% YOY to SAR 6,913 Mn in 1Q23. Non-funded income is estimated to decline 23.9% YOY to SAR 1,506 Mn in 1Q23 as we expect a marginal fall in fee & commission income, income from FVIS investments, and gains over non-trading investment. Hence the operating income is expected to grow 4.4% YOY to SAR 8,419 Mn in 1Q23. Operating expenses are estimated to decline 2.1% YOY to SAR 2,375 Mn in 1Q23 as we expect a decline in employee-related expenses, rent expenses, and amortization charges slightly offset by an increase in G&A expenses. Furthermore, the impairment charge is estimated to increase 34.1% to SAR 516 Mn in 1Q23 whereas zakat expenses are anticipated to grow 20.2% YOY to SAR 712 Mn in 1Q23 dragging the profitability of the bank.

2023 forecast

SNB's net profit is estimated to grow 5.1% to SAR 19,530 Mn in 2023 from SAR 18,581 Mn in 2022, led by an increase in net funded income partially offset by a decline in operating expenses and impairment charges. SNB's funded income is expected to grow 32.0% to SAR 45.4 Bn in 2023. Similarly, funded expense is expected to grow significantly from SAR 8,160 Mn in 2022 to SAR 16,920 Mn in 2023. Thus, net funded income is likely to grow 8.3% YOY to AED 28,465 Mn in 2023. Non-funded income is estimated to decrease slightly by 0.1% due to consistent income from fees and commission, exchange income, and trading income partially offset by an increase in other operating expenses. As a result, operating income is expected to grow 6.6% to SAR 35,178 Mn. Employee-related expenses are expected to grow 1.2% to SAR 4,362 Mn in 2023, rent expenses are expected to grow 2.0% whereas other general and administrative expense is estimated to increase 1.8% YOY to SAR 2,712 Mn. Resultantly, Operating expenses are expected to grow 1.7% YOY to AED 9,948 Mn in 2023 due to higher employee and D&A expenses. Furthermore, impairment charges are expected to increase 37.9% to SAR 2,324 Mn in 2023. Zakat expense is anticipated to increase by 15.7% from SAR 2,548 Mn in 2022 to SAR 2,948 Mn in 2023.

4Q22 outturn

SNB's funded income rose 53.4% YOY to SAR 10,315 Mn in 4Q22 mainly driven by healthy growth in interest-earning assets and a rise in yield. Similarly, the Bank's funded expenses witnessed a sharp rise from SAR 618 Mn in 4Q21 to SAR 3,475 Mn in 4Q22 due to higher benchmark rates. Consequently, net funded income increased 15.3% YOY to SAR 6,840 Mn in 4Q22. Thus, NIM improved by 15 bps QOQ and stood at 3.1% in 4Q22. Furthermore, SNB's non-funded income increased 14.1% YOY to SAR 1,277 Mn in 4Q22 mainly driven by an increase in income from FVIS investment from SAR 76 Mn to SAR 252 Mn and a 15.8% YOY increase in fee and commission income. As a result, total operating income rose 15.1% YOY to SAR 8,118 Mn in 4Q22. In addition, SNB's operating expenses declined 16.1% YOY to SAR 2,363 Mn in 4Q22 owing to cost synergies achieved out of the merger. Resultantly, the cost-to-income ratio declined 1,082 bps YOY to 29.1% in 4Q22. Impairment charges declined significantly from SAR 528 Mn in 4Q21 to SAR 166 Mn in 4Q22 over improvements in the economic environment. Hence boost the profitability of the bank and reported a net profit of SAR 4,765 Mn compared to SAR 2,964 Mn in 4Q22.

Target price and recommendation

We maintain our BUY rating on SNB with a revised target price of SAR 68.00. During 2022, the Bank invested SAR 5.5 Bn in Credit Suisse Group shares. After the failure of the Swiss lender, SNB written off its investment in the entity as a result SNB's capital adequacy ratio (CAR) suffered a potential impact of 35 basis point based on 4Q22. This will not have any impact on profitability, however impacted the sentiment of the investors. After the Credit Suisse fiasco, SNB Chairman also resigned. In the forthcoming quarter results, we will also hear an update on the growth strategy from the new management. SNB witnessed healthy growth in net advances which rose 9.6% to SAR 545 BN in 2022 and is further expected to grow in the high single digit in 2023. It will be supported by healthy growth in retail and corporate loans. The Bank regulatory loan-to-deposit stood at 82.6% in 2022 compared to the regulatory ceiling of 90%, providing further room for credit expansion. SNB will benefit from the higher CASA deposit in a rising interest rate scenario and management expects NIM to expand in FY2023. CASA ratio remained healthy at 75.3% in 2022 which will keep in check borrowing cost. The bank also benefited from the SAMBA group merger and achieved 83% of targeted cost synergies worth SAR 1,164 Mn in 2022. It expects to achieve additional cost synergy in 2023. Resultantly, SNB's cost-to-income ratio fell from 33.9% in 2021 to 29.6% in 2022 and further declined to 28.3% in 2023. The bank's asset quality remained manageable with an NPL ratio of 1.65% with a stage 2 ratio of 4.5% in 2022. The coverage ratio of non-performing loans remained abundant at 125.1% in 2022. SNB's capitalization stood strong with a CET1 ratio of 16.1%, T1 ratio of 18.3%, and a capital adequacy ratio of 19.0% in 2022. Thus, based on our analysis, we assign a BUY rating to the stock.

SNB - Relative valuation

(At CMP)	2018	2019	2020	2021	2022	2023F
PE (x)	16.36	13.73	13.73	16.86	12.41	11.56
PB (x)	2.78	2.61	2.18	1.43	1.38	1.30
Dividend yield %	4.2%	4.6%	1.6%	3.1%	3.4%	3.9%

FABS Estimates & Co Data

SNB - P&L

SAR mm	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
Commission income	6,918	10,315	10,607	53.3%	2.8%	34,392	45,384	32.0%
Commission expense	833	3,475	3,694	343.5%	6.3%	8,106	16,920	108.7%
Net funded income	6,085	6,840	6,913	13.6%	1.1%	26,286	28,465	8.3%
Fees and commissions	946	912	939	-0.7%	3.0%	3,704	3,800	2.6%
Exchange income, net	411	348	369	-10.2%	6.0%	1,580	1,596	1.0%
Income from FVIS investment	423	252	340	-19.7%	35.0%	1,694	1,609	-5.0%
Gains/Loss on non-trading invst	379	92	151	-60.1%	65.0%	774	782	1.0%
Other Operating Income / Exp	-179	-326	-293	64.2%	-10.0%	-1,035	-1,074	3.8%
Non-funded income	1,980	1,277	1,506	-23.9%	17.9%	6,717	6,713	-0.1%
Operating income	8,065	8,118	8,419	4.4%	3.7%	33,003	35,178	6.6%
Salaries and emp-related exps	1,107	959	998	-9.9%	4.0%	4,310	4,362	1.2%
Rent and premises-related exps	131	125	128	-2.2%	2.0%	530	540	2.0%
Dep of property and equipment	311	386	374	20.0%	-3.4%	1,435	1,494	4.1%
Amort of intangible assets	230	205	210	-8.6%	2.4%	845	840	-0.6%
Other G&A expenses	647	686	666	3.0%	-3.0%	2,664	2,712	1.8%
Total operating Expenses	2,425	2,363	2,375	-2.1%	0.5%	9,784	9,948	1.7%
Other non-operating inc (exp), net	-97	-183	-55	-43.2%	-70.0%	-258	-232	-10.0%
Pre-provision profit	5,543	5,572	5,989	8.1%	7.5%	22,962	24,998	8.9%
Impairment	385	166	516	34.1%	210.0%	1,685	2,324	37.9%
PBT	5,158	5,405	5,473	6.1%	1.3%	21,277	22,675	6.6%
Zakat	592	614	712	20.2%	15.9%	2,548	2,948	15.7%
Profit after tax	4,566	4,791	4,762	4.3%	-0.6%	18,729	19,727	5.3%
Non-controlling interest	64	26	48	-25.9%	85.1%	148	197	33.2%
Profit after tax	4,502	4,765	4,714	4.7%	-1.1%	18,581	19,530	5.1%

FABS estimate & Co Data

SNB - P&L KPI

	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
Net FI/OI	75.5%	84.3%	82.1%	666	-215	79.6%	80.9%	127
NIM	2.9%	3.1%	3.2%	28	4	3.1%	3.1%	2
NIS	2.8%	2.9%	2.9%	7	3	2.9%	2.9%	-5
Fees & comms/OI	11.7%	11.2%	11.2%	-57	-8	11.2%	10.8%	-42
Cost to income	5.1%	4.3%	4.4%	-71	9	4.8%	4.5%	-25
Impairment/PPP	30.1%	29.1%	28.2%	-186	-90	29.6%	28.3%	-137
NP/OI	6.9%	3.0%	8.6%	167	563	7.3%	9.3%	195
ROAE	55.8%	58.7%	56.0%	18	-271	56.3%	55.5%	-78
ROAA	9.3%	12.6%	12.5%	321	-9	12.6%	12.8%	10

