

Initiating on Saudi Banks: Supply-Side Constraints Showcase Winners

The long-term case is compelling (see our notes on [Reforms](#) and [Demographics](#)) on both growth and credit. Liquidity is a current concern, as are supply-side factors resulting from growing asset durations. Better balance sheets (SAB, BSF) should outperform. Sector on consensus 12.6x '24e P/E and 2.3x P/B (ROTE 17.0%); our Buys on 10.9x/1.5x/14.0%. Buy SAB and BSF; Rajhi at Underperform; Hold SNB, Alinma, ANB, Riyadh

Banks index -45% from peak, but this remains a stock-picking environment

The Saudi banks index is down c.45% from its peak and commodities may be finding a floor, but index beta plays face a mix of fundamental (Rajhi) and sentiment (SNB) headwinds, while sector valuations remain at a premium. In our view, this is a stock-picking environment that will favor consistency and an absence of negative surprises. SAB and BSF offer better visibility through stronger balance sheets and lower risk on valuations given their discount to peers.

Supply-side constraints (liquidity, funding, capital) are key; we are below consensus on growth

The debate around peak NIMs/ROEs carries on, but we think the Street should focus instead on growing asset durations, which raise questions about funding and capital, and liquidity. We see capacity constraints emerging, with deteriorating liquidity ratios (Rajhi, Alinma) and duration risk (Rajhi) potentially affecting growth (we are 2-3% below throughout). Dividend payouts may also disappoint. Our Buy-rated names, SAB and BSF, should largely avoid any disappointments related to these factors given stronger capital and liquidity profiles.

Fundamental scorecards to pick winners and avoid negative surprises

We score our banks on growth capacity, capital and liquidity, and earnings power. Rajhi and Alinma score worst on growth capacity due to higher asset utilization and deteriorating NSFRs; BSF scores well on capital and liquidity, while SNB and Alinma look best on earnings power. Aggregate scores reveal SNB and SAB as top of the class, followed by BSF. Rajhi for now looks weakest, supporting our Underperform rating.

Business models facing challenges of Open Banking & Fintechs

We expect strategy updates from Rajhi, SNB, BSF, SAB, and ANB in the coming 2-4 quarters. These will matter more than ever as Open Banking and Fintechs are coming at the behest of the regulator. Tech, Distribution, and Partnerships should work to offset or reduce capital intensity, particularly at Rajhi and BSF, though for entirely different reasons.

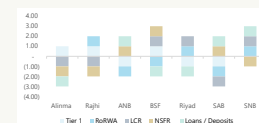
Buy-rated names to outperform on fundamentals and relative valuations

SAB and BSF trade at a 10% discount to the sector on P/E and 20% on P/B, reflecting lower ROEs (median 11.2% vs 14%) but with better earnings growth (15% EPS CAGR vs 4%). Both are also at a discount to their 5-year averages, and their smaller index weights allow for easier tactical positioning vs larger (structural) plays.

KEY STOCKS FEATURED INCLUDE:

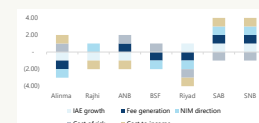
TICKER	RATING	PRICE TARGET
BSFR AB	BUY	SAR48.80
SABB AB	BUY	SAR44.00
RJHI AB	UNPF	SAR63.30
ALINMA AB	HOLD	SAR32.00
SNB AB	HOLD	SAR40.60

Exhibit 1 - Capital & liquidity



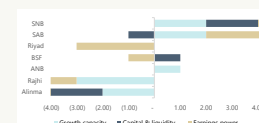
Source: Company Data, Jefferies

Exhibit 2 - Earnings power



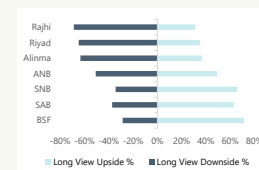
Source: Company Data, Jefferies

Exhibit 3 - Aggregated scores



Source: Company Data, Jefferies

Exhibit 4 - Long View upside/downside PTs vs current prices



Source: Jefferies

Ryan Ayache * | Equity Analyst

+971 4 4231 6013 | rayache@jefferies.com

Summary of Changes

Company	Rating	Price [^]	Price Target	EPS Estimates			P/E		
				2022	2023	2024	2022	2023	2024
BSF BSFR AB	BUY	SAR41.70	SAR48.80	SAR2.79	SAR3.63	SAR3.97	14.9x	11.5x	10.5x
SABB SABB AB	BUY	SAR38.15	SAR44.00	SAR2.37	SAR3.10	SAR3.34	16.1x	12.3x	11.4x
RAJHI RJHI AB	UNPF	SAR73.00	SAR63.30	SAR4.24	SAR4.32	SAR4.57	17.2x	16.9x	16.0x
Alinma ALINMA AB	HOLD	SAR33.50	SAR32.00	SAR1.73	SAR2.31	SAR2.49	19.3x	14.5x	13.4x
SNB SNB AB	HOLD	SAR36.80	SAR40.60	SAR3.00	SAR3.21	SAR3.42	12.3x	11.5x	10.8x
Arab National ARNB AB	HOLD	SAR26.35	SAR27.80	SAR2.05	SAR2.33	SAR2.47	12.9x	11.3x	10.7x
Riyad Bank RIBL AB	HOLD	SAR33.65	SAR32.20	SAR2.32	SAR2.56	SAR2.51	14.5x	13.1x	13.4x

[^]Prior trading day's closing price unless otherwise noted.

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Table of Contents

Executive Summary	4
Valuations & investment outlook	5
Global valuations	5
Stock summaries, debates and JEF vs cons	9
Banking Sector Overview	16
Salient structural features	16
Lending books	23
Market shares & competitive dynamics	26
Capital	29
Revenues and expenses	31
Asset quality	33
Sector profitability and returns	35
Drivers and headwinds	37
Scorecards : Growth, capital and earnings in focus	39
Bank Pages	46
Banque Saudi Fransi	47
Saudi British Bank	50
Al Rajhi Bank	52
Alinma Bank	54
Saudi National Bank	56
Arab National Bank	58
Riyad Bank	60

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Executive Summary

Three core issues are set to dominate the near-term stock and sector debates

1) Liquidity: Saudi banks' regulatory LDRs increased by 655bps to 81.55% between 2020 and 2022, and the headline LDR by 910bps to 96.8%. Median NSFRs dropped to 117% in Q1-23 from 123% in FY20.

This is because the natural response to additional liquidity and falling rates (COVID stimulus) was to let LDRs run higher, which reduced capacity even as the support funding had to be repaid and deposit costs surged on higher policy rates (with liabilities usually repricing first), squeezing liquidity. We're still in the aftermath of this dynamic. This is critical given the strength of the credit story in Saudi Arabia.

2) Asset maturities: Rising asset maturities are increasingly challenging funding and capital for banks. Half of the outstanding credit is now long-term, against which the sector's traditionally short-dated funding looks increasingly inadequate. Capital headroom for long-dated financing has reduced significantly. Growth and payouts could be affected (and we're generally below consensus for both).

3) Looming challenges from Open Banking & Fintechs: Structural credit and funding dynamics have until now played to banks' advantage, as abundant cheap funding can be turned into earning assets with relative ease. But the regulator is taking measures to broaden the financial ecosystem, notably with fully-fledged national strategies around Open banking and the adoption of Fintechs. This will test banks' business models as partnerships and distribution increasingly shape products, and as consumer expectations evolve. Revenue models will have to adapt, making upcoming Strategy updates from several banks all the more important.

Our scorecards discriminate on liquidity, funding, and growth to give a clear view

Our fundamental work focuses on liquidity, funding & capital, and growth capacity as key differentiators between the sector's banks. The first two scorecards are balance sheet focused. The third is more about P&L. On an aggregate basis, our work shows SNB, SAB, and BSF with the highest tallies, and Rajhi and Alinma the fewest.

We're less concerned about Rates

Rates remain a key driver of profitability, of course, but this is largely a cyclical concern. The context of slowing top-line growth on lower NIM does, however, add urgency to the issue of how banks' strategies will have to evolve in the medium term, particularly as the balance sheet structures found in the sector show very different approaches. Our strategy discussion addresses some of these points.

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Valuations & investment outlook

Saudi banks under our coverage are down YTD (-1.3%) and YoY (-13.7%), reflecting some uncertainty about liquidity and margin dynamics, though SNB's stock price also reflects concerns about its investment in CS. Inescapably, oil prices also loom large and should remain a key driver of risk appetite for the sector.

Our US economist Tom Simons expects a US recession in the coming quarters, which we expect to cap trading multiples. We see scope for relative outperformance at the stock level, but if the thesis is 'flat to slightly compressed' multiples, that performance will have to be rooted in earnings growth. Despite some conservatism, we have confidence in the earnings outlook with our Buy-rated names poised for an average of 30% EPS growth in FY23 (15% to FY25e) on rising NIM and good volume growth. Multiples have retreated since peaking in Q2-22 but remain at the richer end of the scale.

Another possible cloud on the horizon is global macro. We remain constructive on oil in the medium term given relatively tight supply dynamics, but the calculus on the demand side will also have to hold for this to pan out. China's reopening is lagging expectations so far, though a mean reversion (of growth) of some degree appears more likely, with additional support measures being announced. A possible US recession carries its own risks to sentiment around demand if the Fed is to vanquish inflation via higher unemployment.

Sentiment is also likely to remain cautious as debate rages over peak NIM, given these banks' interest-rate sensitivity.

Global valuations

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Exhibit 7 - Valuation methodology and key inputs

	COE	Mid-cycle ROTE	Terminal Multiple	Price Target	Rating
BSF	10.5%	13.5%	1.5	48.8	Buy
SAB	10.4%	12.8%	1.4	44.0	Buy
Rajhi	10.4%	19.0%	2.3	63.3	Underperform
Alinma	10.5%	16.0%	1.9	32.0	Hold
SNB	10.8%	12.5%	1.3	40.6	Hold
ANB	11.0%	12.0%	1.1	27.8	Hold
Riyad Bank	10.7%	15.0%	1.6	32.2	Hold

Source: Jefferies

Within our coverage, Rajhi, Riyad, and Alinma are at or slightly north of their 5-year ranges on P/E and P/B.

SNB remains below range despite a brief rally following CS's collapse and eventual takeover by UBS. We don't see the gap closing soon, though we are not without sympathy for those arguing the long case given the strength of the balance sheet.

ANB is also trading at a discount to its 5-year range. In the absence of market communication and medium-term targets, we find it hard to argue that the stock merits a re-rate.

SAB and BSF are both below their 5-year ranges, and we think operational performance and balance sheet fundamentals will provide tailwinds to stock prices.

Key risks common to the sector are primarily macro in nature. These include deteriorating liquidity, worsening asset quality and higher provisions, and lower growth. Any combination of these would likely affect risk perceptions around banking stocks.

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Stock summaries, debates and JEF vs cons

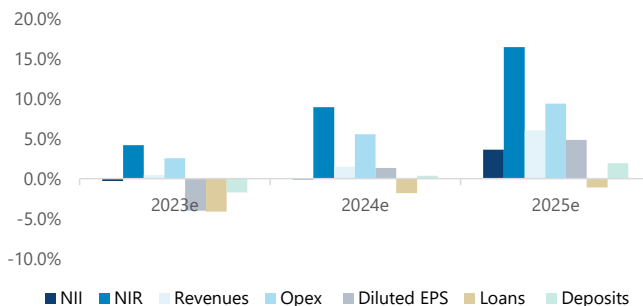
BSF (Buy, PT: SAR48.8) – Our Buy rating reflects (i) a high-quality balance sheet with strong NSFR, LCR, and capital ratios, (ii) the biggest headroom to grow LT assets in terms of capital at risk, (iii) a credible narrative of medium-term growth given activity levels in the corporate space. The stock is also appealing in terms of valuation. On the negative side, (i) the biggest dissonance remains its basic asset mix, which is so skewed to Corporate as to raise real questions about its approach to the Consumer space, (ii) fee-income generation has been weaker than peers, some of which may reflect the smaller retail footprint, though as SAB clearly shows, more corporate-focused banks can still have strong fee generation.

Exhibit 8 - BSF expected growth

	Jef % growth		
	2023e	2024e	2025e
NII	21%	5%	6%
NIR	7%	12%	15%
Revenues	18%	7%	8%
Operating expenses	13%	10%	10%
Impairment charge	6%	-11%	14%
Diluted EPS (Adj.)	30%	9%	5%
Loans & advances	9%	12%	10%
Customer deposits	9%	11%	10%

Source: Jefferies

Exhibit 9 - BSF JEF vs Consensus

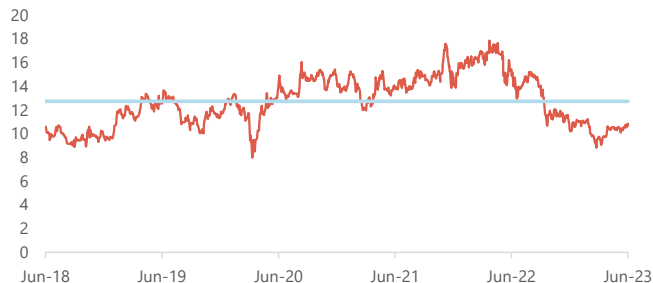


Source: Jefferies, Visible Alpha

Consensus estimates for impairment charge not available

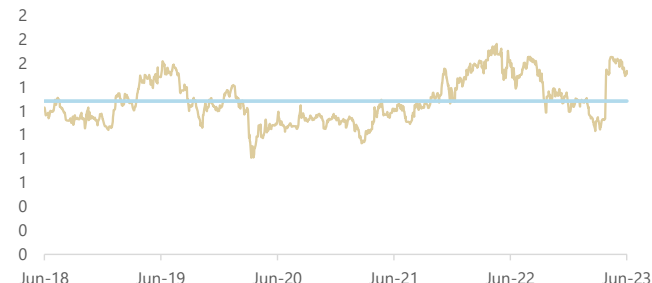
We are slightly above consensus on most lines for BSF, notably on EPS, where we are slightly below this year (-4%) but 1.3% and 4.8% above for FY24e/FY25e. Essentially, this reflects our view of the healthy state of the balance sheet, capital ratios, and funding. Additionally, while the repricing scheduling of assets and liabilities suggests a lot of repricing within 12m, the bank hedges IR risk through derivatives, and we expect positioning to increase this year in anticipation of possible cuts next year.

Exhibit 10 - BSF 5 year PE NTM



Source: FactSet, Jefferies

Exhibit 11 - BSF 5 year PB NTM



Source: FactSet, Jefferies

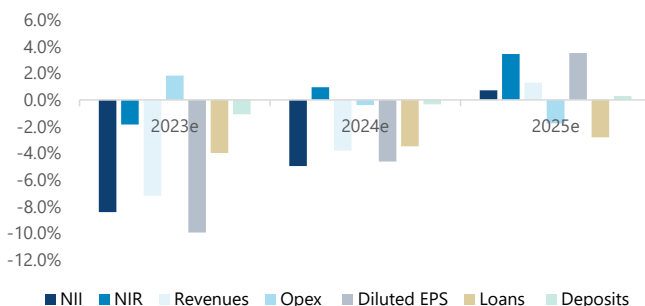
SAB (Buy, PT: SAR44.0) – Our Buy rating is predicated on (i) strong liquidity and capital position, (ii) good growth outlook, (iii) clear value proposition, (iv) good asset quality. On the negatives, we think that (i) much more clarity on the bank's strategy is needed, (ii) we have no substantial information on the bank's ESG efforts/strategy.

Exhibit 12 - SAB expected growth

	Jef % growth		
	2023e	2024e	2025e
NII	32%	8%	6%
NIR	6%	11%	12%
Revenues	25%	8%	7%
Operating expenses	15%	5%	5%
Impairment charge	85%	34%	22%
Diluted EPS (Adj.)	31%	8%	7%
Loans & advances	11%	11%	11%
Customer deposits	11%	10%	10%

Source: Jefferies

Exhibit 13 - SAB Jef vs Consensus



Source: Jefferies, Visible Alpha

Consensus estimates for impairment charge not available

For SAB, we are below consensus on growth, affecting NII also. The delta between our loan growth estimates and the NII (vs cons) suggests our NIM estimates are slightly higher – our thinking here is: why push growth when NIMs are expanding this much?