FABS estimate & Co Data

SNB- Key BS Items

	1Q22	2Q22	3Q22	4Q22	1Q23	YOY Ch
SAR mm						
Net advances	512,898	536,189	536,176	545,311	548,784	7.0%
QOQ Change	3.1%	4.5%	0.0%	1.7%	0.6%	
Total assets	921,565	958,473	964,421	945,496	954,874	3.6%
QOQ Change	0.8%	4.0%	0.6%	-2.0%	1.0%	
Customer deposits	604,963	593,011	596,886	568,283	591,651	-2.2%
QOQ Change	2.8%	-2.0%	0.7%	-4.8%	4.1%	
Total equity	165,143	161,721	163,183	166,778	168,805	2.2%
QOQ Change	1.8%	-2.1%	0.9%	2.2%	1.2%	

FABS estimate & Co Data

1Q23 preview: Banque Saudi Fransi

Growth in advances and rising interest rates boost profitability

CMP (SAR): 39.40

Potential upside/(downside) (%): **+29.44%**

12-m target price:

SAR 51.00

Stock rating:

BUY

1Q23 estimate

Banque Saudi Fransi (BSFR/ the bank) is expected to report 27.4% YOY growth in net profit to SAR 1,114 Mn in 1Q23 primarily driven by strong growth in net funded income, partially offset by an increase in operating expenses and higher impairments. Funded income is estimated to grow significantly from SAR 1,492 Mn in 1Q22 to SAR 2,899 Mn in 1Q23, mainly due to increase in net advances and other interest earning assets. Funded expense is anticipated to increase from SAR 149 Mn in 1Q22 to SAR 1,058 Mn due to the increase in the benchmark rates. As a result, net funded income is expected to grow 37.1% YOY to SAR 1,841 Mn in 1Q23. We expect the non-funded income to decline marginally 1.0% YOY to SAR 503 Mn in 1Q23. Operating income is expected to grow 26.6% YOY to SAR 2,344 Mn in 1Q23. Operating expenses are expected to increase 13.7% YOY to SAR 687 Mn in 1Q23 driven by an increase in employee-related expenses, other G&A expenses, and rent expenses. Impairments are anticipated to rise significantly from SAR 272 Mn in 1Q22 to SAR 414 Mn in 1Q23. Tax charges are expected to grow from SAR 101 Mn in 1Q22 to SAR 128 Mn in 1Q23.

2023 forecast

BSFR's net profit is expected to rise 24.1% to SAR 4,437 Mn in 2023, mainly due to an expected increase in net funded and non-funded income partially offset by an increase in operating expenses and higher impairments. Funded income is estimated to increase 49.5% to SAR 12,422 Mn in 2023 due to growth in loan book and increased asset yield. Whereas, funded expenses are estimated to increase from SAR 1,881 Mn in 2022 to SAR 4,687 Mn in 2023 due to a hike in benchmark rates. Thus, net funded income is anticipated to increase 20.4% to SAR 7,735 Mn in 2023. Non funded income is anticipated to increase 3.7% YOY to SAR 1,649 Mn in 2023, mainly due to rise in fee & commission income, exchange income and trading income. Thus, operating income is expected to increase 17.1% to SAR 9,384 Mn in 2023. We expect the operating expenses to grow 6.8% to SAR 2,834 Mn in 2023. Furthermore, impairment charges are expected to increase 19.2% to SAR 1,620 Mn in 2023. Tax expense is expected to rise 15.0% to SAR 493 Mn in 2023.

4Q22 outturn

Funded income increased 60.2% YOY to SAR 2,680 Mn in 4Q22 due to an increase in asset yield and growth in net advances. On the other hand, funded expense increased significantly from SAR 128 Mn in 4Q21 to SAR 871 Mn in 4Q22 attributed to higher benchmark rates. Thus, net funded income increased 20.0% YOY to SAR 1,989 Mn in 4Q22. The Bank recorded SAR 35 Mn fees and commission income in 4Q22 as compared to negative SAR 38 Mn in 4Q21. The Bank's exchange income increased 51.8% YOY to SAR 141 Mn in 4Q22. While, trading income stood strong at SAR 74 Mn in 4Q22 as compared to a loss of SAR 12 Mn in 4Q21. Furthermore, the bank witnessed a sharp increase in other operating expenses from SAR 41 Mn in 4Q21 to SAR 107 Mn in 4Q22. Thus, non-funded income grew to SAR 146 Mn in 4Q22 from SAR 7 Mn in 4Q21. Resultantly, operating income rose 28.2% YOY to SAR 2,135 Mn in 4Q22. On the other hand, salaries and employee expenses increased 19.0% YOY to SAR 413 Mn in 4Q22 whereas rent and premises expenses increased 30.4% YOY to SAR 23 Mn. In addition, general administrative expenses increased 24.1% YOY to SAR 236 Mn in 4Q22. As a result, total operating expenses increased 16.6% YOY to SAR 723 Mn in 4Q22. Impairment charges increased to SAR 368 Mn in 4Q22 leading to a 94 bps YOY hike in cost of risk to 0.9%. The Bank's tax expense increased more than doubled from SAR 66 Mn in 4Q21 to SAR 141 Mn in 4Q22 and dragged the profitability.

Target price and recommendation

We maintain our BUY rating on BSFR with an unchanged target price of SAR 51.00. BFSR recorded strong growth in 2022 owing to rising interest rates scenario. The Bank's asset yield rose 123 bps QOQ to 5.2% in 4Q22. While NIMs rose 63 bps QOQ to 3.6% in 4Q22. Customer deposits rose 11.2% YOY to SAR 158 Bn in 4Q22. Net advances recorded strong growth 7.6% YOY to SAR 159 Bn in 4Q22. We further expect net advances to grow as the Bank has the highest exposure of its loan book to the corporate segment. A total of 76.4% of the Bank's advances portfolio comprises corporate loans which makes it easy for the Bank to reprise interest rates. The corporate segment of the bank is further expected to benefit owing to the Vision 2030 which will provide opportunity to fund a number of large projects going forward. Furthermore, the Bank's asset quality improved as NPL ratio declined from 2.8% in 3Q22 to 2.6% in 4Q22. The Bank's stage 2 loans as a percentage of total loans also improved from 8.2% in 3Q22 to 7.4% in 4Q22. Provision coverage ratio also improved from 114.4% in 3Q22 to 116.9% in 4Q22 which will provide bank more buffer going forward. BFSR also maintained a healthy capitalization with a Tier 1 capital ratio of 18.9% and a CAR of 19.9% in 4Q22. The Bank is trading at a PB ratio of 1.20x and is expected to generate a dividend yield of 5.1% in our 2023F. Thus, based on our analysis, we assign a BUY rating on the stock.

BSFR – Relative valuation

(At CMP)	2018	2019	2020	2021	2022	2023F
PE	33.68	15.15	31.77	14.59	14.12	10.14
PB	1.59	1.50	1.41	1.41	1.45	1.35
Dividend Yield	4.3%	5.0%	1.0%	3.8%	4.2%	4.4%

FABS Estimates & Co Data

BSFR – P&L

SAR mm	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
Special commission income	1,492	2,860	2,899	94.3%	1.4%	8,307	12,422	49.5%
Special commission expense	149	871	1,058	609.4%	21.5%	1,881	4,687	149.2%
Net special commission income	1,343	1,989	1,841	37.1%	-7.5%	6,427	7,735	20.4%
fee and commission income	306	35	315	3.0%	797.1%	897	933	4.0%
Exchange income, net	99	141	103	4.0%	-26.6%	475	498	5.0%
Trading income, net	66	74	69	4.0%	-7.0%	202	210	4.0%
Dividend Income	3	3	0	NM	NM	13	0	NM
Gain/Loss on non-trading invest	3	0	0	NM	NM	4	0	NM
Other operating income	31	-107	16	-50.0%	NM	1	8	NM
Non-funded income	508	146	503	-1.0%	245.3%	1,591	1,649	3.7%
Operating income	1,851	2,135	2,344	26.6%	9.8%	8,017	9,384	17.1%
Salaries and employee-related exp	329	413	378	15.0%	-8.4%	1,495	1,570	5.0%
Rent and premises-related exp	13	23	14	6.0%	-39.6%	73	81	10.7%
Depreciation and amortization	55	50	67	21.8%	32.6%	221	268	20.9%
Other G&A exp	207	236	228	10.0%	-3.5%	864	916	6.0%
Total operating Expenses	604	723	687	13.7%	-4.9%	2,654	2,834	6.8%
Pre-provision profit	1,247	1,412	1,656	32.8%	17.3%	5,364	6,550	22.1%
Impairment	272	368	414	52.4%	12.5%	1,360	1,620	19.2%
PBT	975	1,044	1,242	27.4%	19.0%	4,004	4,929	23.1%
Tax	101	141	128	27.2%	-9.2%	429	493	15.0%
Net profit attributable	875	903	1,114	27.4%	23.5%	3,575	4,437	24.1%

FABS Estimates & Co Data

BSFR - P&L KPI

	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Chane
Net FI/OI	72.5%	93.2%	78.5%	599	-1465	80.2%	82.4%	227
NIM	2.56%	3.63%	3.31%	75	-32	3.0%	3.4%	39
NIS	2.47%	3.11%	2.71%	24	-40	2.7%	2.8%	4
Fees & comms/OI	16.53%	1.65%	13.45%	-308	1180	11.2%	9.9%	-125
Trading/OI	3.6%	3.5%	2.9%	-64	-53	2.5%	2.2%	-28
Cost to income	32.6%	33.9%	29.3%	-332	-454	33.1%	30.2%	-289
Impairment/PPP	21.8%	26.1%	25.0%	320	-108	25.4%	24.7%	-61
NP/OI	47.2%	42.3%	47.5%	31	527	44.6%	47.3%	268
ROAE	10.6%	10.9%	12.9%	229	193	10.8%	13.1%	231
ROAA	1.6%	1.5%	1.8%	20	28	1.6%	1.9%	26

FABS estimate & Co Data

BSFR- Key BS Items

	1Q22	2Q22	3Q22	4Q22	1Q23F	YOY Ch
SAR mm						
Net advances	152,690	159,625	158,481	159,012	162,203	6.2%
QOQ Change	3.3%	4.5%	-0.7%	0.3%	2.0%	
Total assets	222,211	231,267	231,659	232,078	237,111	6.7%
QOQ Change	3.0%	4.1%	0.2%	0.2%	2.2%	
Customer deposits	150,759	157,919	157,821	157,592	162,420	7.7%
QOQ Change	6.2%	4.7%	-0.1%	-0.1%	3.1%	
Total equity	39,428	37,742	37,805	38,745	39,860	1.1%
QOQ Change	-0.7%	-4.3%	0.2%	2.5%	2.9%	

FABS estimate & Co Data

1Q23 preview: Riyadh Bank

Healthy loan-mix & strong CASA balance to drive profitability

CMP (SAR): 30.90

Potential upside/(downside) (%): **+29.4%**

12-m target price:

SAR 40.00

Stock rating:

BUY

1Q23 estimate

Riyadh Bank is forecasted to report a 36.5% YOY increase in net profit to SAR 2,120 Mn in 1Q23 mainly driven by strong growth in net special commission income partially offset by a rise in operating expenses and impairments. Special commission income is anticipated to increase 72.3% YOY to SAR 4,173 Mn in 1Q23 mainly due to expected growth in loan book and growth in asset yield. On the other hand, special commission expense is expected to increase significantly to SAR 1,287 Mn in 1Q23, as compared to SAR 289 Mn in 1Q22 due to the higher benchmark rates. Resultantly, net special commission income will grow 35.4% YOY to SAR 2,886 Mn in 1Q23. Total non-funded income is expected to rise marginally 0.1% YOY to SAR 971 Mn in 1Q23 driven by a 5.7% YOY growth expected in other operating income to SAR 300 Mn partially offset by a marginal 0.5% decline expected in fee and commission income to SAR 614 Mn and 17.2% YOY decline in trading income to SAR 57 Mn. As a result, total operating income is expected to rise 24.3% YOY to SAR 3,857 Mn in 1Q23. Furthermore, operating expenses are forecasted to rise 13.7% YOY to SAR 1,176 Mn in 1Q23. In addition, we expect the cost-to-income ratio to decrease 284 bps YOY to 30.5% in 1Q23. Impairment charges are forecasted to grow 9.7% YOY to SAR 279 Mn in 1Q23 while tax expense is anticipated to reach SAR 262 Mn in 1Q23, up from SAR 192 Mn in 1Q22.

2023 forecast

We expect Riyadh Bank to record a 16.2% increase in net profit to SAR 8,156 Mn in 2023 attributable to an increase in net special commission income and non-funded income along with a decline in impairments partially offset by a hike in operating expenses. Special commission income is expected to rise 29.7% to SAR 16,736 Mn in 2023 owing to expected growth in net advances and asset yield whereas special commission expense is anticipated to grow significantly to SAR 5,547 Mn in 2023, up from SAR 2,855 Mn in 2022 resulting in an 11.3% increase in net special commission income to SAR 11,188 Mn in 2023. Fee and commission income is predicted to grow 12.0% to SAR 2,720 Mn in 2023 while trading income is expected to increase by 12.0% to SAR 245 Mn. Additionally, other operating income is estimated to grow 19.6% to 1,075 Mn in 2023. Thus, the total other operating income will increase 13.9% to SAR 4,041 Mn in 2023. As a result, operating income is likely to grow 12.0% to SAR 15,229 Mn in 2023. Operating expenses are expected to increase 8.0% to SAR 4,765 Mn in 2023 mainly due to an increase in employee-related expenses, rent, and other operating expenses. Subsequently, the cost-to-income ratio is expected to improve by 114 bps to 31.3% in 2023 mainly due to higher income. Impairments charges are anticipated to decline 8.8% to SAR 1,168 Mn in 2023. Tax expense is expected to increase 31.0% to SAR 1,060 Mn in 2023 in line with growth in profitability.

4Q22 outturn

The Bank's net special commission income increased 37.8% YOY to SAR 2,852 Mn in 4Q22, due to a robust growth in the special commission income of 77.5% YOY to SAR 4,092 Mn in 4Q22 driven by growth in advances and asset yield. On the other hand, the special commission expense increased significantly from SAR 236 Mn in 4Q21 to SAR 1,241 Mn in 4Q22 due to higher benchmark rates. NIMs increased 27 bps QOQ to 3.3% in 4Q22. Total other operating income increased marginally 1.2% YOY to SAR 891 Mn in 4Q22 driven by an increase in trading income from SAR 9 Mn in 4Q21 to SAR 67 Mn in 4Q22 partially offset by a 3.1% YOY decline in net fees and commission income to SAR 591 Mn in 4Q22 along with a 10.8% YOY decline in other operating income to SAR 232 Mn. The Bank's operating income increased 26.9% YOY to SAR 3,742 Mn in 4Q22. Operating expenses rose 18.2% YOY to SAR 1,138 Mn in 4Q22 driven by an increase in general and administration expenses and rise in depreciation. Cost to income ratio declined 224 bps YOY to 30.4% in 4Q22. Furthermore, impairment charge rose 55.8% YOY to SAR 364 Mn in 4Q22. As a result, profit before tax grew 27.5%

YOY to SAR 2,235 Mn in 4Q22. Tax expenses increased from SAR 136 Mn in 4Q21 to SAR 208 Mn in 4Q22 dragging profitability. Thus, net profit increased 25.4% to SAR 2,028 Mn in 4Q22.

Target price and recommendation

We maintain our BUY rating on RIBL with a revised target price of SAR 40.00. The Bank's NIMs grew 72 bps YOY to 3.3% in 4Q22 and is expected to stay high in a rising interest rate scenario. The Bank's net advances rose 11.5% YOY to SAR 242.4 Bn in 4Q22 driven by a growth in consumer loans and commercial loans whereas RIBL further expects its advances to grow by high single-digit to low double-digit in 2023. Moreover, the Bank's deposits rose 13.4% YOY to SAR 240.0 Bn in 4Q22. Around 62.4% of loans belong to the commercial segment whereas the Bank's CASA ratio stood strong at 59.6% in 4Q22 which results in easy and quick repricing of loans in the rising interest rate scenario benefiting the NIMs. RIBL's cost-to-income ratio declined from 34.3% in 2021 to 32.4% in 2022 driven by the bank's investment in the transformation program which increased the Bank's operating efficiency. The Bank's asset quality stood healthy with an NPL ratio of 1.7% in 4Q22 along with a strong coverage of 112%. Furthermore, RIBL's capitalization remained healthy with a CET 1 ratio of 15.9%, Tier 1 capital ratio of 18.1%, and a total CAR ratio of 21.1% in 4Q22. Due to the aforementioned factors, we assign a 'BUY' rating on the stock.