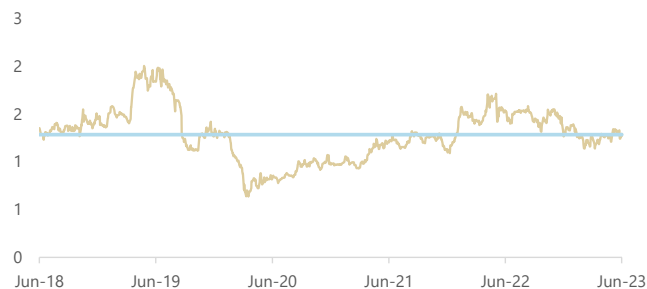
We are below on EPS for this year and next (-10%/-4.6%), though 3.5% above for FY25e. This is likely due to revenues and impairments.

Exhibit 14 - SAB 5 year PE NTM



Source: FactSet, Jefferies

Exhibit 15 - SAB 5 year PB NTM



Source: FactSet, Jefferies

Al Rajhi Bank (UNPF, PT: SAR63.3) – We rate the stock at Underperform. Negatives: (i) needs balance sheet repair after high growth incl. capital and funding, (ii) strategy was geared mainly to prior period of mortgage growth, needs a bold follow-up, (iii) dividend outlook not clear given capital. Positives: (i) clear strategy with strong execution, (ii) market share/scale, (iii) zero government ownership, (iv) well positioned for rates vol, (v) best positioned to capture LT structural themes.

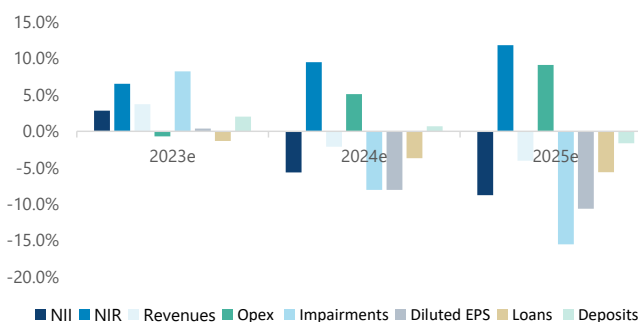
Given its index weight and wide ownership, and because, unlike its peers, Rajhi should see NIMs rise over the forecast period, the stock has plenty of support. But until we have more clarity on near-term growth and an update on strategy, we think risks are skewed to the downside at these multiples.

Exhibit 16 - Rajhi expected growth

	Jef % growth		
	2023e	2024e	2025e
NII	1%	7%	9%
NIR	16%	14%	13%
Revenues	4%	8%	10%
Operating expenses	2%	13%	11%
Impairment charge	2%	23%	10%
Diluted EPS (Ajd.)	2%	6%	10%
Loans & advances	6%	6%	7%
Customer deposits	6%	7%	6%

Source: Jefferies

Exhibit 17 - Rajhi JEF vs Consensus



Source: Jefferies, Visible Alpha

Our main variance vs consensus on Al Rajhi Bank concerns loan growth, where we are less optimistic given capacity constraints (liquidity ratios, capital). We are also slightly below on NII (suggesting lower NIM estimates) though better on fees. On impairments, we expect higher charges this year, but lower charges thereafter, vs consensus. We are 8-11% below on EPS '24e/25e.

Exhibit 18 - Al Rajhi 5 year PE NTM



Source: FactSet, Jefferies

Exhibit 19 - Al Rajhi 5 year PB NTM



Source: FactSet, Jefferies

Alinma (Hold, PT: SAR32.0) – We are at Hold on the name. While we like (i) the value-focused management team, (ii) good fee generation, and (iii) the relatively low gearing to rates, we flag (i) a worsening NSFR ratio that may constrain growth, (ii) rising NPLs combined with comparatively low Stage-3 coverage of 57%, (iii) ambitious 2025 ROE targets that may be easy to disappoint. Additionally, we think Street expectations on DPS may be too optimistic.

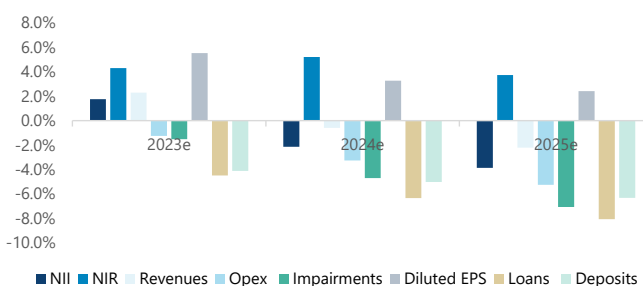
The stock has rallied hard since a new management team arrived in 2021, and while operational performance has been good, the main debate currently is the degree to which higher expectations are priced in.

Exhibit 20 - Alinma expected growth

	Jef % growth		
	2023e	2024e	2025e
NII	25%	6%	3%
NIR	7%	12%	9%
Revenues	20%	7%	5%
Operating expenses	10%	6%	6%
Impairment charge	1%	9%	9%
Diluted EPS (Adj.)	34%	8%	3%
Loans & advances	13%	11%	10%
Customer deposits	13%	11%	10%

Source: Jefferies

Exhibit 21 - Alinma JEF vs Consensus



Source: Jefferies, Visible Alpha

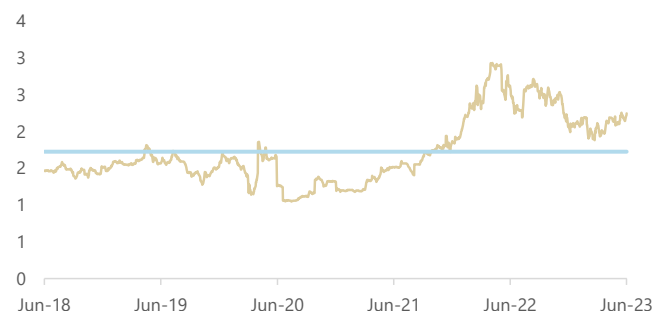
The main divergence we have vs consensus is on loan growth, which we think may be capped until the NSFR rises and LDR abates. This also results in some variances on NII and revenues, though it appears we are more constructive on fees. We are marginally below on impairments, resulting in slightly higher EPS targets.

Exhibit 22 - Alinma 5 year PE NTM



Source: FactSet, Jefferies

Exhibit 23 - Alinma 5 year PB NTM



Source: FactSet, Jefferies

SNB (Hold, PT: SAR40.6) – We have a Hold rating on the name. The obvious positives are: (i) scale and asset mix, (ii) quality of balance sheet, (iii) strongly positioned for LT structural themes, (iv) relatively low beta to rates vol. On the negatives: (i) the CS story leaves a sour taste, highlighting (a) the pitfalls of government ownership, and (b) the risk of foreign M&A/investments; (ii) fee generation is subpar for a bank of this quality and size, (iii) the punch has yet to connect on the strategy narrative.

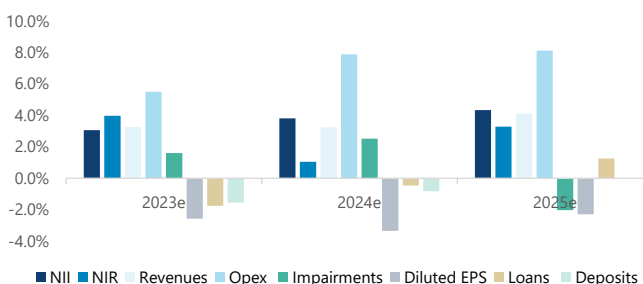
The Street is positive on the stock as it's clearly at the cheaper end of its valuation range, CS is viewed as now largely in the rearview mirror, and fundamentals are strong. However, we think the damage done by the CS story will cap a re-rating and that the macro will weigh on positioning.

Exhibit 24 - SNB expected growth

	Jef % growth		
	2023e	2024e	2025e
NII	9%	9%	8%
NIR	11%	7%	10%
Revenues	10%	8%	8%
Operating expenses	9%	7%	6%
Impairment charge	47%	31%	12%
Diluted EPS (Adj.)	7%	7%	9%
Loans & advances	11%	12%	12%
Customer deposits	11%	11%	11%

Source: Jefferies

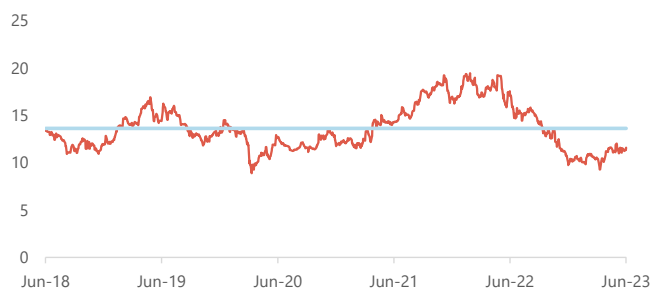
Exhibit 25 - SNB JEF vs Consensus



Source: Jefferies, Visible Alpha

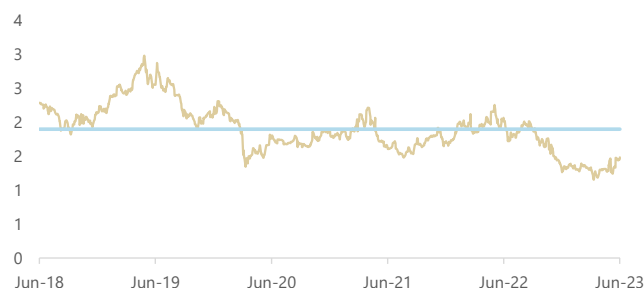
We are slightly below consensus EPS (-3%, -3%, -2%), though we are above on NII and below on growth, implying higher NIM expectations. Our higher revenue estimates are balanced out by higher opex and impairment forecasts.

Exhibit 26 - SNB 5 year PE NTM



Source: FactSet, Jefferies

Exhibit 27 - SNB 5 year PB NTM



Source: FactSet, Jefferies

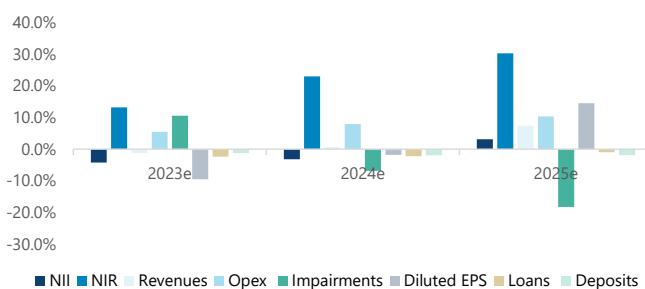
ANB (Hold, PT: SAR27.8) – We are at Hold on the stock. Positives are (i) a clear path to upgrade operational performance based on currently inferior fee generation, and (ii) a very decent balance sheet with good liquidity ratios. On the negative side, (i) strategy and ESG are at an early stage (expected rollout in FY24e), (ii) no real communication with the Street (earnings calls expected from next year), (iii) its biggest shareholder, Arab Bank of Jordan, has a 40% stake but the two banks appear to have no/limited operational ties, depriving ANB of potentially strong products and knowledge.

Exhibit 28 - ANB expected growth

	Jef % growth		
	2023e	2024e	2025e
NII	21%	5%	6%
NIR	18%	9%	11%
Revenues	21%	5%	7%
Operating expenses	20%	10%	7%
Impairment charge	42%	-4%	-3%
Diluted EPS (Adj.)	14%	6%	10%
Loans & advances	9%	9%	9%
Customer deposits	7%	7%	8%

Source: Jefferies

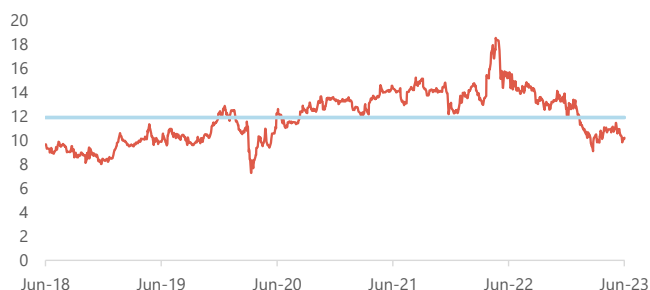
Exhibit 29 - ANB Jef vs Consensus



Source: Jefferies, Visible Alpha

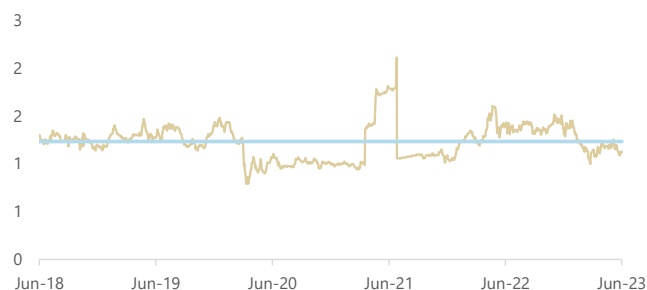
The most notable disagreement we have with consensus on ANB is on fee income, which we think can grow significantly because of the very low base the bank is starting from (lowest fees/assets and fees/RWA by a long way). Our thinking here is that charging new or higher fees is far simpler than launching new products, for example, and given the low base, ANB should be able to do so without loss of business. On the rest, we expect higher impairments this year on possible stage movements, but we are less concerned thereafter.

Exhibit 30 - ANB 5 year PE NTM



Source: FactSet, Jefferies

Exhibit 31 - ANB 5 year PB NTM



Source: FactSet Jefferies

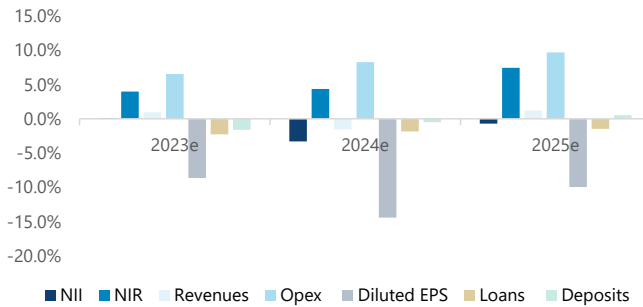
Riyad Bank (Hold, PT: SAR32.2) – We are at Hold on the stock. While we like (i) its scale and asset mix, (ii) credible strategy and good delivery, (iii) positioning for LT trends, we have concerns about (i) asset quality given stage movements and relatively low coverage, (ii) the sustainability of its ultra-cheap funding. Lastly, (iii) we are also generally not fans of large government stakes (c.40%).

Exhibit 32 - Riyad expected growth

	Jef % growth		
	2023e	2024e	2025e
NII	26%	2%	4%
NIR	7%	6%	10%
Revenues	21%	3%	6%
Operating expenses	19%	9%	7%
Impairment charge	111%	7%	8%
Diluted EPS (Adj.)	10%	-2%	5%
Loans & advances	11%	11%	11%
Customer deposits	11%	11%	10%

Source: Jefferies

Exhibit 33 - Riyad Jef vs Consensus

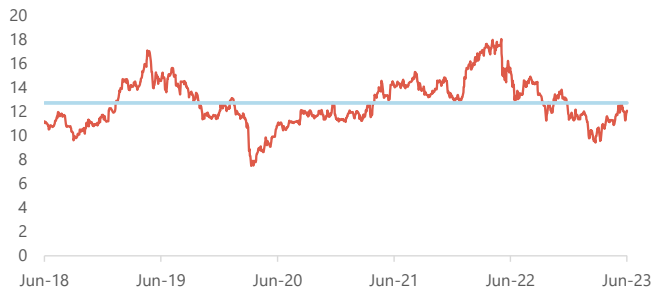


Source: Jefferies, Visible Alpha

Consensus estimates for impairment charge not available

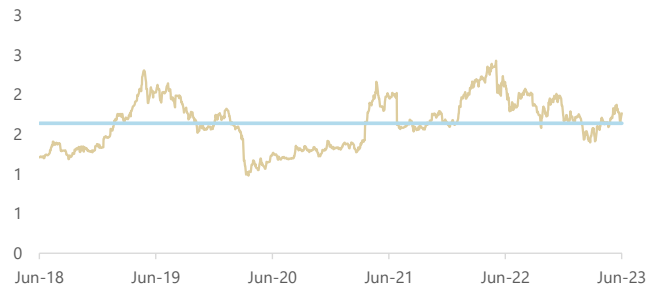
We are close to consensus on Riyad Bank on balance sheet growth and revenues, though higher on opex. The EPS variance is likely due to impairments.