RIBL - Relative valuation

(At CMP)	2018	2019	2020	2021	2022	2023F
P/E (x)	21.5	16.4	19.5	15.3	13.2	11.3
P/B (x)	2.6	2.4	2.1	2.0	1.9	1.8
Dividend Yield	2.5%	3.5%	1.6%	3.4%	3.8%	4.3%

FABS Estimates & Co Data

RIBL - P&L

SAR mm	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
Special commission income	2,421	4,092	4,173	72.3%	2.0%	12,908	16,736	29.7%
Special commission expense	-289	-1,241	-1,287	344.7%	3.7%	-2,855	-5,547	94.3%
Net special commission income	2,132	2,852	2,886	35.4%	1.2%	10,052	11,188	11.3%
Fee and commission income, net	617	591	614	-0.5%	4.0%	2,429	2,720	12.0%
Trading losses, net	68	67	57	-17.2%	-16.0%	219	245	12.0%
Other Operating Income	284	232	300	5.7%	29.0%	899	1,075	19.6%
Total other operating income	970	891	971	0.1%	9.0%	3,547	4,041	13.9%
Operating income	3,102	3,742	3,857	24.3%	3.1%	13,599	15,229	12.0%
Operating expenses	-1,034	-1,138	-1,176	13.7%	3.3%	-4,410	-4,765	8.0%
Pre-provision profit	2,068	2,605	2,681	29.6%	2.9%	9,189	10,464	13.9%
Impairment	-255	-364	-279	9.7%	-23.2%	-1,281	-1,168	-8.8%
Share in earnings of associates, net	-69	-5	-20	-70.8%	283.9%	-80	-80	0.0%
Profit Before Tax	1,744	2,235	2,381	36.5%	6.5%	7,828	9,216	17.7%
Tax	-192	-208	-262	36.5%	26.2%	-809	-1,060	31.0%
Net profit	1,553	2,028	2,120	36.5%	4.5%	7,019	8,156	16.2%

FABS estimate & Co Data

RIBL - KPI

	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
Net FI/OI	68.7%	76.2%	74.8%	609	-138	73.9%	73.5%	-45
NIM	2.63%	3.3%	3.3%	67	-3	3.0%	3.1%	4
NIS	2.6%	3.0%	3.0%	42	47	2.8%	3.2%	34
Fee & Comm/OI	19.9%	15.8%	15.9%	-398	14	17.9%	17.9%	0
Trading/OI	2.2%	1.8%	1.5%	-74	-33	1.6%	1.6%	0
Cost to income	33.3%	30.4%	30.5%	-284	8	32.4%	31.3%	-114
Impairment/PPP	12.3%	14.0%	10.4%	-190	-355	13.9%	11.2%	-278
NP/OI	50.1%	54.2%	55.0%	490	77	51.6%	53.6%	194
ROAE	13.9%	16.5%	18.0%	406	149	16.2%	18.8%	260
ROAA	1.8%	2.0%	2.1%	25	11	2.0%	2.2%	11

FABS estimate & Co Data

RIBL - Key B/S items

	1Q22	2Q22	3Q22	4Q22	1Q23F	YOY Ch
SAR mm						
Net advances	234,793	239,650	241,586	242,365	244,799	4.3%
QOQ change	8.1%	2.1%	0.8%	0.3%	1.0%	
Total assets	348,468	357,954	347,881	359,653	363,796	4.4%
QOQ change	7.0%	2.7%	-2.8%	3.4%	1.2%	
Customer deposits	232,416	237,477	235,892	240,007	239,999	3.3%
QOQ change	9.8%	2.2%	-0.7%	1.7%	0.0%	
Total equity	48,051	46,636	46,776	49,602	51,722	7.6%
QOQ change	1.6%	-2.9%	0.3%	6.0%	4.3%	

FABS estimate & Co Data

1Q23 preview: Arab National Bank

Rising interest rates to drive NIMs

CMP (SAR): 27.10

Potential upside/(downside) (%): **+10.7%**

12-m target price:

SAR 30.00

Stock rating:

ACCUMULATE

1Q23 estimate

Arab National Bank (ARNB/ the bank) is estimated to report a 31.9% YOY increase in net profit to SAR 858 Mn in 1Q23. The increase in net profit is mainly due to an expected increase in net funded income partially offset an increase in operating expenses and higher impairments. Funded income is estimated to more than double from SAR 1,334 Mn in 1Q22 to SAR 2,694 Mn in 1Q23 due to the rising interest rate causing improvement in asset yield and the expected growth in the advances. The funded expenses are anticipated to rise from SAR 150 Mn in 1Q22 to SAR 942 Mn in 1Q23 mainly due to hike in the benchmark rates. Resultantly, the net funded income is anticipated to rise 47.9% YOY to SAR 1,752 Mn in 1Q23. Thus, NIM is expected to rise 92 bps YOY to 3.4% in 1Q23. Non-funded income is estimated to decline 7.6% YOY to SAR 249 Mn in 1Q23 mainly due to expected decline in the other operating income and other non-funded income partially offset by an improvement in the fees and commission income. Thus, operating income is expected to increase 37.6% YOY to SAR 2,001 Mn in 1Q23. Operating expenses are expected to increase 21.9% YOY to SAR 701 Mn in 1Q23. Cost-to-income ratio is expected to improve 450 bps YOY to 35.0% in 1Q23. Impairment charges are anticipated to increase from SAR 155 Mn in 1Q22 to SAR 283 Mn in 1Q23. Tax expense is estimated to increase 44.1% YOY to SAR 176 Mn in 1Q23 due to increase in profitability.

2023 forecast

We expect ARNB's net profit to grow 28.6% to SAR 3,948 Mn in 2023 mainly due to a strong rise in net funded and non-funded income partially offset by higher impairments. Funded income is estimated to grow 52.6% to SAR 11,683 Mn in 2023 mainly due to expected increase in Bank's loan book and other interest earning assets. While funded expenses are expected to increase from SAR 2,020 Mn in 2022 to SAR 4,537 Mn in 2023 mainly driven by a rise in benchmark rates. Total non-funded income is anticipated to rise 4.1% to SAR 1,276 Mn in 2023. As a result, operating income is estimated to increase 22.7% to SAR 8,422 Mn in 2023. Operating expenses are estimated to grow 9.3% to SAR 2,687 Mn in 2023. Impairment charges are estimated to increase 23.4% to SAR 1,085 Mn in 2023. Tax expense is expected to rise 37.7% to SAR 779 Mn in 2023.

4Q22 outturn

Arab National Bank reported net profit of SAR 791 Mn in 4Q22, up from SAR 456 Mn in 4Q21 driven by growth in net funded income and non-funded income partly offset by a rise in operating expenses and impairment. ARNB's funded income increased from SAR 1,287 in 4Q21 to SAR 2,521 Mn in 4Q22 whereas funded expenses increased from SAR 177 Mn in 4Q21 to SAR 876 Mn in 4Q22. Thus, net funded income increased 48.2% YOY to SAR 1,645 Mn in 4Q22. Non-funded income increased 15.0% YOY to SAR 273 Mn in 4Q22 owing to a rise in fee & commission income and partially offset by a decline in other operating income. As a result, operating income increased 42.4% YOY to SAR 1,919 Mn in 4Q22. Operating expenses increased 22.6% YOY to SAR 713 Mn in 4Q22. Impairments increased 25.4% YOY to SAR 270 Mn and impacts the profitability of the bank. Tax expenses rose 39.4% to SAR 162 Mn in 4Q22. The cost-to-income improved significantly in 4Q22 and stood at 37.2%. Net advances decreased by 1.1% YOY to SAR 143.8 Bn in 4Q22. Also, total assets increased by 2.6% YOY to SAR 212.6 Bn in 4Q22.

Target price and recommendation

We maintain our ACCUMULATE on ARNB with a revised target price of SAR 30.00. ARNB reported strong growth in 2022 benefiting from the positive interest rates and the KSA's robust economic outlook. ARNB's asset yield rose 103.7 bps YOY to 3.95% in 4Q22. NIM's of the Bank expanded 81

bps YOY and 30 bps QOQ to 2.8% in 4Q22 and we further anticipate the NIMs to increase 92 bps YOY to 3.4% in 1Q23 owing to the rising interest rate scenario. ARNB's net advances rose 13.5% YOY to SAR 143.8 Bn in 4Q22. The Bank's wholesale banking business, which includes lending to corporate, commercial, and SMEs, is anticipated to benefit from the KSA's Vision 2030, which will offer significant opportunity for the Bank to fund a number of large projects over the medium term. While for the treasury banking segment, the Bank is seeking to expand its income streams by expanding product offerings and enhancing cross-selling with the Wholesale and Private banking clients. Customer deposits rose 4.8% YOY to SAR 154.8 Bn in 4Q22. Moreover, ARNB's NPL ratio rose marginally from 1.78% in 3Q22 to 1.79% in 4Q22. However, the stage 2 loans as a percentage of total loans declined from 10.0% in 4Q21 to 8.3% in 4Q22. The Bank's provision coverage ratio increased from 140.6% in 3Q22 to 148.1% in 4Q22 which will provide to create more buffer against bad loans going forward. In addition, the Bank also maintained a healthy capitalization with a CET 1 ratio of 17.6% and CAR of 19.78% in 4Q22. The stock is trading at P/B of 1.21x and yield a dividend yield of 4.8% in our 2023F. Thus, based on our analysis, we assign a ACCUMULATE rating to the stock.