Exhibit 34 - Riyad 5 year PE NTM



Source: FactSet, Jefferies

Exhibit 35 - Riyad 5 year PB NTM



Source: FactSet, Jefferies

Banking Sector Overview

Salient structural features

Saudi banks are few, and front and center of the national development program

Saudi Arabia has only 10 local banks – rather a small number for a country of c.30m and a GDP that reached USD1Tn in 2022.

To say that a healthy banking system is important to the proper functioning of an economy may be trite, but Saudi Arabia's government views its banking system as being so important that it has given it its own medium-term growth and development framework. This relates to the country's Vision2030 medium-term planning program and is called the Financial Sector Development Program. This program encompasses banks, exchanges, Fintech, Asset Management, and Insurance; it stipulates growth targets and KPIs associated with each sub-segment, and is managed by a joint task force comprising several ministers and regulatory bodies.

Part of the reason for giving the financial sector such a high profile in medium-term planning is that the scale of Vision2030 is such – current projects alone are >\$500bn – that Saudi banks will not be able to fund it on their own. The calculus on this is simple: assuming 60% debt financing, the additional \$300bn in lending would require a similar amount of bank funding, as well as equity to back it up. Saudi banks had a combined \$630bn of private sector loans in Q1-23 against about the same number in deposits and \$140bn of capital, suggesting that capacity can be created only very incrementally.

The need for external funding partly explains the country's massive reform drive and its efforts to attract international capital. And the Financial Sector Development Program is a way to make sure that the wider financial sector has a clear framework for growth, risks, and funding that has multiple stakeholders beyond just the regulator.

Takeaways: Saudi banks are few, the banking sector is of critical strategic importance to fund vision 2030, and the funding side of the equation is the one that we will need to keep our eyes on.

There has never been a bank failure in Saudi Arabia and the Central Bank is a widely respected regulator.

Most recently we believe that additional liquidity might have been made available to banks during the SVB episode: odd turns of phrase and somewhat vague answers were a common theme during Q1-23 earning calls when questions came up about the apparent surge in deposit volumes. Additional liquidity support was also made available during COVID-19, to the tune of SAR50bn. This has been rolled over several times, and we think largely repaid by now.

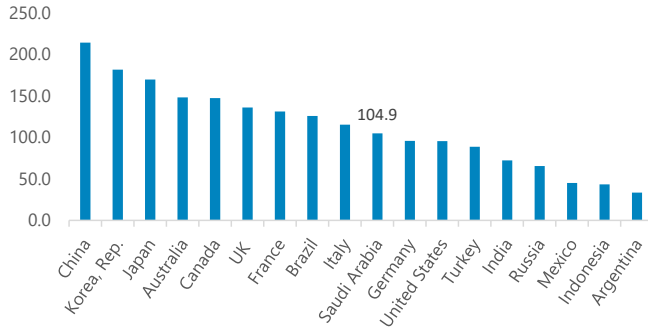
Note that the Central Bank issued a consultation paper in January 2023 on a proposed new Banking Law. This would replace the current Banking Control Law (last revised in 1996). Some key aspects of the proposed law include: updated and expanded definitions of what constitutes banking in the Kingdom; new licensing authorities for SAMA, making SAMA the central authority for ICT, data, and cyberinfrastructure at licensed banks and institutions; granting SAMA the authority to compel banks to share client data with third-party Fintechs; the creation of a new depositors' support fund (which will become a new branch within SAMA); introducing personal liability for Chair and CEO roles; expanding SAMA's enforcement powers; and extensive new guidelines related to confidentiality; consumer privacy and data security.

Credit and deposit penetration are somewhat low in a G-20 context

Saudi Arabia is a member of the G-20, which provides us with a sample of peers from both DM and EM countries.

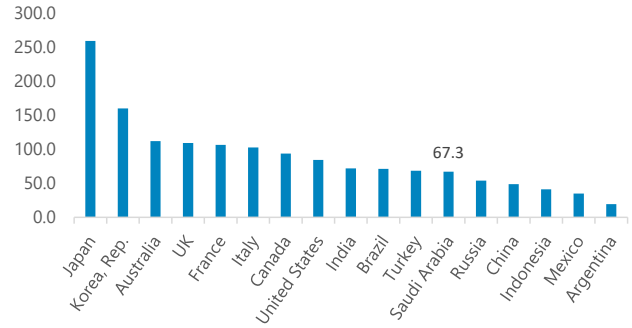
In a G-20 context, the Saudi banking system exhibits moderate penetration of banking assets to GDP, deposits to GDP, and loans to GDP. Penetration levels appear slightly inferior to Saudi Arabia's per capita GDP relative to peer nations in this group.

Exhibit 36 - Assets to GDP (%)



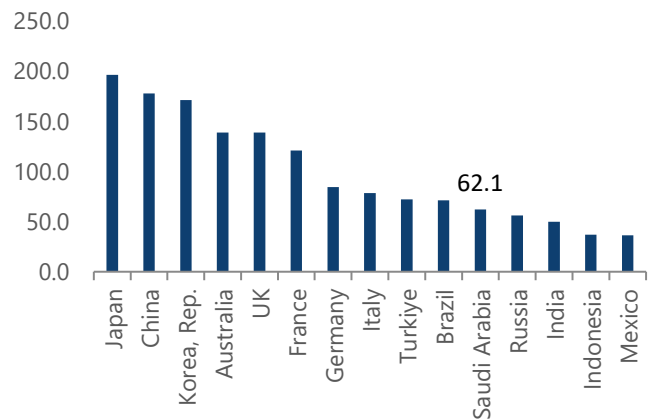
Source: IFS, IMF, Jefferies

Exhibit 37 - Deposits to GDP (%)



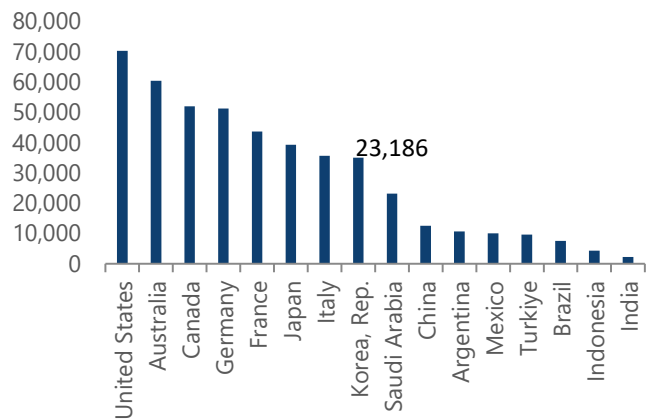
Source: IFS, IMF, Jefferies

Exhibit 38 - Domestic credit to private sector (% of GDP)



Source: IMF, IFS, World Bank, OECD

Exhibit 39 - GDP per capita (US\$)



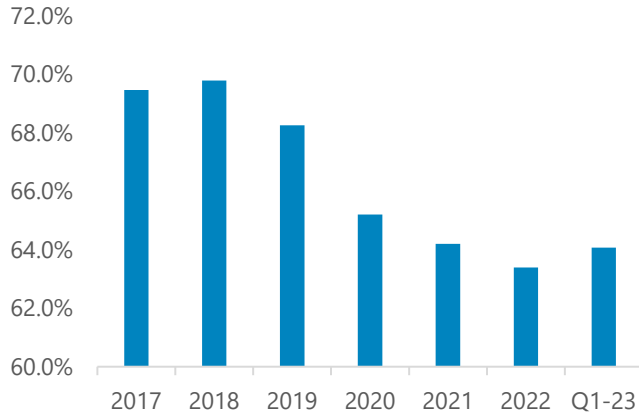
Source: World Bank, OECD, Jefferies

Funding is historically a key positive differentiator, though it's become something of a headwind

Saudi banks are mainly deposit-funded, as shown by their high deposits to assets ratio. This has waned somewhat in recent years as banks' leverage (as measured by assets to equity) has risen, for the most part driven by strong credit demand in the mortgage space. Headline loans to deposit ratio have risen in line, though the regulatory measure (which is tiered to account for maturity and may include non-deposit funding such as debt and hybrid instruments) has been more stable.

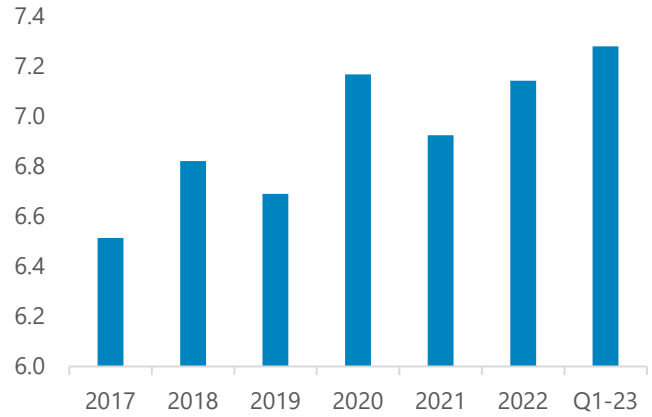
This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Exhibit 40 - Deposits to assets ratio (%)



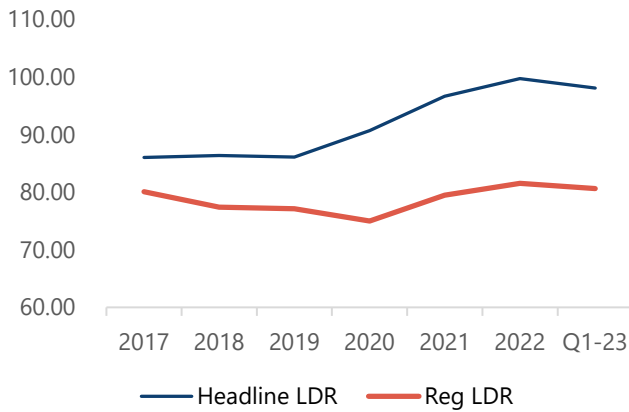
Source: SAMA, Jefferies

Exhibit 41 - Equity to assets ratio (%)



Source: SAMA, Jefferies

Exhibit 42 - LDR (%)

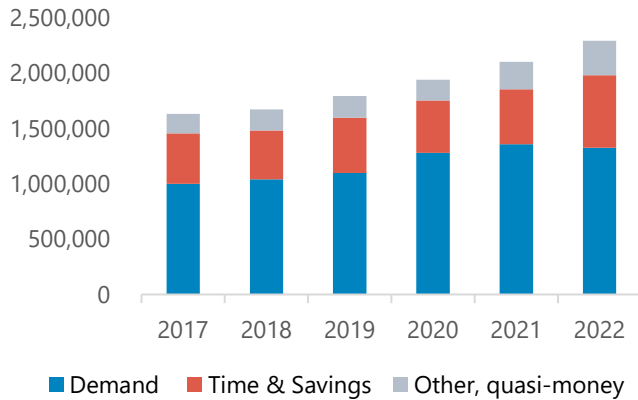


Source: SAMA, Jefferies

A key funding idiosyncrasy is the sector's high share of demand deposits, which are non-interest-bearing.

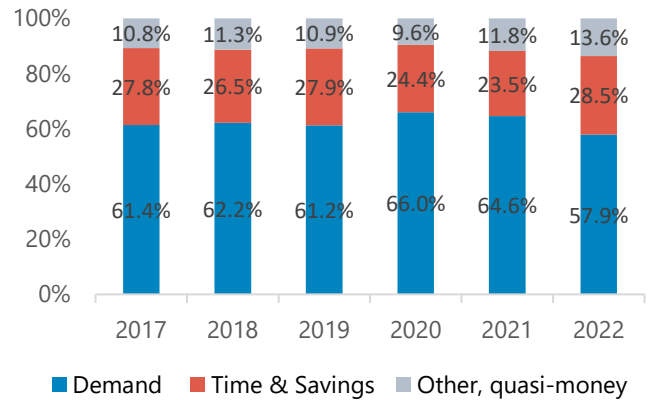
This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Exhibit 43 - Deposits by type (SARM)



Source: SAMA, Jefferies

Exhibit 44 - Deposits by type (% of total)



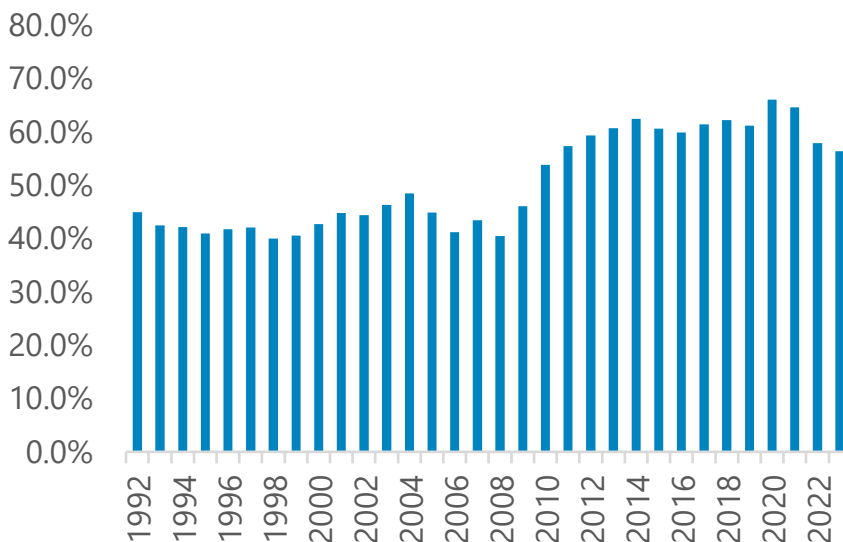
Source: SAMA, Jefferies

The share of such deposits (to total deposits) has averaged 51.4% since 1992, and despite a large fall in recent years, it remains above the long-term average at 55.5% as at the last print (April 2023).

Whether this remains above long-term trends, and for how long, will affect banks' margins. We expect some attrition from current levels for this year, though eventual policy cuts later in the monetary cycle will likely reverse some of this.

This large free deposit base is a key insulator against interest rate shocks, a fact that the IMF mentions repeatedly in its Article IV reviews.

Exhibit 45 - Demand deposits to total deposits (%)

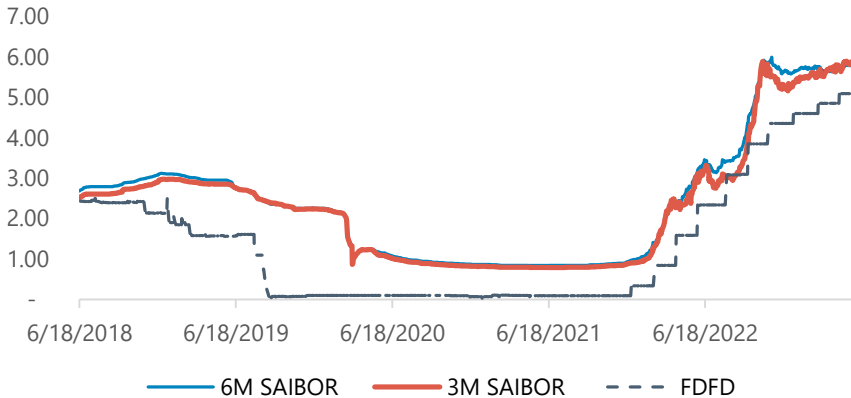


Source: SAMA, Jefferies

Given the SAR peg to the USD, higher US rates have passed through to Saudi banks rapidly. Funding costs for the banks we cover have risen sharply in recent quarters, from a median of 37bps in Q4-21 to 240bps in Q1-23.

Adjusted for interest-free deposits, the 'true' cost of funding reveals itself to be far higher at a median of 513bps in Q1-23. This is in line with 3M SAIBOR (Saudi interbank) levels, and therefore not really that surprising.

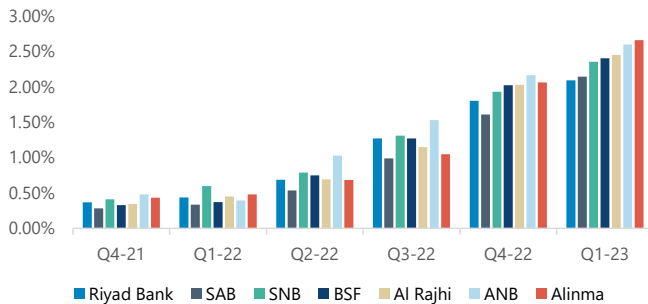
Exhibit 46 - Saudi interbank vs US Fed Funds rate



Source: SAMA, Jefferies

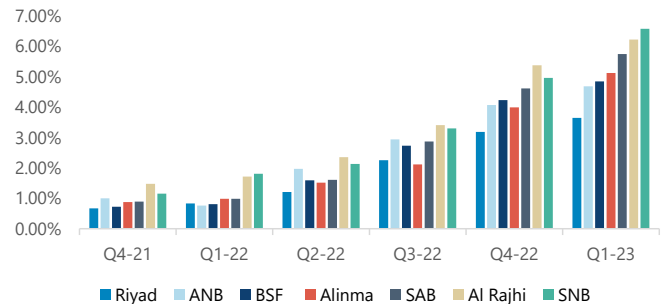
But there may be surprises ahead in adjusting funding costs: (i) the larger banks, SNB and Rajhi, appear to be paying far more for those deposits that do bear interest than their peers, and (ii), Riyadh Bank appears to be a clear outlier in its low funding costs, in our opinion raising questions about the sustainability of its margins.

Exhibit 47 - Annualized COF



Source: Company Data, Jefferies

Exhibit 48 - Annualized Adj. COF



Source: Company Data, Jefferies

A legacy of having such a high share of free deposits in the funding mix is having little need to explore funding alternatives. Market funding, for example, has never been a high priority for Saudi banks, though we have seen more banks tap markets in the past few quarters given lengthening asset durations and higher deposit costs. In our coverage, banks held a combined USD5bn of market debt in FY20, and nearly USD10bn in FY22 – still tiny in the context of c.USD785bn of IEAs for our banks as at FY22.

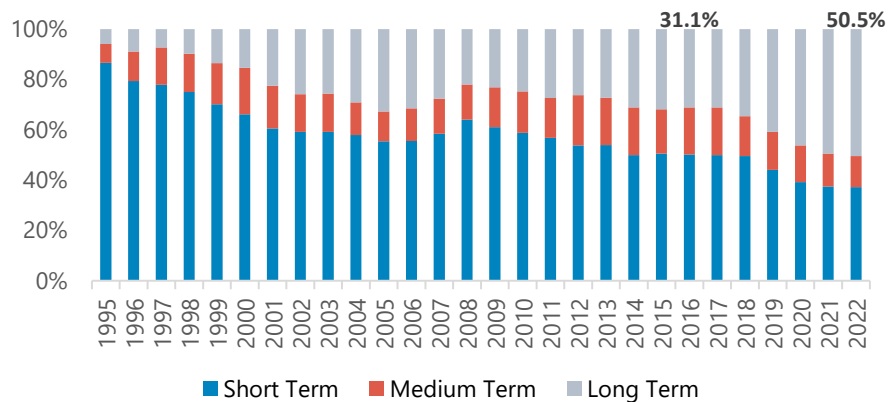
Saudi banks will have to keep growing their share of longer-dated funding given that long-term credit now accounts for half of the total. The current rate environment makes this expensive at present, and we expect debt issuance to pick up once rates start to fall.

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

We believe that the regulator recently increased the weight of longer-dated market debt in its regulatory loans-to-deposits ratio calculation, effectively providing a regulatory incentive to raise funding maturities.

Bank credit by maturity

Exhibit 49 - Bank credit by maturity



Source: SAMA, Jefferies

Although not debt *per se*, AT1s are also likely to see increased volumes once rates ease off. AT1s offer benefits for regulatory ratios as well as immediate liquidity.

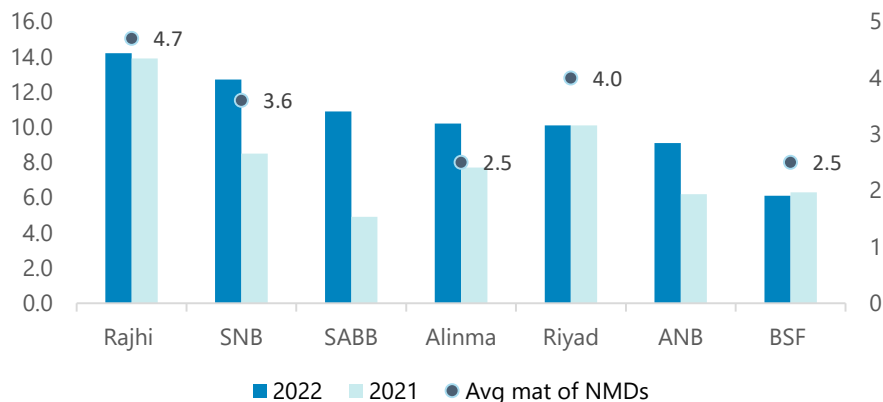
We would point out that the divergence in funding and capital is showing up in banks' Capital At Risk or Delta EVE ratios, which are showing nearly all banks at higher levels in FY22 vs FY21 (and a regulatory cap at 15%).

Part of the calculation for this ratio involves the assigned maturity of non maturity deposits or NMDs: banks with higher NMDs will have less room to lower this ratio from the funding side, and as mentioned the share of such deposits to total deposits in receding anyway. Accordingly, we see scope for several banks to create additional capacity on the capital side by either curtailing dividend payouts (less likely) or issuing AT1 bonds (more likely). AT1 are not dilutive though we do adjust EPS for their costs (which are charged to equity), but the wider point is that the growing duration of Saudi banks' assets is beginning to have some impact on capital as well as funding.

Until we have better clarity on these dynamics, we have incorporated slightly lower growth and/or lower payout ratios in our forecasts.

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Exhibit 50 - Banks Delta EVE



Source: Company Data, Jefferies

Mortgage growth has driven asset composition significantly – this should now slowly rebalance

Growing asset durations have been driven almost exclusively by the boom in homeownership, which is now at c.62% vs 50% a few years ago.

Annualizing the Q1-23 figures, we expect growth to fall significantly this year. The interest rate environment has likely affected demand, but Delta EVE ratios also show clearly that capacity in the banking sector to finance these products has decreased significantly, most markedly at the top of the food chain.

Exhibit 51 - Residential New Mortgages Finance For Individuals Provided by Banks

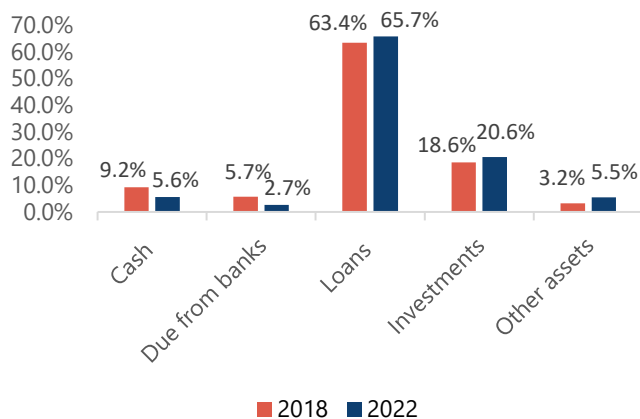


Source: SAMA, Jefferies

The higher loans-to-assets ratio has been driven by mortgages in aggregate. Stripping out Rajhi Bank from the total, however, reveals that the sector has in fact not been as uniform in its asset allocation, with loans to assets ratio actually lower in FY22 vs FY18 for most other banks.

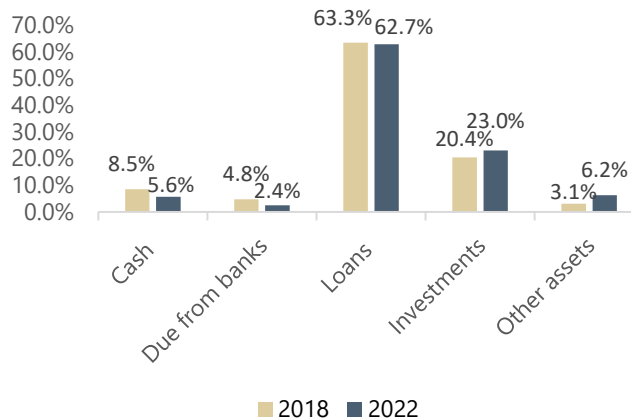
This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Exhibit 52 - Banks' assets composition



Source: Company Data, Jefferies

Exhibit 53 - Banks' assets composition (excluding RAJHI)



Source: Company Data, Jefferies

Banks that went through mergers recently (SNB and SAB) have lower loans-to-assets ratios now than they did in FY18. ANB is flat, and other banks, such as Riyadh Bank, Alinma, and BSF have increased this ratio by a few percentage points.

Al Rajhi Bank has increased this ratio by nearly 11 percentage points. We think this is significant as it leaves the bank with little choice but to grow at a slower pace, lest its NSFR and LCR weaken further.

As a general point, we believe banks with high asset utilization – Rajhi and Alinma specifically – will have to rely more narrowly on deposit growth to fund incremental loan growth, whereas banks with lower asset utilization could in theory resort to asset allocation changes to fund part of their growth.

Exhibit 54 - Banks' asset mix

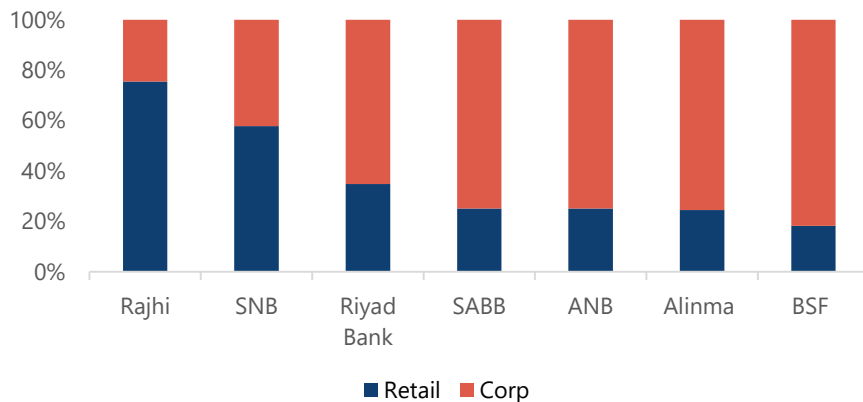
	SNB		SABB		Riyad		BSF		ANB		ALINMA		RAJHI	
	2018	2022	2018	2022	2018	2022	2018	2022	2018	2022	2018	2022	2018	2022
Cash	7.2%	4.4%	8.1%	6.1%	7.1%	9.3%	11.0%	4.9%	12.9%	5.8%	6.0%	4.9%	11.9%	5.5%
Due from banks	3.5%	1.7%	6.9%	1.9%	4.8%	5.7%	8.4%	2.1%	0.6%	2.8%	6.8%	0.7%	8.9%	3.4%
Loans	58.6%	57.7%	63.2%	58.2%	65.7%	67.4%	63.4%	68.5%	67.9%	67.6%	69.3%	73.1%	63.7%	74.6%
Investments	26.1%	27.3%	19.8%	27.5%	20.9%	14.5%	14.9%	19.2%	15.6%	19.3%	14.9%	19.2%	11.8%	13.3%
Other assets	4.5%	8.9%	2.1%	6.3%	1.5%	3.1%	2.3%	5.4%	3.0%	4.4%	3.0%	2.2%	3.8%	3.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, Jefferies

Lending books

Rajhi Bank is the most retail-oriented bank in the sector, with BSF the most corporate. At present, the sector split between retail and corporate lending is 49.6% retail.

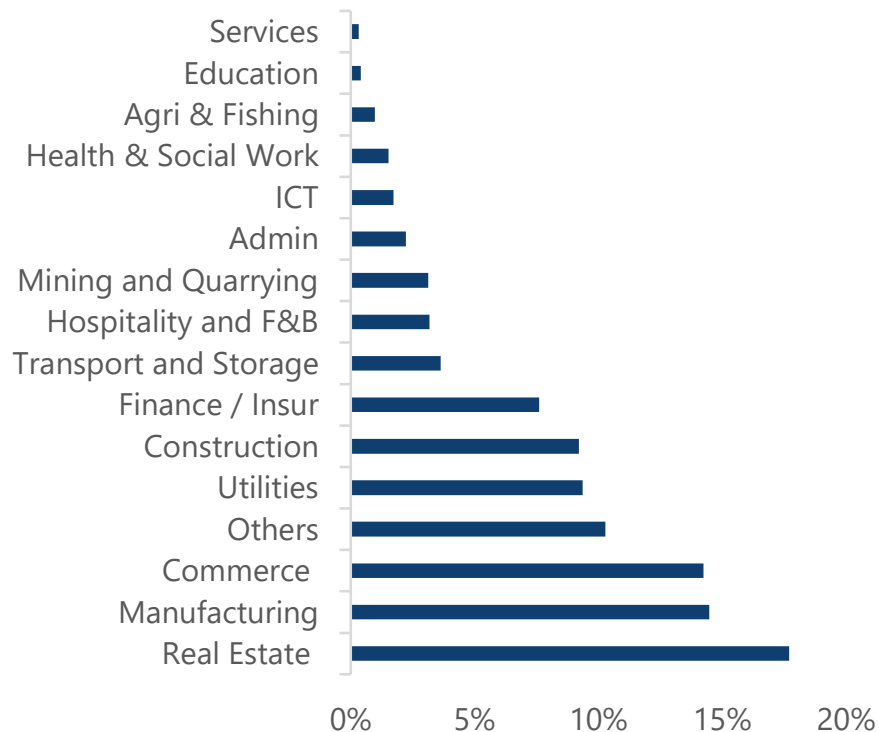
Exhibit 55 - Banks' credit mix



Source: Company Data, Jefferies

Saudi Central Bank (SAMA) data shows a slightly different split of lending books across corporate activity than the banks do, notably breaking out real estate as a separate category. At present banks' loan books have c. 18% exposure to real estate, 15% to Manufacturing, 11% to Other (an ever-opaque category), and 10% each to the Utilities and Construction sectors.

Exhibit 56 - Corporate lending by economic activity

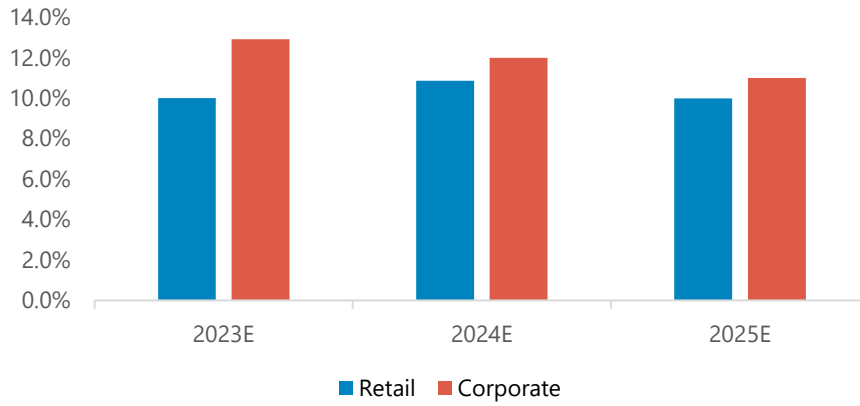


Source: SAMA, Jefferies

Our outlook is slightly more upbeat for the corporate segment (23/24e)

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Exhibit 57 - Expected loan growth



Source: Company Data, Jefferies

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Market shares & competitive dynamics

The domestic banking system comprises 10 banks, the largest of which is Saudi National Bank (SNB), which was the result of the merger between National Commercial Bank and Samba Financial Group. Of the remainder, Al Rajhi Bank is the second by size, followed by Riyad Bank. SAB (Saudi British Bank) was until recently Saudi Arabian British Bank. It acquired Al Awwal Bank in 2018.