ARNB - Relative valuation

(At CMP)	2018	2019	2020	2021	2022	2023F
P/E (x)	10.2	13.4	19.6	18.7	13.2	10.3
P/B (x)	1.6	1.5	1.4	1.3	1.3	1.2
Dividend yield	3.7%	3.7%	1.5%	3.0%	4.1%	4.8%

FABS Estimates & Co Data

ARNB- P&L

	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
SAR mm								
Funded income	1,334	2,521	2,694	101.9%	6.9%	7,657	11,683	52.6%
Funded expense	-150	-876	-942	529.4%	7.6%	-2,020	-4,537	124.6%
Net funded income	1,185	1,645	1,752	47.9%	6.5%	5,636	7,146	26.8%
Fees and commissions	128	129	137	7.1%	6.0%	546	601	10.0%
others operating income	42	2	14	-66.0%	500.0%	74	79	7.0%
Other non-funded income	142	144	113	-20.8%	-21.9%	680	675	-0.7%
Non-funded income	270	273	249	-7.6%	-8.8%	1,226	1,276	4.1%
Operating income	1,455	1,919	2,001	37.6%	4.3%	6,862	8,422	22.7%
Operating expenses	-575	-713	-701	21.9%	-1.7%	-2,458	-2,687	9.3%
Pre-provision profit	880	1,206	1,301	47.8%	7.9%	4,405	5,736	30.2%
Impairment	-155	-270	-283	81.7%	4.8%	-880	-1,085	23.4%
Gain on disposal invt in assoc	13	17	17	37.1%	0.0%	108	72	-33.3%
Share of results of associates	36	0	0	NM	NM	0	1	NM
PBT	773	953	1,035	33.9%	8.6%	3,633	4,722	30.0%
Tax	-122	-162	-176	44.1%	8.9%	-566	-779	37.7%
Profit after tax	651	792	859	32.0%	8.5%	3,067	3,943	28.6%
Non-controlling int.	0.09	-0.87	-1	NM	NM	3	5	49.3%
Net profit attributable	651	791	858	31.9%	8.5%	3,070	3,948	28.6%

FABS estimate & Co Data

ARNB - KPI

	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
Net FI/OI	81.4%	85.8%	87.5%	610	178	82.1%	84.9%	271
NIM	2.49%	3.3%	3.4%	92	12	2.9%	3.3%	39
NIS	2.4%	2.8%	3.0%	56	16	2.7%	3.3%	59
Fees & comms/OI	8.8%	6.7%	6.8%	-194	11	8.0%	7.1%	-83
Cost to income	17.7%	22.4%	21.7%	405	-64	20.0%	18.9%	-105
Impairment/PPP	39.5%	37.2%	35.0%	-450	-215	35.8%	31.9%	-392
NP/OI	44.8%	41.2%	42.9%	-186	168	44.7%	46.9%	213
ROAE	7.3%	9.7%	10.3%	300	56	9.9%	12.1%	223
ROAA	1.13%	1.5%	1.5%	39	6	1.5%	1.7%	23

FABS estimate & Co data

ARNB - Key B/S items

	1Q22	2Q22	3Q22	4Q22	1Q23F	YOY Ch
SAR mm						
Net advances	138,642	143,055	145,475	143,829	146,725	5.8%
QOQ change	9.4%	3.2%	1.7%	-1.1%	2.0%	
Total assets	204,620	209,828	207,266	212,628	217,511	6.3%
QOQ change	6.3%	2.5%	-1.2%	2.6%	2.3%	
Customer deposits	148,138	146,791	147,806	154,871	158,264	6.8%
QOQ change	9.2%	-0.9%	0.7%	4.8%	2.2%	
Total equity	32,035	31,028	31,749	32,334	32,366	1.0%
QOQ change	3.0%	-3.1%	2.3%	1.8%	0.1%	

FABS estimate & Co data

1Q23 preview: Alinma Bank

Rising interest rate to further benefits NIMs

CMP (SAR): 32.05

Potential upside/(downside) (%): **+24.80%**

12-m target price:

SAR 40.00

Stock rating:

BUY

1Q23 estimate

Alinma Bank (Alinma/the bank) is estimated to report 22.9% YOY increase in net profit to SAR 1013 Mn in 1Q23. The increase in net profit is mainly expected due to a rise in net funded income partially offset by an increase in operating expenses and higher impairments. Funded income is estimated to grow 76.2% YOY to SAR 2,594 Mn in 1Q23 as the bank sees a positive outlook, asset yield improvement and net advances. Consequently, the funded expense is expected to rise from SAR 163 Mn in 1Q22 to SAR 835 Mn in 1Q23 due to a rise in benchmark rates. Thus, net funded income is estimated to rise 34.3% YOY to SAR 1,759 Mn in 1Q23. However, we expect the NIMs to remain stable at 3.5% in 1Q23. Non-funded income is anticipated to rise 3.1% YOY to SAR 513 Mn in 1Q23 as we expect growth in fee and commission income, trading income partially offset by a decline in other non-funded income. As a result, operating income is likely to grow 25.7% YOY to SAR 2,273 Mn in 1Q23. Operating expense is anticipated to increase 12.5% YOY to SAR 723 Mn in 1Q23 due to the increase in overall expenses. However, we expect the cost-to-income ratio to decline from 34.9% in 4Q22 to 31.8% in 1Q23. Impairment charges are anticipated to grow from SAR 243 Mn in 1Q22 to SAR 420 Mn in 1Q23. Zakat expense is expected to grow 22.7% YOY to SAR 116 Mn in 1Q23 mainly due to a rise in profitability.

2023 forecast

We forecast Alinma's net profit to increase 27.3% YOY to SAR 4,581 Mn in 2023. The increase in net profit is mainly anticipated due to an increase in net funded income partially offset by a hike in operating expenses and higher impairment charges. Funded income is expected to grow 43.9% YOY to SAR 10,957 Mn in 2023 as we expect a strong growth in net advances and other interest earning assets of the Bank. Funded expense is expected to increase from SAR 1,546 Mn in 2022 to SAR 3,310 Mn in 2023 due to a hike in benchmark rates. Thus, net funded income is anticipated to grow 26.1% YOY to SAR 7,647 Mn in 1Q23. Non-funded income is expected to decrease 3.1% YOY to SAR 1,838 Mn in 2023 due to expected decline in other non-funded income partially offset by an increase in fee & commission income and trading income. Consequently, the total operating income is estimated to rise 19.1% YOY to SAR 9,485 Mn in 2023. Operating expenses are anticipated to increase 7.1% YOY to SAR 2,962 Mn in 2023. Impairment expense is expected to increase 19.6% YOY to SAR 1,433 Mn in 2023. While zakat expense is expected to rise 23.0% YOY to SAR 509 Mn in 2023.

4Q22 outturn

Alinma's Funded income significantly 67.6% YOY to SAR 2,439 Mn in 4Q22 mainly due to the strong growth in net financing and rise in asset yield. Net advances rose 16.0% to SAR 146.4 Bn in 2022. Asset yield also rose 63 bps QOQ to 5.1% in 4Q22. Funded expenses grew significantly from SAR 143 Mn in 4Q21 to SAR 769 Mn in 4Q22. Resultantly, net funded income rose 27.2% YOY to SAR 1,670 Mn in 4Q22. NIM rose 31 bps YOY but declined 15 bps QOQ to SAR 3.5% in 4Q22. Fees and commission income jumped 43.0% YOY to SAR 332 Mn in 4Q22 due to improving fees from banking services. Exchange income also increased notably from SAR 56 Mn in 4Q21 to SAR 85 Mn in 4Q22. Other elements of non-funded income rose marginally 0.9% YOY to SAR 62 Mn in 4Q22. As a result, total operating income grew 29.2% YOY to SAR 2,148 Mn in 4Q22. Total operating expenses increased 13.0% YOY to SAR 750 Mn in 4Q22 due to a rise in salaries expenses, and an increase in G&A expenses. Consequently, the cost-to-income ratio declined 73 bps QOQ to 34.9% in 4Q22. Impairment charges increased significantly to SAR 450 Mn in 4Q22 up from SAR 287 Mn in 4Q21. Resultantly, the net profit before tax increased 38.8% YOY to SAR 959 Mn in 4Q22. Zakat expenses increased 37.6% to SAR 99 Mn in 4Q22. Thus, net profit jumped 39.0% YOY to SAR 860 Mn in 4Q22.