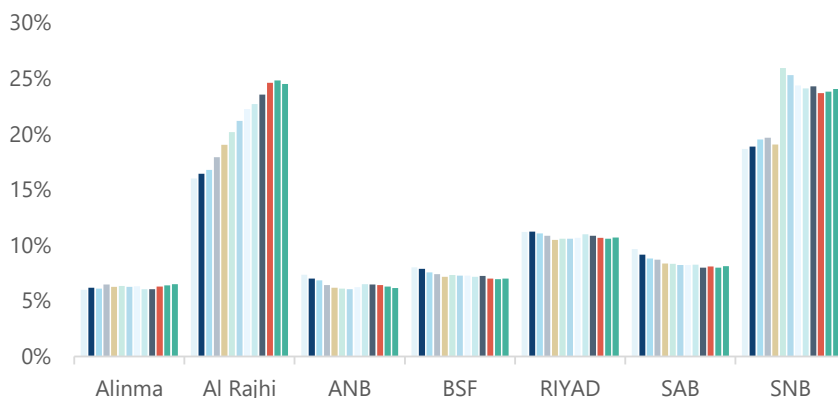
The government is a large minority owner (c.40%) in SNB and Riyad Bank through various entities, including the Public Investment Fund (PIF) and the GOSI, a state pension fund. Additionally, it holds a 10% stake in Alinma. GOSI recently split its holdings into various sub-funds, ostensibly to help the country meet reported free float criteria for additional index weights in major international indices. But we think transparency may have been a casualty here: knowing how much the government owns is important to emerging market investors, and that fact should not be glossed over because of index considerations.

Be that as it may, the government's ownership has not – outside the engineered merger that created SNB – significantly altered competitive dynamics, in our opinion. The two key factors affecting the domestic landscape in recent years have been (i) mergers, and (ii) Rajhi's hefty market share grab. The merger stories have meant fewer banks and more management bandwidth dedicated to executing on these, while Rajhi's volume surge has come at the expense of nearly every other bank. Besides this, we struggle to identify industry-wide shifts in competitive dynamics worth spelling out.

Looking at quarterly data from Q1-20 to Q1-23, the main story has been Al Rajhi Bank's market share grab. This has been driven mainly by mortgages, though Rajhi Bank has also pushed hard into the corporate space in recent quarters.

We also highlight that SNB's jump in market share starting in Q1-21 is the result of the merger.

Exhibit 58 - Total loan market share, Q1-20 to Q1-23

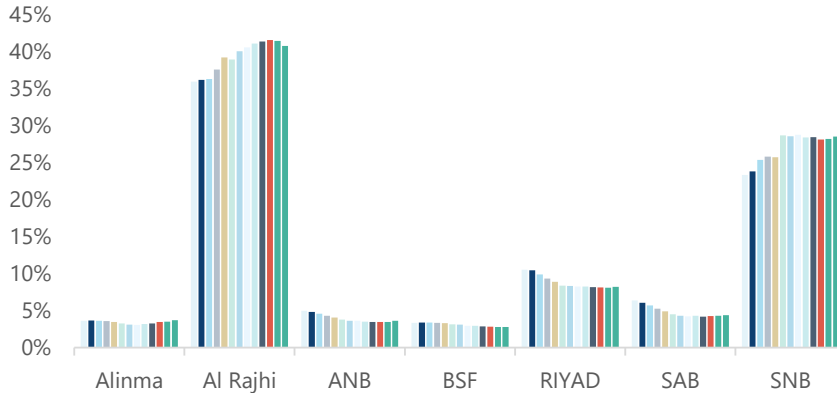


Source: Company Data, SAMA, Jefferies

In retail lending, beyond Rajhi's obvious leadership, we would ascribe some market share loss at SAB to its recent merger.

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

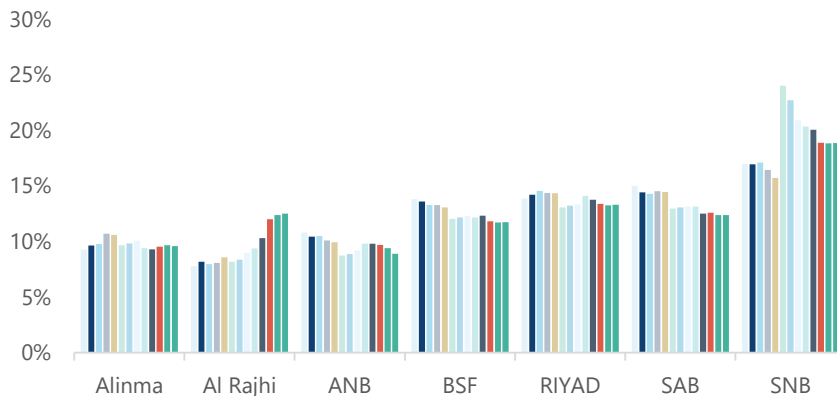
Exhibit 59 - Retail loan market shares, Q1-20 to Q1-23



Source: Company Data, SAMA, Jefferies

In the corporate lending market, Al Rajhi Bank has, as mentioned, been making strong inroads in recent quarters, and while SNB is the undisputed size leader, its market share has been decreasing for six quarters now, also in part due to its recent merger. In fact very few banks have had market share gains in this space, courtesy of Al Rajhi Bank.

Exhibit 60 - Corporate loans market shares, Q1-20 to Q1-23

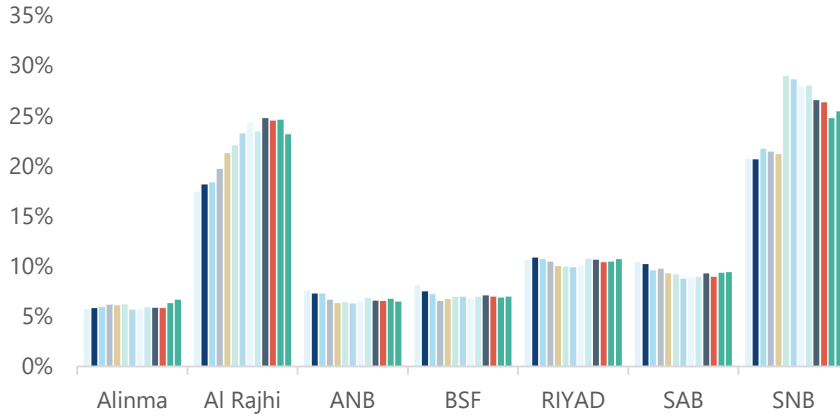


Source: Company Data, SAMA, Jefferies

Deposit market share similarly shows that outside of SNB's scale gains through its merger, market share has been going mainly to Al Rajhi Bank.

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

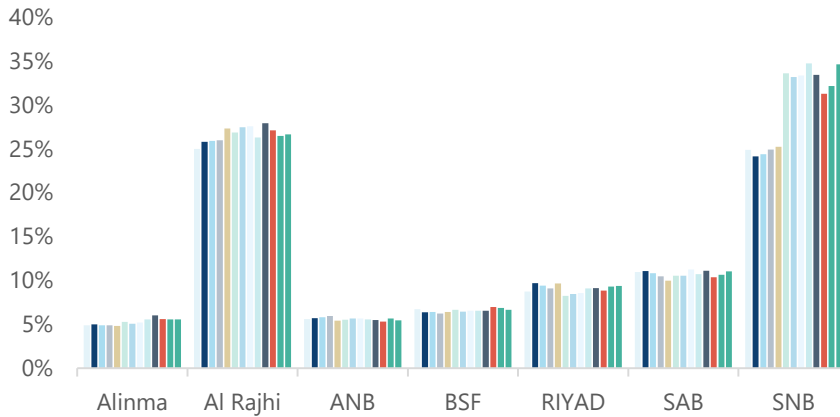
Exhibit 61 - Customers' deposits market shares, Q1-20 to Q1-23



Source: Company data, SAMA, Jefferies

Market shares of demand deposits have been relatively stable outside SNB's merger gains.

Exhibit 62 - Demand deposits market shares, Q1-20 to Q1-23

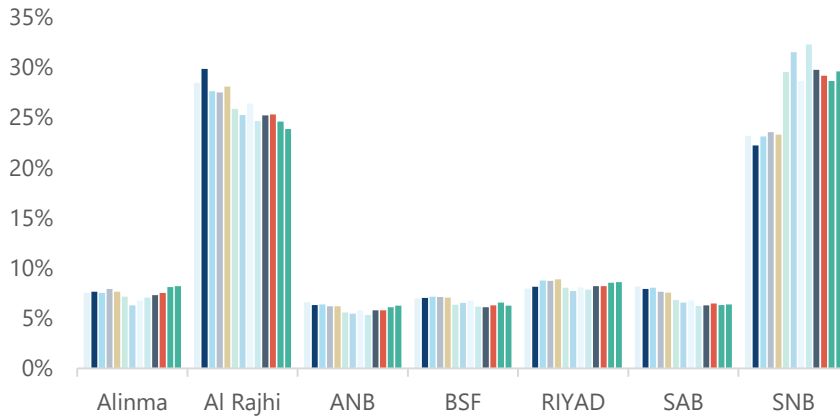


Source: Company data, SAMA, Jefferies

We proxy retail deposits off retail liabilities from segment reporting. Most notable have been Rajhi Bank's declines and Alinma's gains, outside SNB's merger gains.

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

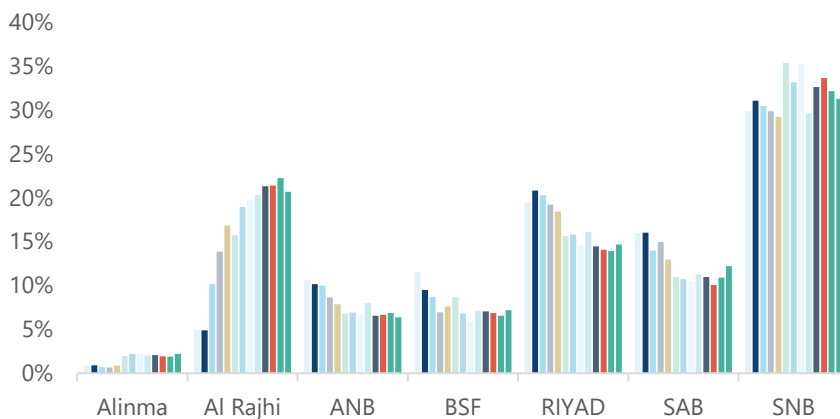
Exhibit 63 - Retail Liabilities market shares, Q1-20 to Q1-23



Source: Company data, SAMA, Jefferies

The corporate liabilities (deposit) market is where Al Rajhi Bank's efforts in the space have been most noticeable, affecting nearly all other banks negatively.

Exhibit 64 - Corporate liabilities market shares, Q1-20 to Q1-23

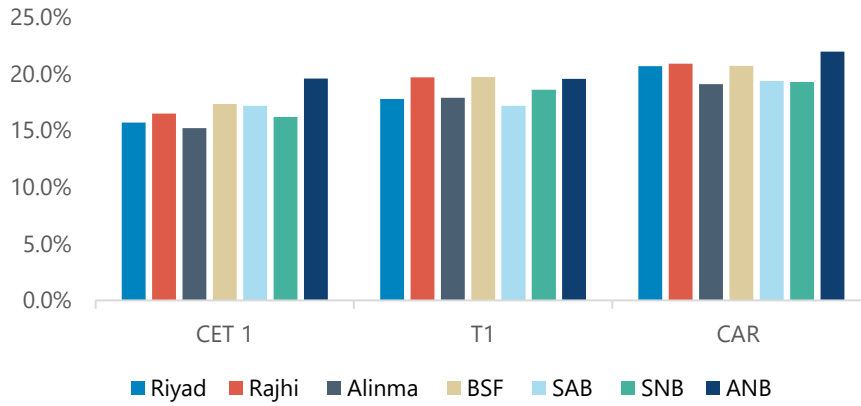


Source: Company data, SAMA, Jefferies

Capital

Saudi banks are extremely well capitalized, with a median CET1 ratio of 16.5% as at Q1-23 for banks under our coverage. Median Tier 1 and CAR ratios stood at 18.6% and 20.7%, respectively.

Exhibit 65 - Capital adequacy, Q1 23



Source: Company Data, Jefferies

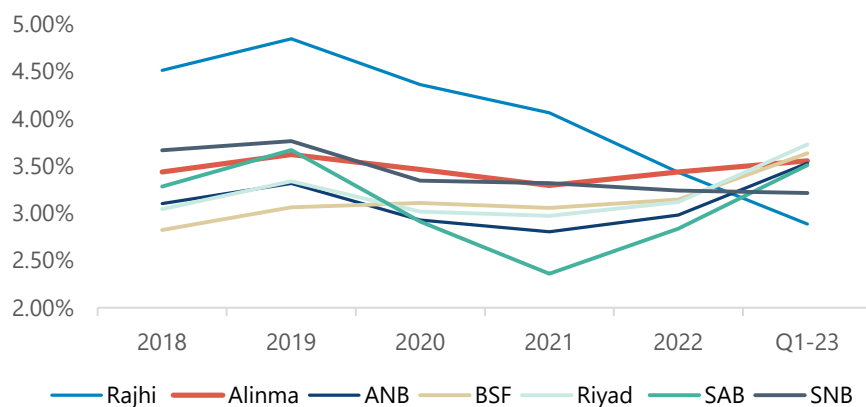
This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Revenues and expenses

Rajhi's asset mix (heavily skewed to retail and mortgages) means slower repricing, while the change in its asset mix (towards more corporate) and its low interest-rate sensitivity mean incrementally lower yields in the front book. This has caused huge margin compression in recent years.

In contrast to Rajhi, other banks in the sector have seen NIMs rise in FY22 and Q1-23 as higher interest rates start to filter through.

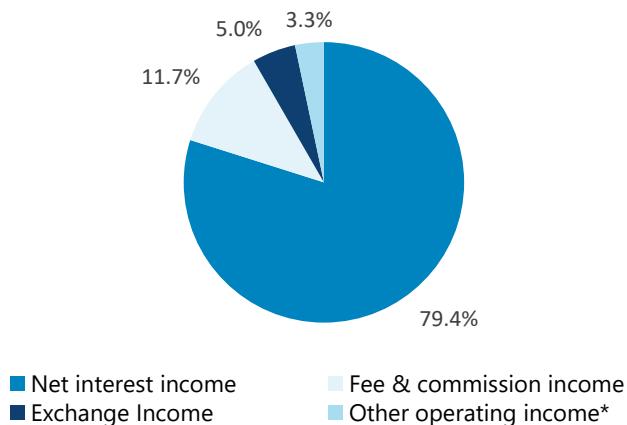
Exhibit 66 - Net interest margins



Source: Company Data, Jefferies

Despite the divergent NIM trajectories, interest income's share of the top line is at the higher end of its recent historical range (67-79%). The revenues to average assets ratio has waned in recent years, reflecting Rajhi Bank's NIM decline, as well as strong asset growth.

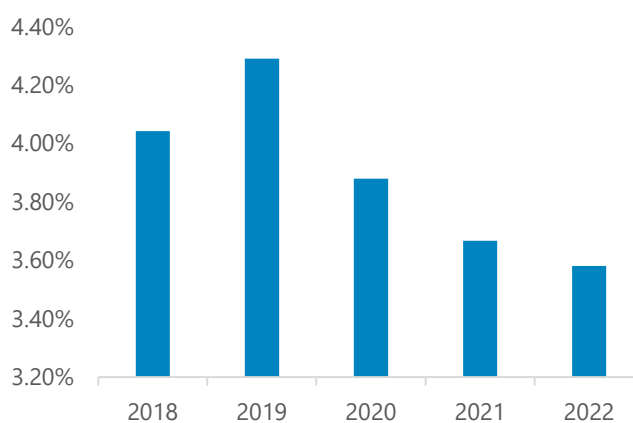
Exhibit 67 - Saudi banks aggregate revenues structure



Source: Company Data, Jefferies

*Includes Income from Dividend, FVIS, non-FVIS financial instruments, investment properties, profit of an associate, other income, etc.

Exhibit 68 - Revenues to average assets



Source: Company Data, Jefferies

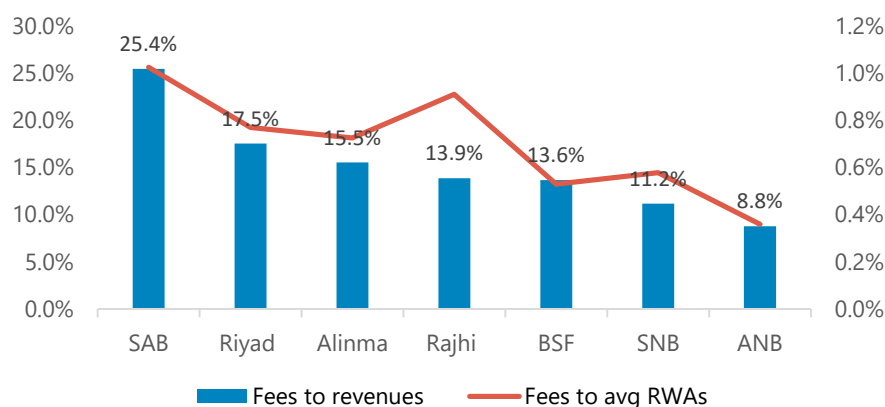
Although it has been flattered by recent rate hikes, we find the share of NII in top lines to be elevated.

Looking at the past few years, we find some material divergences in banks' ability to charge fees – SAB being the uncontested King of Fees and ANB clearly foregoing a lot of potential income.

We note that SAB and Riyadh Bank have strong card and trade finance businesses, whereas ANB seems to be lagging, particularly in cards. SNB's low fee generation also stands out given how strong the bank is across virtually every other metric.

We also note that Rajhi's fees to avg RWA appear slightly higher than its fees/revenues asset ratio would suggest, reflecting the bank's low asset density.

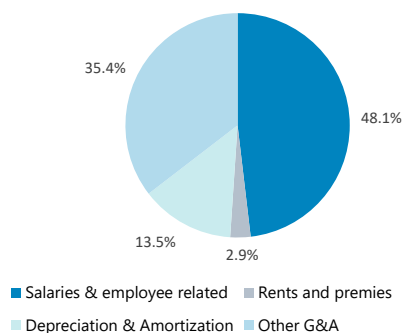
Exhibit 69 - Fee generation avg 2018, Q1-23



Source: Company Data, Jefferies

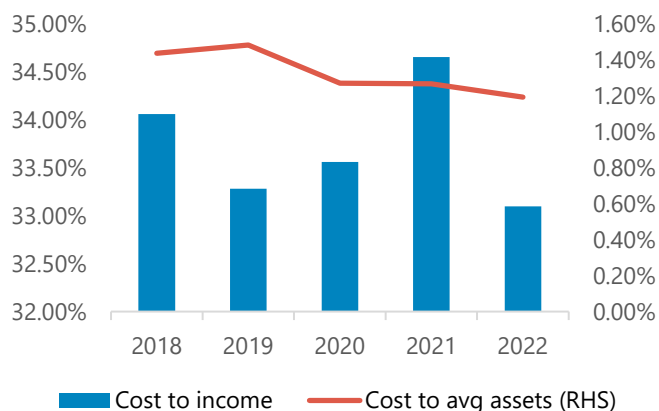
The cost structure is generally lean: median cost-to-income ratios rose in 2021, due mainly to merger-related charges at SNB, but at c.33% for FY22, this remains low by international standards.

Exhibit 70 - Saudi banks aggregate cost structure



Source: Company Data, Jefferies

Exhibit 71 - Cost ratios



Source: Company Data, Jefferies

Asset quality

Saudi banks enjoy solid asset quality metrics, with median NPLs at 1.8% in FY22. Provision coverage has decreased somewhat, to 136%, meaning that the overall provisions to gross loans ratio is low in an international context. The cost of risk remains benign at a median of 44bps in FY22.

Exhibit 72 - Asset Quality ratios

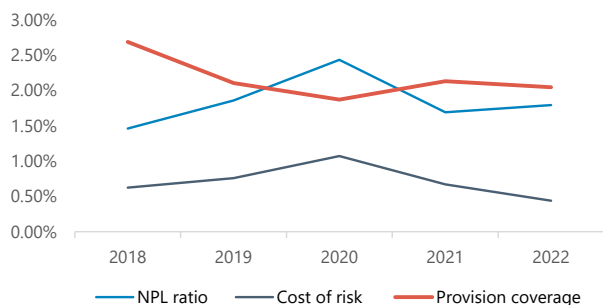


Exhibit 73 - NPLs to gross loans

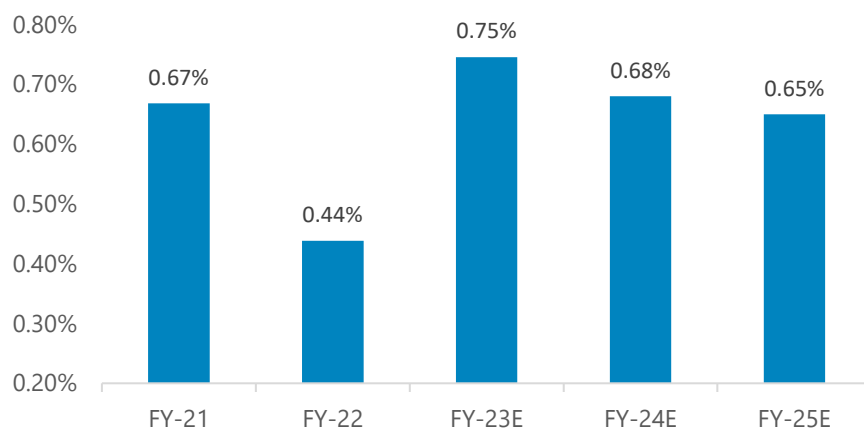


Source: Company data, Jefferies

Source: SAMA, Jefferies

We expect a pickup in risk costs to the tune of + 31bps (median) in FY23, driven by increases at ANB (+18bps to 83bps), Riyadh Bank (+39bps to 83bps), SNB (+10bps to 42bps) and SAB (+16bps to 41bps).

Exhibit 74 - Median Cost of risk



Source: Company data, Jefferies

Our view on risk costs is informed in part by coverage ratios and stage movements.

Exhibit 75 - Stage 1 coverage ratio

	2021	Q1 2022	Q2 2022	Q3 2022	2022	Q1 2023
Alinma	0.51%	0.54%	0.51%	0.52%	0.50%	0.53%
Al Rajhi	0.83%	0.79%	0.71%	0.65%	0.58%	0.51%
ANB	0.88%	n/a	n/a	n/a	0.76%	n/a
BSF	0.39%	0.28%	0.26%	0.23%	0.29%	0.24%
Riyadh Bank	0.31%	n/a	n/a	n/a	0.21%	n/a
SAB	0.37%	0.35%	0.34%	0.30%	0.36%	0.34%
SNB	0.49%	0.50%	0.40%	0.40%	0.35%	0.30%
Median	0.49%	0.50%	0.40%	0.40%	0.36%	0.34%

Source: Company Data, Jefferies

Exhibit 76 - Stage 2 coverage ratio

	2021	Q1 2022	Q2 2022	Q3 2022	2022	Q1 2023
Alinma	28.26%	19.15%	19.43%	18.91%	19.30%	19.42%
Al Rajhi	24.34%	25.42%	21.94%	19.84%	17.91%	16.08%
ANB	7.46%	n/a	n/a	n/a	11.35%	n/a
BSF	13.04%	14.53%	15.34%	14.57%	14.77%	14.48%
Riyad Bank	10.95%	n/a	n/a	n/a	11.57%	n/a
SAB	12.97%	13.09%	9.75%	9.39%	9.65%	9.41%
SNB	15.34%	15.70%	13.30%	14.10%	13.00%	12.80%
Median	13.04%	15.70%	15.34%	14.57%	13.00%	14.48%

Source: Company Data, Jefferies

Exhibit 77 - Stage 3 coverage ratio

	2021	Q1 2022	Q2 2022	Q3 2022	2022	Q1 2023
Alinma	167.65%	62.14%	58.42%	56.06%	56.78%	52.17%
Al Rajhi	75.63%	75.29%	70.66%	66.14%	64.07%	63.32%
ANB	51.90%	n/a	n/a	n/a	57.10%	n/a
BSF	60.43%	63.03%	62.55%	63.85%	64.98%	71.71%
Riyad Bank	56.07%	n/a	n/a	n/a	50.63%	n/a
SAB	52.93%	54.99%	51.79%	55.90%	57.33%	56.37%
SNB	69.07%	73.50%	70.30%	70.60%	69.28%	72.30%
Median	60.43%	63.03%	62.55%	63.85%	57.33%	63.32%

Source: Company Data, Jefferies

Sector profitability and returns

Sector returns were hampered by the pandemic and additional liquidity support, which pressured margins. ROEs have picked up to 12.5% (9.3%) and should continue to rise in the near term.

Exhibit 78 - Sector ROA

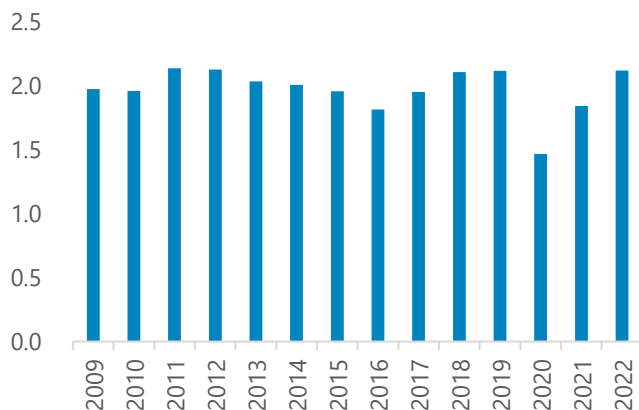


Exhibit 79 - Sector ROE

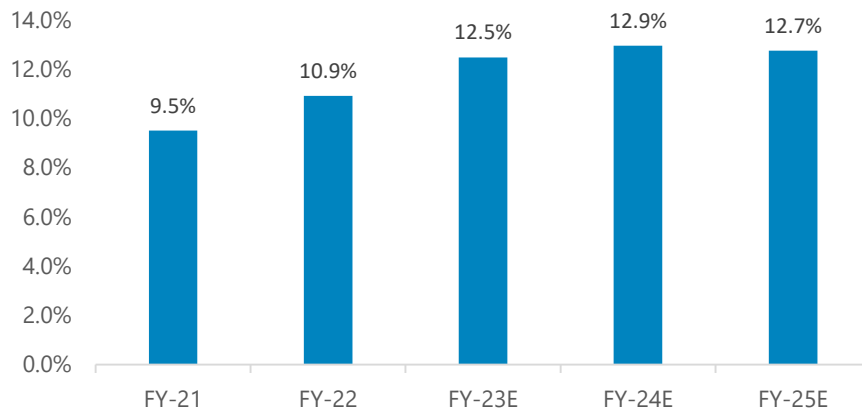


Source: SAMA, Jefferies

Source: SAMA, Jefferies

We expect names under our coverage to see ROE expand further into FY24e before falling slightly. This is subject to the quantum and timing of eventual policy rate cuts.

Exhibit 80 - Median ROAE

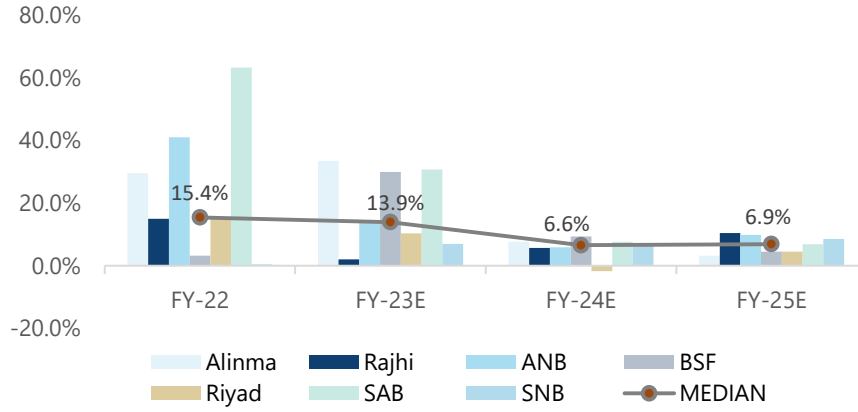


Source: Company Data, Jefferies

EPS growth is undeniably slowing across the sector, though this is clearly a rates-driven move, which we think is moreover reflected in the de-rating of the sector's P/E. On a median basis, we forecast 13.9% EPS growth in FY23e, slowing to 6.6% in FY24e and 6.9% in FY25e.

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Exhibit 81 - EPS Growth



Source: Company Data, Jefferies

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Drivers and headwinds

We expect the key drivers of earnings growth during our forecast period to be:

1. Large and ongoing project spending by the state on infrastructure and development projects, creating a credit impulse down the supplier value chain. Project spending estimates vary, but the floor is generally quoted at USD500bn (and up to 2x this amount) in the medium term.
2. Resilience at the consumer level – yes, higher rates may increase repayment terms for mortgages and generally increase borrowing costs, but the economy is strong, the labor force is growing, and consumer confidence is high.
3. Gearing to rates – on aggregate this has decreased for the <1yr bucket in FY22 vs FY21 as banks have sought to position balance sheets for higher rates. Notably, we flag SNB and Rajhi's low sensitivity (3%/4% net).

Exhibit 82 - Aggregate repricing within 1 year

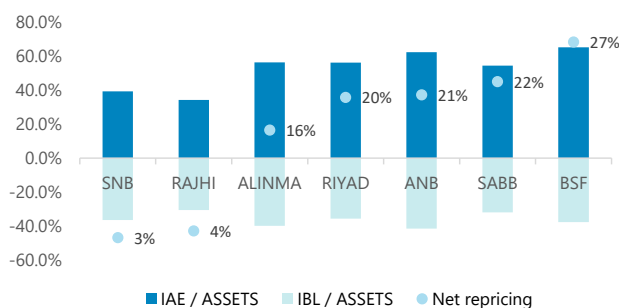
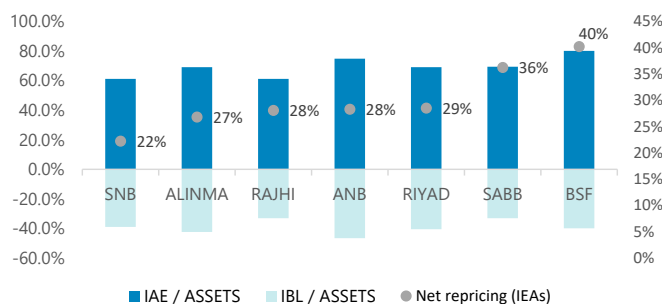


Exhibit 83 - Aggregate repricing to 5 years



Source: Company Data, Jefferies

Headwinds: funding, capital and cost of risk are three areas that could frustrate expectations.

1. Funding: this is an opportune time to load up on deposits that reprice quickly, assuming our thesis of significant rate cuts comes to pass. Doing so will, however, hurt margins until such time, while not doing so could depress some regulatory ratios.
2. Capital: capital levels are generally excellent though we think more capacity is needed for certain banks, possibly affecting payouts.
3. Cost of risk: we're not bearish on asset quality, but Saudi banks have seen strong growth in recent years and interest rates have picked up, dictating a defensive stance vs the low levels seen last year.