Target price and recommendation

We maintaining our BUY rating on Alinma with an unchanged target price of SAR 40.00. Alinma reported strong profitability growth in 2022 as it benefitted from the rising interest rate environment. The Bank net advances rose 16.0% YOY in 4Q22 and it further expects the advances to grow in the mid-teens in 2023 owing to the new products and offerings for Mid-Corp, SME, and Retail. NIM of the bank increased 31 bps QOQ to 3.5% in 4Q22. The Bank further expects its NIM to rise 35-45 bps in 2023 owing to rising interest rate and strong increase in the CASA deposit. Customer deposits rose 19.9% YOY to SAR 145.1 Bn in 4Q22. The Bank's total deposits comprised 67% of retail and 33% of non-retail deposits as of 2022. Furthermore, the Bank's asset quality deteriorated in 4Q22 as its NPL ratio increased from 1.7% in 3Q22 to 1.9% in 4Q22 with a decrease in provision coverage from 155.5% in 3Q22 to 136.3% in 4Q22. Thus, cost of risk rose 47 bps QOQ to 0.85% in 2022 and is further expected to be between 0.60-0.70% in 2023 as the Bank expects stable credit quality and NPL coverage in 2023. The Bank maintained strong capitalization with CAR at 19.8% in 4Q22. Similarly, CET 1 stood at 18.6% in 4Q22. The stock is trading at P/B of 2.3x and yield a dividend yield of 3.2% in 2023F. Thus, based on our analysis, we assign a BUY rating on the stock.

Alinma - Relative valuation

(At CMP)	2018	2019	2020	2021	2022	2023F
P/E (x)	16.8	25.3	32.6	24.6	18.6	14.5
P/B (x)	3.2	3.7	2.6	2.6	2.48	2.26
Dividend Yield	2.3%	NM	0.9%	2.3%	2.9%	3.2%

FABS Estimates & Co Data

Alinma Bank- P&L

	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
SAR mm								
Funded income	1,472	2,439	2,594	76.2%	6.4%	7,613	10,957	43.9%
Funded expense	-163	-769	-835	413.2%	8.5%	-1,546	-3,310	114.1%
Net funded income	1,310	1,670	1,759	34.3%	5.3%	6,066	7,647	26.1%
Fees and commissions	273	332	315	15.5%	-5.0%	1,209	1,300	7.5%
Trading gain/(loss)	72	85	80	11.6%	-5.0%	291	300	3.0%
Other non-funded income	153	62	118	-23.0%	91.2%	397	238	-39.9%
Non-funded income	498	478	513	3.1%	7.4%	1,897	1,838	-3.1%
Operating income	1,808	2,148	2,273	25.7%	5.8%	7,963	9,485	19.1%
Operating expenses	-642	-750	-723	12.5%	-3.6%	-2,765	-2,962	7.1%
Pre-provision profit	1,165	1,398	1,550	33.0%	10.9%	5,198	6,523	25.5%
Impairment	-243	-450	-420	72.6%	-6.7%	-1,198	-1,433	19.6%
Share of profit of associates	-2	2	0	NA	NA	4	0	NA
Net profit before zakat	920	959	1,130	22.9%	17.8%	4,013	5,090	26.8%
Zakat	-95	-99	-116	22.7%	17.7%	-414	-509	23.0%
Net profit attributable	825	860	1,013	22.9%	17.8%	3,599	4,581	27.3%

FABS estimate & Co Data

Alinma Bank - KPI

	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
Net FI/OI	72.4%	77.7%	77.4%	496	-34	76.2%	80.6%	444
NIM	3.03%	3.5%	3.5%	50	7	3.3%	3.7%	35
NIS	2.9%	3.1%	3.2%	23	5	3.1%	3.3%	19
Fee & Comms/OI	15.1%	15.4%	13.9%	-123	-158	15.2%	13.7%	-148
Trading/OI	4.0%	3.9%	3.5%	-45	-40	3.7%	3.2%	-49
Cost to income	35.5%	34.9%	31.8%	-373	-311	34.7%	31.2%	-350
Impairment/PPP	20.9%	32.2%	27.1%	622	-510	23.0%	22.0%	-108
NP/OI	45.6%	40.1%	44.6%	-104	454	45.2%	48.3%	310
ROAE	11.4%	13.8%	14.4%	293	56	14.2%	16.8%	260
ROAA	1.6%	1.8%	1.9%	22	4	1.9%	2.2%	23

FABS estimate & Co Data

Alinma Bank - Key B/S items

	1Q22	2Q22	3Q22	4Q22	1Q23F	YOY Ch
SAR mm						
Net advances	128,965	131,193	139,987	146,492	150,968	17.1%
QOQ change	2.1%	1.7%	6.7%	4.6%	3.1%	
Total assets	179,519	184,622	193,229	200,436	206,071	14.8%
QOQ change	3.5%	2.8%	4.7%	3.7%	2.8%	
Customer deposits	128,035	130,376	132,048	145,168	149,313	16.6%
QOQ change	5.8%	1.8%	1.3%	9.9%	2.9%	
Total equity	31,518	31,467	31,302	31,876	32,890	4.4%
QOQ change	2.6%	-0.2%	-0.5%	1.8%	3.2%	

FABS estimate & Co Data

1Q23 preview: Al Bilad Bank

Strong growth in liquidity to support loan growth

CMP (SAR): 41.70

Potential upside/(downside) (%): **+7.9%**

12-m target price:

SAR 45.00

Stock rating:

HOLD

1Q23 Estimate

Bank Albilad's (ALBI/the bank) net profit is forecasted to increase 12.6% YOY to SAR 552 Mn in 1Q23 primarily due to expected growth in net funded income, non-funded income, and decline in impairments partially offset by a marginal increase in operating expenses. Funded income is expected to increase 50.6% YOY to SAR 1,567 Mn in 1Q23 driven by an expected increase in advances and growth in asset yield. Similarly funded expense is estimated to increase significantly from SAR 96 Mn in 1Q22 to SAR 565 Mn in 1Q23 owing to a rise in benchmark rates. Thus, the net funded income is estimated to grow 6.2% YOY to SAR 1,003 Mn in 1Q23. Total non-funded income is anticipated to rise 5.2% YOY to SAR 337 Mn in 1Q23 as we expect exchange income to rise 17.5% YOY to SAR 102 Mn in 1Q23 whereas fees and commission income is estimated to increase 2.7% YOY to SAR 179 Mn in 1Q23 somewhat offset by an expected decline in other non-funded income by 5.7% to SAR 56 Mn in 1Q23. As a result, total operating income is likely to grow 5.9% YOY to SAR 1,339 Mn in 1Q23. Furthermore, G&A expenses are anticipated to rise 2.6% YOY to SAR 573 Mn in 1Q23 whereas impairment charges are expected to decline 5.5% YOY to SAR 151 Mn. In addition, zakat expenses are expected to grow 12.6% YOY to SAR 63 Mn in 1Q23 in line with growth in profitability.

2023 Forecast

Al Bilad's Net profit is forecasted to increase 21.1% to SAR 2,522 Mn in mainly due to the strong growth in funded and non-funded income partially offset by rise in operating expenses and impairments. Funded income is expected to grow 38.2% to SAR 6,872 Mn in 2023 whereas funded expense is anticipated to increase more than double from SAR 1,085 Mn in 2022 to SAR 2,362 Mn in 2023 mainly driven by a rise in benchmark rates. Thus, net funded income is expected to increase 16.0% to SAR 4,510 Mn in 2023. Furthermore, Fees and commission income is anticipated to increase 10.0% to SAR 736 Mn in 2023. Similarly, exchange income is expected to increase 10.0% to SAR 438 Mn in 2023 while other non-funded income is estimated to grow 7.2% to SAR 255 Mn in 2023. Thus, the total non-funded income will grow 9.5% to SAR 1,429 Mn in 2023. As a result, the total operating income will grow 14.4% to SAR 5,939 Mn in 2023. The Cost-to-income ratio is expected to improve 327 bps to 41.4% in 2023. In addition, impairments are estimated to increase 22.9% to SAR 677 Mn in 2023 while zakat expenses are expected to grow 17.2% to SAR 280 Mn in 2023 dragging profitability.