Summary of our forecasts and assumptions

Exhibit 84 - Loans and advances YoY Growth (%)

	FY-21	FY-22	FY-23E	FY-24E	FY-25E
Alinma	12.7%	14.0%	13.0%	11.0%	10.0%
Al Rajhi	43.4%	25.5%	6.0%	6.2%	7.5%
Arab National Bank	11.7%	13.5%	9.1%	9.1%	9.4%
Banque Saudi Fransi	13.2%	7.6%	8.7%	12.0%	10.4%
Riyad Bank	13.6%	11.5%	10.8%	10.9%	10.8%
Saudi British Bank	9.3%	9.3%	10.8%	11.0%	11.0%
Saudi National Bank	43.0%	10.0%	11.0%	11.6%	12.1%
MEDIAN	13.2%	11.5%	10.8%	11.0%	10.4%

Source: Company Data, Jefferies

Exhibit 85 - Customers' deposits YoY Growth (%)

	FY-21	FY-22	FY-23E	FY-24E	FY-25E
Alinma	1.3%	19.9%	13.0%	11.4%	10.0%
Al Rajhi	33.8%	10.3%	5.5%	7.0%	6.5%
Arab National Bank	4.9%	14.1%	6.9%	7.3%	7.5%
Banque Saudi Fransi	11.7%	11.0%	8.8%	11.0%	10.4%
Riyad Bank	4.3%	13.4%	11.2%	10.5%	10.2%
Saudi British Bank	-1.2%	14.7%	11.1%	10.0%	9.5%
Saudi National Bank	41.0%	-3.2%	11.0%	10.7%	10.6%
MEDIAN	4.9%	13.4%	11.0%	10.5%	10.0%

Source: Company Data, Jefferies

Exhibit 86 - Net interest income YoY Growth (%)

	FY-21	FY-22	FY-23E	FY-24E	FY-25E
Alinma	10.5%	18.1%	24.5%	5.6%	3.4%
Al Rajhi	20.6%	8.7%	1.1%	6.6%	9.3%
Arab National Bank	-4.0%	20.6%	20.8%	4.9%	6.4%
Banque Saudi Fransi	8.7%	12.8%	21.0%	5.4%	5.9%
Riyad Bank	1.0%	21.2%	26.2%	1.5%	4.3%
Saudi British Bank	-16.7%	29.4%	31.6%	7.7%	6.1%
Saudi National Bank	32.6%	18.8%	9.4%	8.5%	7.5%
MEDIAN	8.7%	18.8%	21.0%	5.6%	6.1%

Source: Company Data, Jefferies

Exhibit 87 - Net interest margin (%)

	FY-21	FY-22	FY-23E	FY-24E	FY-25E
Alinma	3.29%	3.44%	3.68%	3.53%	3.35%
Al Rajhi	4.06%	3.43%	3.09%	3.11%	3.19%
Arab National Bank	2.80%	2.98%	3.36%	3.12%	3.07%
Banque Saudi Fransi	3.06%	3.15%	3.50%	3.32%	3.18%
Riyad Bank	2.97%	3.12%	3.58%	3.28%	3.07%
Saudi British Bank	2.36%	2.84%	3.26%	3.15%	3.03%
Saudi National Bank	3.32%	3.24%	3.29%	3.22%	3.11%
MEDIAN	3.06%	3.15%	3.36%	3.22%	3.11%

Source: Company Data, Jefferies

Exhibit 88 - Fee and commission income YoY Growth (%)

	FY-21	FY-22	FY-23E	FY-24E	FY-25E
Alinma	15.9%	11.4%	13.6%	13.9%	12.3%
Al Rajhi	47.9%	17.6%	10.6%	11.5%	11.6%
Arab National Bank	-11.0%	11.6%	23.7%	19.5%	16.0%
Banque Saudi Fransi	-17.9%	1.0%	5.0%	10.5%	15.2%
Riyad Bank	13.0%	14.7%	8.5%	7.5%	12.0%
Saudi British Bank	-24.3%	-8.9%	16.5%	11.0%	12.9%
Saudi National Bank	34.5%	21.8%	17.3%	13.8%	11.8%
MEDIAN	13.0%	11.6%	13.6%	11.5%	12.3%

Source: Company Data, Jefferies

Exhibit 89 - Cost to Income (%)

	FY-21	FY-22	FY-23E	FY-24E	FY-25E
Alinma	35.5%	34.7%	31.6%	31.3%	31.6%
Al Rajhi	26.9%	26.1%	25.5%	26.4%	26.7%
Arab National Bank	38.2%	35.8%	35.6%	37.1%	37.2%
Banque Saudi Fransi	34.3%	33.1%	31.7%	32.8%	33.5%
Riyad Bank	34.3%	32.4%	31.7%	33.6%	34.1%
Saudi British Bank	48.1%	37.8%	34.7%	33.1%	31.8%
Saudi National Bank	30.3%	29.6%	29.3%	29.0%	28.6%
MEDIAN	34.3%	33.1%	31.7%	32.8%	31.8%

Source: Company Data, Jefferies

Exhibit 90 - Cost of risk (%)

	FY-21	FY-22	FY-23E	FY-24E	FY-25E
Alinma	1.01%	0.85%	0.75%	0.73%	0.72%
Al Rajhi	0.60%	0.39%	0.35%	0.40%	0.41%
Arab National Bank	0.83%	0.65%	0.83%	0.73%	0.65%
Banque Saudi Fransi	0.67%	0.86%	0.84%	0.68%	0.70%
Riyad Bank	0.41%	0.44%	0.83%	0.80%	0.78%
Saudi British Bank	0.27%	0.25%	0.41%	0.50%	0.55%
Saudi National Bank	0.91%	0.32%	0.42%	0.50%	0.50%
MEDIAN	0.67%	0.44%	0.75%	0.68%	0.65%

Source: Company Data, Jefferies

Exhibit 91 - EPS YoY Growth (%)

	FY-21	FY-22	FY-23E	FY-24E	FY-25E
Alinma	35.2%	29.5%	33.6%	7.6%	3.2%
Al Rajhi	39.2%	15.0%	2.0%	5.6%	10.4%
Arab National Bank	5.0%	41.1%	13.9%	5.9%	9.8%
Banque Saudi Fransi	118.2%	3.2%	30.0%	10.9%	7.3%
Riyad Bank	27.8%	15.4%	10.4%	-1.8%	4.5%
Saudi British Bank	171.9%	63.2%	30.7%	7.9%	7.8%
Saudi National Bank	-11.3%	24.4%	7.0%	6.6%	8.6%
MEDIAN	35.2%	24.4%	13.9%	6.6%	7.8%

Source: Company Data, Jefferies

Exhibit 92 - ROTE (%)

	FY-21	FY-22	FY-23E	FY-24E	FY-25E
Alinma	10.5%	13.0%	16.3%	15.9%	15.1%
Al Rajhi	23.6%	21.8%	19.7%	19.0%	18.5%
Arab National Bank	7.1%	9.7%	10.5%	11.0%	11.5%
Banque Saudi Fransi	9.5%	9.8%	12.5%	12.9%	12.7%
Riyad Bank	13.2%	14.6%	15.2%	14.1%	13.7%
Saudi British Bank	5.8%	9.1%	11.0%	11.0%	11.3%
Saudi National Bank	8.8%	10.9%	11.5%	11.8%	12.3%
MEDIAN	9.5%	10.9%	12.5%	12.9%	12.7%

Source: Company Data, Jefferies

Scorecards : Growth, capital and earnings in focus

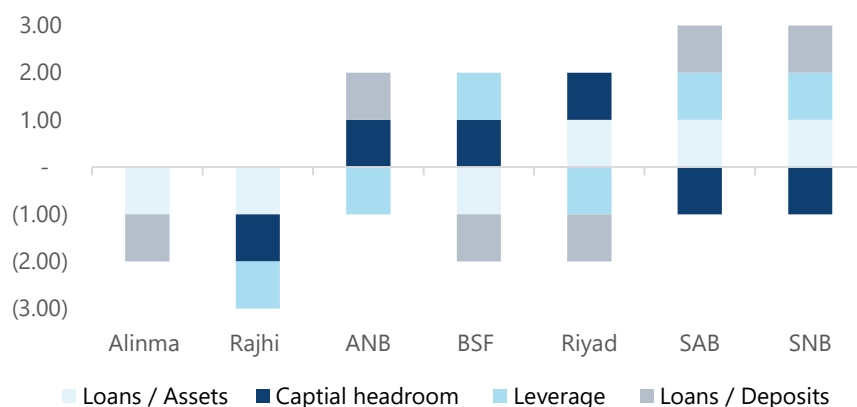
We try to quantify banks' ability to grow, their funding and capital, and earnings power during the forecast period.

For each selected criterion, we score by granting one point to banks in categories where they beat the peer median, zero where the score is equal to the median, and subtracting one point where the score is worse than the median.

Growth Capacity

We rank banks based on asset utilization, capital headroom, leverage and basic LDR. The loans/assets ratio gives a basic sense of whether banks are able to increase the percentage of lending in their asset mix. Banks with a higher ratio (Rajhi and Alinma) are penalized. Capital headroom reflects banks' Delta EVE ratio, and again we penalized banks with the least headroom, as this will limit their volumes in project finance and mortgages. Leverage also rewards the banks with the lowest ratios, i.e., the most capacity, while loans/deposits favour banks with lower ratios, as raising this ratio is probably the cheapest and easiest way to fund some growth.

Exhibit 93 - Growth capacity



Source: Company Data, Jefferies

Alinma and Al Rajhi fare worst in this scorecard, reflecting in both instances balance sheets that have already been positioned for high growth for the past year or two.

At the other end of the spectrum, SAB and SNB have extremely defensive balance sheet structures that suggest a higher fundamental capacity for near-term growth.

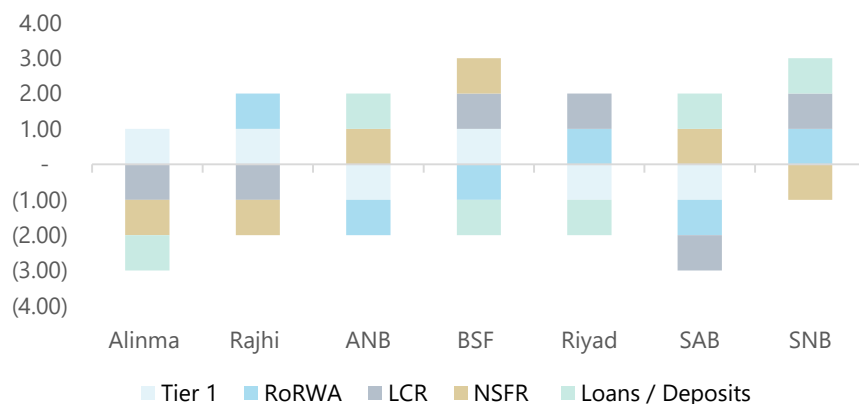
Capital and liquidity

This scorecard measures capital (T1) and capital generation (RoRWA) and key liquidity measures (LDR, NSFR and LCR). We reward banks with higher capital and return ratios, lower LDRs and higher LCR and NSFR ratios.

Alinma again comes off somewhat worse than peers, with negative points on LDR, NSFR and LCR, suggesting to us that growth will have to come at a cost.

BSF and SNB have the most positive points, underscoring their healthy capital and liquidity positions vs peers.

Exhibit 94 - Capital & liquidity



Source: Company Data, Jefferies

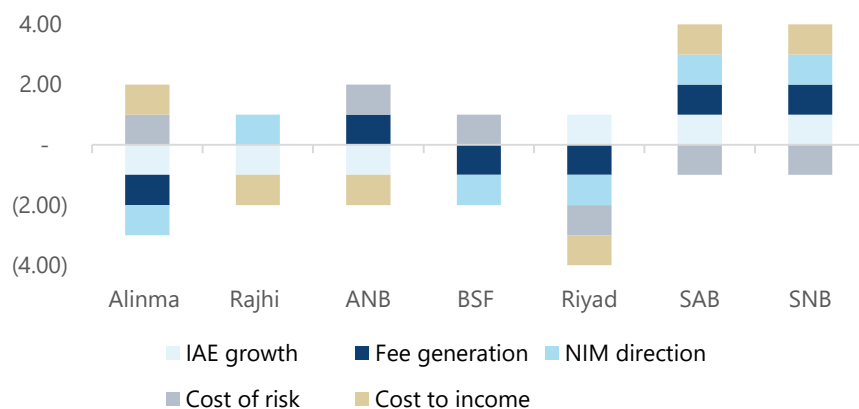
Earnings power

This scorecard is more P&L-focused and, unlike the prior two, is based on our 2023e-25e forecasts.

Rajhi suffers from its comparatively low growth outlook and fee generation that we think will remain broadly stable (vs avg assets, hence less growth than peers). Its cost to income meanwhile should remain broadly stable, vs likely improvements at some other peers.

SAB and SNB both score 3 points relative to peers, both on cost to income given healthy growth, and SAB is expected to remain King of Fees.

Exhibit 95 - Earnings power



Source: Company Data, Jefferies

Aggregates mostly tie in with our recommendations

SNB is the top aggregate scorer, reflecting the strength and conservatism of its balance sheet and its earnings power. While our Hold rating seems at odds with this, we expect any rerating to be capped by its CS investments. The stock's index weight combined with the global backdrop also means we don't see the name plausibly outperforming.

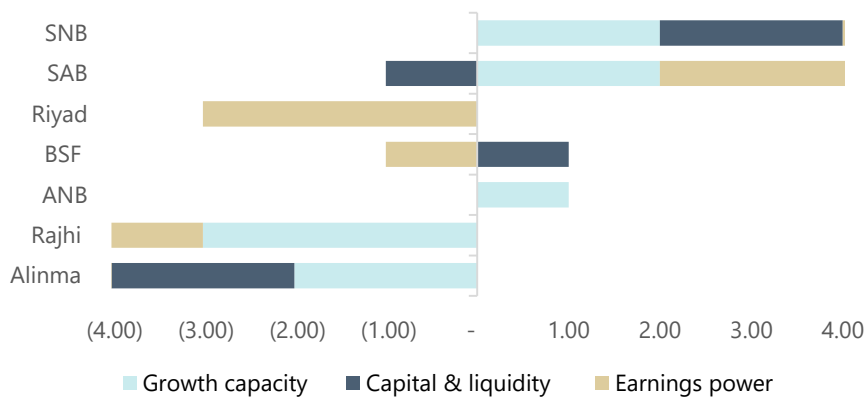
SAB is the second-strongest scorer on our metrics. We have a Buy rating on the stock, predicated on its balance sheet strength, growth capacity, and favourable earnings outlook.

Riyad Bank was a neutral scorer on growth and capital & liquidity, but was penalized on earnings power on cost to income, cost of risk and fees.

BSF scores a point on capital & liquidity, reflecting its strong balance sheet and regulatory ratios.

Alinma and Rajhi bank score poorly overall on a combination of factors, though we think the root cause in both instances relates to growth and liquidity ratios.

Exhibit 96 - Aggregated scores



Source: Company Data, Jefferies

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

A word on strategy

In a CEEMEA context, we've been accustomed to higher standards of strategy disclosure and discussions in CE3, Turkey, South Africa, and, when it mattered, Russia.

Most Saudi banks provide only a few slides on strategy in their earnings presentations. These tend to include some reference to digitization and technology, segmental market aspirations and initiatives, and key initiatives.

What is truly remarkable, in our view, is that the differentiation efforts are so shallow in a market with so few local banks.

Perhaps the lack of commercial diversity (i.e. the low number of banks) results in inevitable overlaps, such that beyond the basic asset mix, there isn't much that truly differentiates these banks – free funding has been so abundant for years, and credit penetration is fairly low, and the business models are iterations of the same structure. In other words, the basics of the banking business model have not yet been structurally challenged.

Moreover, the government has been on a policy tear to stimulate homeownership and finance large infrastructure – plenty to keep RWAs growing apace.

But we believe that the goalposts are about to change in terms of what the banks need to communicate strategically to their investors, as competitive dynamics could be challenged by the arrival of Fintechs and Open Banking.

Fintechs & Open Banking: Impact on capital intensity and strategy

The Financial Sector Development Program (FSDP) contains a separate Fintech strategy, which calls for a broadening of the financial ecosystem to link Fintechs and Commercial Banks, and for some 250 Fintechs to be licensed and active in the Kingdom by 2025.