4Q22 Outrun

Albilad's funded income increased 51.8% YOY to SAR 1,481 Mn in 4Q22 driven by a rise in interest-earning assets and an increase in asset yield. On the other hand, funded expenses rose from SAR 74 Mn in 4Q21 to SAR 499 Mn in 4Q22 driven by higher cost of funds owing to a rise in benchmark rates. Thus, net funded income rose 8.9% YOY to SAR 982 Mn in 4Q22. Fees and commission income increased by 17.3% YOY to SAR 184 Mn in 4Q22 whereas exchange income reported strong growth of 39.8% YOY to SAR 120 Mn in 4Q22. Furthermore, other non-funded income increased significantly from SAR 1 Mn to SAR 62 Mn in 2023. Thus, total non-funded income grew 50.2% YOY to SAR 366 Mn in 4Q22. As a result, total operating income increased 17.7% YOY to SAR 1,349 Mn in 4Q22. Moreover, operating expenses increased 11.2% YOY to SAR 608 Mn in 4Q22. Cost to income ratio declined 265 bps YOY to 45.1% in 4Q22 due to an increase in operating profit. Impairments rose 14.3% YOY to SAR 139 Mn in 4Q22. Zakat expenses rose 26.0% YOY to SAR 62 Mn in 4Q22 in line with growth in profitability.

Target price and recommendation

We revised our rating on Bank Albilad to HOLD with a revised target price of SAR 45.00. Bank Albilad has a strong retail franchise with strong asset quality. ALBI's balance sheet is positively geared in the rising interest rate scenario. The bank's interest-earning assets recorded a strong growth of 9.9% YOY to SAR 94.4 Bn in 4Q22 resulting in higher interest income supported by higher economic benchmark rates. The bank's deposits rose significantly 16.9% YOY to SAR 94.8 Bn in 4Q22 strengthening the liquidity of the bank and resulting in room for loan growth. Albilad's asset quality stood healthy with a low NPL ratio of 1.3% in 4Q22 as compared to its peers. In addition, the bank's capitalization improved due to an 11.8% YOY growth in total equity to SAR 13.4 Bn in 4Q22. ALBI trades at a PE and PB multiple of 16.0x and 2.01x respectively, indicating the share is expensive with strong growth in advances and profitability. We expect ALBI to deliver an earnings growth of 21.1% in 2022. Thus, based on our analysis, we revise our rating to BUY on the stock.

Bank Albilad - Relative valuation

(At CMP)	2018	2019	2020	2021	2022	2023F
PE	66.7	32.8	30.3	24.2	19.6	16.2
PB	5.2	4.3	3.8	3.4	3.2	2.7
Dividend Yield	NA	1.7%	NA	NA	1.2%	1.2%

FABS Estimates & Co Data

Bank Albilad - P&L

SAR mm	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023	YOY Ch
Income from invest & fin.	1,041	1,481	1,567	50.6%	5.8%	4,972	6,872	38.2%
Return on deposits & fin. liab.	-96	-499	-565	486.4%	13.2%	-1,085	-2,362	117.7%
Net funded income	944	982	1,003	6.2%	2.1%	3,887	4,510	16.0%
Fees and commissions	174	184	179	2.7%	-3.0%	669	736	10.0%
Exchange income	87	120	102	17.5%	-15.0%	398	438	10.0%
Other non-funded income	59	62	56	-5.7%	-10.1%	238	255	7.2%
Total non-funded income	320	366	337	5.2%	-8.1%	1,305	1,429	9.5%
Total operating income	1,265	1,349	1,339	5.9%	-0.7%	5,191	5,939	14.4%
General & admin. Expenses	-558	-608	-573	2.6%	-5.8%	-2,320	-2,460	6.0%
Pre provision profit	706	740	766	8.5%	3.5%	2,871	3,479	21.2%
Impairment	-160	-139	-151	-5.5%	8.8%	-551	-677	22.9%
Profit before zakat	547	602	616	12.6%	2.3%	2,321	2,802	20.7%
Zakat expenses	-56	-62	-63	12.6%	2.3%	-239	-280	17.2%
Net profit attributable	490	540	552	12.6%	2.3%	2,082	2,522	21.1%

FABS Estimates & Co Data

Bank Albilad - P&L KPI

	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
Net FI/OI	74.7%	72.8%	74.9%	17	204	74.9%	75.9%	108
NIM	3.4%	3.1%	3.1%	-28	-1	3.3%	3.4%	5
NIS	3.3%	2.9%	2.8%	-52	-5	3.2%	3.1%	-8
Fees & comms/OI	13.7%	13.7%	13.3%	-41	-32	12.9%	12.4%	-50
Other Operating Inc/OI	11.6%	13.5%	11.8%	24	-172	12.3%	11.7%	-58
Cost to income	44.2%	45.1%	42.8%	-138	-233	44.7%	41.4%	-327
Impairment/PPP	22.6%	18.7%	19.7%	-291	95	19.2%	19.5%	27
NP/OI	38.8%	40.0%	41.2%	245	121	40.1%	42.5%	237
ROAE	14.7%	16.1%	16.3%	159	22	18.6%	19.1%	54
ROAA	1.6%	1.6%	2.4%	87	82	1.7%	1.8%	11

FABS estimate & Co Data

Bank Albilad - Key BS Items

	1Q22	2Q22	3Q22	4Q22	1Q23F	Change
SAR mm						
Net advances	86,391	91,206	92,288	91,179	94,436	9.3%
QOQ Change	4.2%	5.6%	1.2%	-1.2%	3.6%	
Total assets	116,442	121,511	127,020	129,543	133,641	14.8%
QOQ Change	5.0%	4.4%	4.5%	2.0%	3.2%	
Customer deposits	86,079	89,108	93,886	94,843	98,158	14.0%
QOQ Change	6.1%	3.5%	5.4%	1.0%	3.5%	
Total equity	12,325	12,607	13,035	13,399	13,451	9.1%
QOQ Change	2.9%	2.3%	3.4%	2.8%	0.4%	

FABS estimate & Co Data

1Q23 preview: Al Rajhi Bank

Retail asset mix to put pressure on NIMs

CMP (SAR): 76.50

Potential upside (%): **+11.11%**

12-m target price:

SAR 85.00

Stock rating:

ACCUMULATE

1Q23 estimate

Al Rajhi Bank (Al Rajhi/the bank) is expected to report 7.5% YOY growth in net profit to SAR 4,444 Mn in 1Q23 primarily led by healthy growth expected in net financing and investment income and decline in impairments partially offset by an expected decline in non-funded income and marginal growth in operating expenses. The bank's financing and investment income is expected to grow 49.3% YOY to SAR 8,793 Mn in 1Q23 as we expect an increase in credit growth and a rise in asset yield. On the other hand, financing and investment expenses are expected to grow significantly from SAR 551 Mn in 1Q22 to SAR 3,081 Mn in 1Q23 due to higher benchmark rates. Thus, net financing and investment income is expected to increase 7.0% YOY to SAR 5,712 Mn in 1Q23. Total non-funded income is expected to decline 3.2% YOY to SAR 1,564 Mn in 1Q23 as exchange income is expected to decline 18.3% YOY to SAR 194 Mn in 1Q23 whereas other operating income is anticipated to decline 32.5% YOY to SAR 156 Mn in 1Q23 partially offset by a 5.8% YOY growth in fee income to SAR 1,214 Mn in 1Q23. As a result, net operating income will likely increase 4.6% YOY to SAR 7,276 Mn in 1Q23. Total operating expenses are estimated to increase 1.7% YOY to SAR 1,800 Mn in 1Q23 driven by a 7.9% YOY growth anticipated in employee-related expenses to SAR 868 Mn 1Q23 partially offset by a marginal decline of 2.1% YOY estimated in other G&A expenses to SAR 648 Mn. Thus, the profit before provision is likely to grow 5.6% YOY to SAR 5,476 Mn in 1Q23. Impairment charges are expected to decrease 9.7% YOY to SAR 522 Mn in 1Q23. Furthermore, zakat expense is expected to increase 7.2% YOY to SAR 510 Mn in 1Q23 dragging the bottom line.

2023 forecast

Al Rajhi Bank's financing and investment income is expected to increase 32.3% to SAR 37,308 Mn in 2023 driven by expected growth in net advances and a rise in asset yield. On the other hand, financing and investment expense is expected to increase significantly to SAR 13,800 Mn in 2023, up from SAR 6,029 Mn in 2022 owing to higher benchmark rates. Resultantly, net financing and investment income is anticipated to increase 6.0% to SAR 23,508 Mn in 2023. Total non-funded income is expected to increase 2.7% to SAR 6,578 Mn in 2023 due to an expected increase in fees from banking and other operating income partially offset by a decline in exchange income. Thus, net operating income is expected to grow 5.3% to SAR 30,085 Mn in 2023. On the other hand, Salaries and employee expenses are expected to increase 8.0% to SAR 3,667 Mn in 2023 whereas general and administrative expenses are expected to grow 4.0% to SAR 2,835 Mn in 2023. In addition, depreciation and amortization expenses decreased 14.9% to SAR 1,131 Mn in 2023. As a result, total operating expenses are anticipated to increase 2.4% to SAR 7,633 Mn in 2023. Thus, profit before provision is expected to rise 6.3% to SAR 22,452 Mn in 2023. Impairments charges are expected to increase 19.8% to SAR 2,398 Mn in 2023 whereas, zakat expense is anticipated to increase 4.8% to SAR 2,066 Mn in FY2023. As a result, the net profit is expected to increase by 4.9% to SAR 17,989 Mn in 2023.

4Q22 outturn

Al Rajhi reported a 9.8% YOY growth in net profit to SAR 4,404 Mn in 4Q22 due to the solid growth in net financing and investment income, growth in non-funded income, and decline in impairment charges partially offset by an increase in operating expenses. Financing and investment income grew 48.3% YOY to SAR 8,534 Mn in 4Q22 driven by strong growth in net advances whereas financing and investment expenses jumped from SAR 399 Mn in 4Q21 to SAR 2,955 Mn in 4Q22 due to a rise in benchmark rates. Thus, net financing and investment income rose 4.2% YOY to SAR 5,579 Mn in 4Q22. Fees from banking services increased 5.8% YOY to SAR 1,179 Mn in 4Q22 while exchange

income witnessed a strong growth of 36.5% YOY to SAR 298 Mn. Similarly, other operating income increased 24.5% YOY to SAR 209 Mn in 4Q22 resulting in a 12.3% YOY rise in the total non-funded income to SAR 1,685 Mn. As a result, total operating income rose 6.0% YOY to SAR 7,264 Mn in 4Q22. Total operating expenses rose 11.7% YOY to SAR 2,001 Mn in 4Q22 owing to increases in salaries and employee benefits, depreciation expenses, and other G&A expenses. Furthermore, Impairment charges declined 40.3% YOY to SAR 352 Mn in 4Q22 owing to improved economic conditions and healthy recoveries. In addition, zakat expense rose 9.8% YOY to SAR 506 Mn in 4Q22 in line with growth in profit.

Target price and recommendation

We revise our rating on Al Rajhi Bank from BUY to ACCUMULATE with an unchanged target price of SAR 85.00. The bank's financing portfolio witnessed a strong growth of 25.5% in 2022 driven by significant growth in mortgages and corporate loans while the Bank further expects its financing portfolio to grow by a mid-single digit in 2023. Al Rajhi not only recorded strong growth in advances but also improved its asset quality marginally from 0.6% in 3Q22 to 0.5% in 4Q22. The Bank's coverage ratio stood strong at 260.2% in 4Q22 while stage 2 loans as a percentage of gross loans declined marginally 4 bps QOQ to 0.3% in 4Q22. Consequently, the Bank's deposits rose 10.3% YOY to SAR 565 Bn in 4Q22 with CASA balance accounting for 64% of total deposits. However, we expect the NIMs to remain under pressure due to the proportion of fixed-rate mortgages in the loan book and lower pricing on the corporate book. The bank's capitalization improved and stood strong with CET 1 ratio of 17.0%, Tier 1 Ratio of 20.3%, and CAR of 21.4% in 2022. The board of directors distributed a dividend SAR 1.25 per share amounting to a total dividend of SAR 5 Bn for the year 2022. The Bank successfully completed the offer and subscription of SAR denominated 10 Bn worth of Tier 1 sukuk in November 2022. Furthermore, the bank maintains a solid digital ecosystem and continues to enhance its digital framework to optimize costs and increase its product offering providing services like digital letters of guarantee and smart savings accounts. Thus, based on our analysis we maintain our ACCUMULATE rating on the stock.

Al Rajhi Bank - Relative valuation

(At CMP)	2018	2019	2020	2021	2022	2023F
P/E (x)	32.8	30.1	28.9	20.8	18.0	17.2
P/B (x)	6.8	6.5	5.3	4.5	3.9	3.3
Dividend yield	2.3%	2.5%	0.8%	1.1%	1.6%	2.6%

FABS Estimates & Co Data

Al Rajhi Bank - P&L

	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
SAR mm								
Funded income	5,891	8,534	8,793	49.3%	3.0%	28,202	37,308	32.3%
Funded expense	-551	-2,955	-3,081	459.5%	4.3%	-6,029	-13,800	128.9%
Net Funded Income	5,340	5,579	5,712	7.0%	2.4%	22,173	23,508	6.0%
Fees from banking services	1,148	1,179	1,214	5.8%	3.0%	4,624	5,087	10.0%
Exchange income, net	237	298	194	-18.3%	-35.0%	1,162	814	-30.0%
Other operating income	232	209	156	-32.5%	-25.0%	616	678	10.0%
Total operating Income	1,616	1,685	1,564	-3.2%	-7.2%	6,402	6,578	2.7%
Net Operating Income	6,957	7,264	7,276	4.6%	0.2%	28,575	30,085	5.3%
Salaries and employee benefit	-805	-846	-868	7.9%	2.6%	-3,395	-3,667	8.0%
Other G&A expenses	-662	-791	-648	-2.1%	-18.0%	-2,726	-2,835	4.0%
Depreciation and amortization	-302	-364	-283	-6.3%	-22.3%	-1,330	-1,131	-14.9%
Total operating Expenses	-1,769	-2,001	-1,800	1.7%	-10.1%	-7,451	-7,633	2.4%
Profit before provisions	5,188	5,263	5,476	5.6%	4.1%	21,124	22,452	6.3%
Impairment charge	-578	-353	-522	-9.7%	48.2%	-2,001	-2,398	19.8%
Total Operating Expenses	-2,347	-2,353	-2,322	-1.1%	-1.3%	-9,452	-10,031	6.1%
Net income before zakat	4,609	4,911	4,954	7.5%	0.9%	19,123	20,055	4.9%
Zakat	-476	-506	-510	7.2%	0.8%	-1,972	-2,066	4.8%
Net profit for the year	4,012	4,355	4,338	8.1%	-0.4%	14,746	17,085	15.9%

FABS estimate & Co Data

Al Rajhi Bank - P&L KPI

	1Q22	4Q22	1Q23F	YOY Ch	QOQ Ch	2022	2023F	Change
Net FI/OI	76.8%	76.8%	78.5%	174	170	77.6%	78.1%	54
NIM	3.5%	3.1%	3.1%	-37	1	3.3%	3.1%	-22
NIS	3.4%	2.8%	2.8%	-58	0	3.2%	2.8%	-35
Fees & comms/OI	16.5%	16.2%	16.7%	19	46	16.2%	16.9%	72
Exchange Income/OI	3.4%	4.1%	2.7%	-75	-144	4.1%	2.7%	-136
Cost to income	25.4%	27.5%	24.7%	-69	-281	26.1%	25.4%	-70
Impairment/PPP	-11.1%	-6.7%	-9.5%	161	-284	-9.5%	-10.7%	-121
NP/OI	59.4%	60.6%	61.1%	166	44	60.0%	59.8%	-23
ROAA	2.4%	2.3%	2.3%	-15	-1	2.5%	2.3%	-20
ROAE	22.3%	21.7%	21.6%	-78	-9	23.5%	21.1%	-238

FABS estimate & Co Data

Al Rajhi Bank - Key B/S Items

	1Q22	2Q22	3Q22	4Q22	1Q23F	YOY
SAR mm						
Net advances	484,526	519,701	557,498	568,338	575,689	18.8%
QOQ change	7.0%	7.3%	7.3%	1.9%	1.3%	
Total assets	657,628	709,779	740,627	762,366	771,211	17.3%
QOQ change	5.5%	7.9%	4.3%	2.9%	1.2%	
Customer deposits	507,892	552,957	555,767	564,925	575,798	13.4%
QOQ change	-0.8%	8.9%	0.5%	1.6%	1.9%	
Total Equity	78,341	81,913	86,101	100,225	99,669	27.2%
QOQ change	16.4%	4.6%	5.1%	16.4%	-0.6%	

FABS estimate & Co Data

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

Customer Service

Abu Dhabi Office	+971-2 -6161600	Online Trading Link
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Best Brokerage House in UAE
2016, 2017, 2019 and 2020
by "IFA"



Best Brokerage in the UAE
2016 By "Global Investor/
ISF ME Awards"



Best Research House
in UAE 2016 and 2020
by "IFA"



Best New Mobile Application
in UAE 2016
by "IFA"



Best Equity Finance Company
in UAE 2016
by "IFA"