The Central Bank has also been active in creating a framework for Open Banking (Open Banking Framework/Open Banking Lab). As part of this work, the Central Bank has already mandated that banks be API-ready so that information can flow between licensed institutions and service providers.

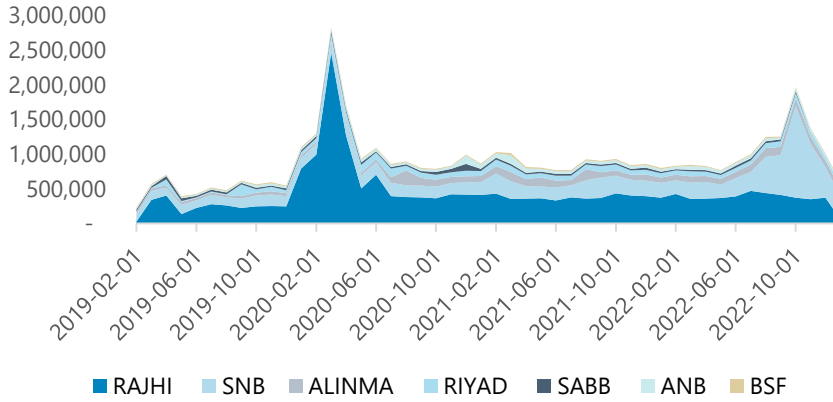
Additionally, the regulator has already awarded three digital banking licenses.

Accordingly, we think that the market is likely to focus increasingly on Technology and Partnerships, and Products and Distribution, as future differentiators.

Products and distribution are somewhat of a derivative of scale, and one can already have a proxy view on banks' potential distribution strength by considering their digital penetration in how widely used their Apps are, though for now this essentially mirrors retail market shares.

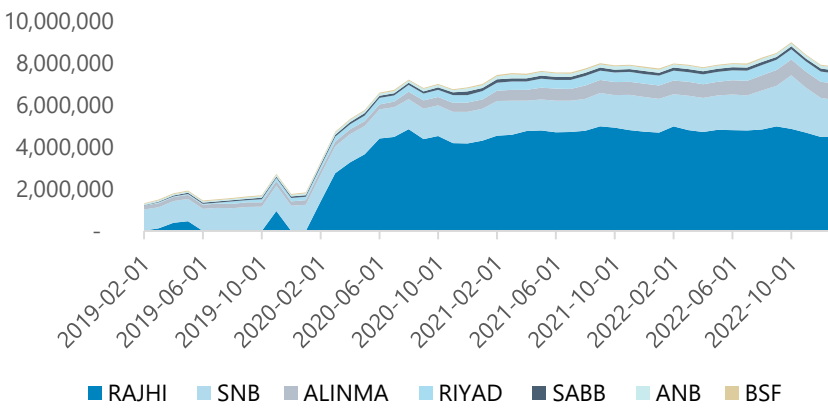
For example, we look at downloads, unique and average monthly users, and combined traffic (incl. website/desktops).

Exhibit 97 - Bank app downloads



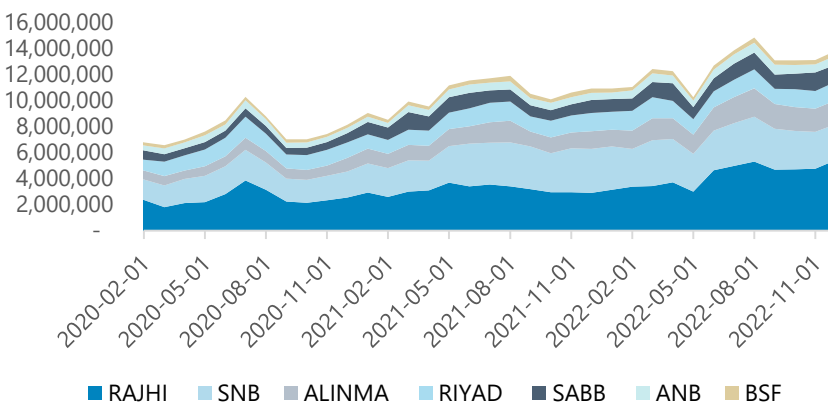
Source: SensorTower

Exhibit 98 - Banks' monthly average users



Source: SensorTower

Exhibit 99 - Total visits incl. desktop



Source: SimilarWeb

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

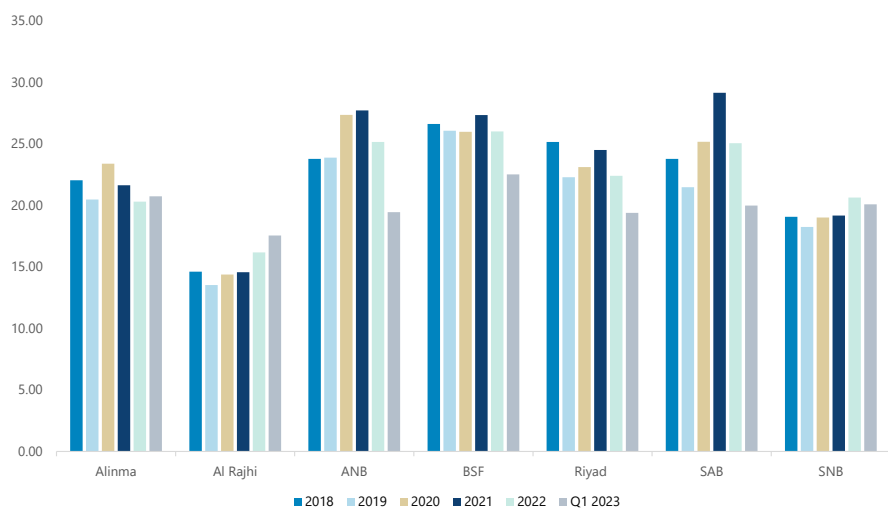
We're interested in product rollouts generally and how Tech will affect these. Arguably, that will be more about distribution than products *per se*, but we note that third-party products are likely to play a growing part in product suits of banks going forward, in broad terms.

The other looming point, we think, is that future strategies need to address the capital intensity of banks' various business models.

Exhibit 99 is a snapshot of capital intensity (average assets/revenues) for our banks, slightly modified to fit the industry (we use average RWA instead of assets). It shows the amount of RWA that banks need to generate 1 riyal of revenue.

There are several immediate takeaways: 1) Rajhi is the only bank where capital intensity is increasing over time, reflecting the push into lower-yielding corporate lending, and a slower repricing of the back book; 2) in spite of the adverse move, Rajhi Bank remains far more capital efficient than peers, reflecting its asset mix, 3) most banks saw a significant drop in Q1 reflecting higher NIM, and 4) BSF's capital intensity is the highest in the peer group, again reflecting its asset mix.

Exhibit 100 - Banks' Capital Intensity



Source: Company Data, Jefferies

At both ends of the spectrum, i.e., for Rajhi and BSF, the issue of capital intensity is of particular relevance - Rajhi has to make a convincing point that its shifting asset mix can be countered by a digital or third-party strategy that can offset the growing capital intensity, while BSF has to find a credible path to lower asset intensity at a reasonable cost, or consider increasing its payout if that is not possible.

Key discussion topics for banks' strategies

Given that SNB and SAB have been merger-focused, that Rajhi is at the end of its current strategy, and that others like BSF and Alinma have only recently started iterating what their strategies are, we expect a lot of strategy updates in the coming quarters and into FY24e. We think the following questions ought to be top of mind for investors as we await the updates.

Al Rajhi Bank: We were fans of 'Unbank the bank' and think a disaggregated/unbundled approach to banking services is promising, particularly given the significant investments that Rajhi has made

in its processing and payment capacity. We need the follow-up to iterate a clear revenue model based on different market dynamics, and to understand how the balance sheet will evolve to support this. For example, banks with larger corporate books – with the exception of Alinma – tend to have lower asset utilization and larger investment books. For Rajhi this may be disruptive. Alternatively, if the basic asset allocation stays the same, what will the delta on revenues come from? Less fundamentally, how will Rajhi transition into a lifestyle brand via partnerships, how will it compete with Digital-only offerings to create a true marketplace, and what level of incremental revenue growth can be expected over what time horizon from its future ventures? Finally, as we have just seen, how will a new or updated revenue model address the issue of its growing capital intensity?

SNB: The field is rather wide for SNB in terms of what we need to hear about. Fundamentally, the biggest question is the shape of the balance sheet – it is so defensive as a result of the merger, will it therefore evolve in the coming cycle? SNB is the largest bank in the land and uniquely positioned to create an integrated, holistic platform. The front-office to-back-office ratio (3/1) is great but what else can you say about how you are leveraging/will leverage technology to create competitive advantages? How will fee income improve? We were happy to hear last quarter that the bank will no longer report on its merger – that space needs to be filled with a compelling vision. On the CS issue, does management feel that further work is required to repair reputation and/or relationships with global investors?

SAB: There are many credible and sensible soundbites coming from SAB, notably that it banks 8/10 multinational companies in Saudi and that its HNW platform has clear moats such as free global transfers and synch for HSBC account holders internationally and locally. Given how sophisticated this bank is, we would expect much more detail on capital allocation and returns and on long-term capital planning, as we think there is scope to raise payouts. Moreover, given the prowess in fee income generation, we would like more details on what drives this and how sustainable it is – we know it's trade and cash management-related, and we're particularly interested in how Tech may affect these areas. On ESG, management has mentioned their intention to formalize an ESG strategy and policies in the coming quarters/during FY24e. Given the bank's prominence in the corporate market and the dearth of hard ESG targets in the sector so far, this is an opportunity for management to further differentiate the bank.

BSF: Some details have finally emerged on broad strategic strokes, and we like the potential for its leasing and investment banking units to play a bigger role. On the thorny issue of its market strategy on the consumer segment, segmentation is great and details are welcome, but the bigger question is this – how does the basic business mix generate sufficient returns to justify diverting resources to the consumer segment, and what will be the USP of that consumer proposition? As a general point on BSF, we can't think of any example, globally, where the market has rewarded an almost exclusively corporate-focused model for more than a few quarters at a time. In other words, 80/20 is a far easier sell when retail is the 80%, as risk-adjusted returns tend to be higher. It's therefore crucial to understand the economics. Finally, we would like to hear how Tech and Partnerships can affect and change products, experience and ultimately volumes, in the Corporate landscape. Ultimately BSF has to find a coherent narrative around how to soften capital intensity with an updated business model.

Alinma: Good job so far in communicating key near-term strategic objectives and priorities, and the follow-up on what is existing should provide enough to discuss in the short term as the focus is really on delivery and execution given the relatively new management team. As the youngest banking brand in Saudi, we feel that Alinma has a unique opportunity to differentiate itself further through partnerships, and we'd like to hear more about how it can entrench this and other USPs. Finally, the market is expecting some updates to medium-term targets and this could be complemented by a medium-term view of how its balance sheet structure may be expected to evolve.

Riyad Bank: RB has ticked many boxes by focusing on turning vision into reality, so to speak, in its drive to be a key conduit for the government's vision2030 programs. It has also consistently communicated on ESG. We'd love to hear more about its 'next-gen operating model', as this remains a little conceptual for now, and we think there is a lot to say on Tech and Partnerships, given scale. One basic question we'd like to ask is whether RB sees itself – and therefore positions itself – as a government bank, given the high ownership. Its embrace of VRPs makes business sense, but as a brand, does it want to be affiliated with the government? We are agnostic on this, but clarity would be useful, in the context of Open Banking and potential partnerships.

ANB: Comparatively speaking there is less to say about ANB as it has yet to communicate any strategy to the market. So the need is for it first to establish a narrative about its brand and aspirations, target market, competitive advantages, and the key KPIs by which to judge them. Given how late it is in the game, we also believe it has little choice but to iterate some ESG aspirations. A framework through which to consider Arab Bank's 40% ownership would also be welcome.

Bank Pages

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Banque Saudi Fransi

Key takeaway

BSF (Buy, PT: SAR48.8) – Our Buy rating reflects (i) a high-quality balance sheet with strong NSFR, LCR, and capital ratios, (ii) the biggest headroom to grow LT assets in terms of capital at risk, (iii) a credible narrative of medium-term growth given activity levels in the corporate space. The stock is also appealing in terms of valuation. On the negative side, (i) the biggest dissonance remains its basic asset mix, which is so skewed to Corporate as to raise real questions about its approach to the Consumer space, (ii) fee-income generation has been weaker than peers, some of which may reflect the smaller retail footprint, though as SAB clearly shows, more corporate-focused banks can still have strong fee generation.

Funding, liquidity and margins

BSF is mainly deposit funded, with 58% of deposits as non-interest-bearing deposits, and some 46% coming from the retail segment.

BSF has been active in debt markets (both public and private) over the past year, as part of its EMTN program and through syndications.

BSF has a strong liquidity profile, with headline LDR at 98% and regulatory LDR at 81% in A1-23. Its NSFR and LCR ratios stand at 119% and 200%, respectively.

BSF has among the highest theoretical gearing to rates, and we forecast NIMs to reach 3.5% this year (3.15% FY22). This should moderate to 3.18% by FY25e. Note that BSF actively manages interest rate risk through derivatives.

Capital and growth

BSF has a strong capital profile with CET1 at 17.3%, Tier 1 at 19.7%, and CAR at 20.7%. Notably, BSF has the largest headroom to grow its long-term lending, with a Delta EVE ratio of just 6.1% in FY22. We view the capital profile as ample to support medium-term growth.

We forecast loan growth of 8.7% FY23, 12.0% FY24e, and 10.4% FY25e.

Asset quality, earnings and returns

BSF has historically had higher NPLs than peers, and remains in the upper band as of now with an NPL ratio of 2.6%. Similarly, its coverage ratio has tended to be slightly lower than peers and now stands at 123%. The cost of risk has been elevated in the past and its last print was still north of 1% (116bps).

We forecast NPLs to decrease slightly, to 2.2% by FY25e. The coverage ratio should improve gradually while the cost of risk should moderate, to 84bps this year and to 70bps by FY25e.

We forecast strong EPS growth this year on rising NIM, at 30%. We expect 9% and 5% EPS growth in the subsequent years.

ROE should continue to improve (9.8%) to 12.2% this year and 12.6% in FY24e.

Exhibit 101 - BSF - Financials summary

	FY21	FY22	FY23e	FY24e	FY25e
Net Interest Income	5,699	6,427	7,774	8,191	8,671
Non-Interest Income	1,429	1,591	1,695	1,898	2,175
Total operating income	7,128	8,017	9,468	10,089	10,846
Total operating expenses	(3,291)	(4,013)	(4,366)	(4,512)	(5,028)
Profit Before Tax	3,837	4,004	5,102	5,577	5,818
Profit After Tax	3,450	3,575	4,577	5,003	5,219
Basic EPS	2.70	2.79	3.63	3.98	4.16
ROAA %	1.58%	1.50%	1.80%	1.79%	1.71%

Source: Company Data, Jefferies

Exhibit 102 - BSF - Balance sheet

	FY21	FY22	FY23e	FY24e	FY25e
Cash and Balances with Saudi Central banks	9,795	11,326	15,906	18,289	21,010
Due from banks and other financial institutions	5,324	4,795	4,283	4,711	5,182
Investments, net	43,858	44,518	46,977	49,989	52,885
Loans and advances	147,813	159,012	172,849	193,588	213,731
Total assets	215,802	232,078	252,801	279,748	306,111
Customers deposits	141,950	157,592	171,503	190,364	210,195
Total liabilities	176,116	193,333	212,007	236,712	260,737
RWAs	202,220	214,672	233,841	258,767	283,153

Source: Company Data, Jefferies

Exhibit 103 - BSF Valuation

	2023e	2024e	2025e
Mid-cycle ROE			13.5%
Tg			4.0%
CoE			10.5%
Terminal multiple			1.47
BVPS	29.70	31.55	33.48
EPS	3.61	3.97	4.14
DPS	2.10	2.30	2.40
Discount factor	0.95	0.86	0.78
PV EPS	3.43	3.41	3.23
PV DPS	2.00	1.98	1.87
Terminal value			49.2
PV terminal value			38.4
DPS (3 years)			5.8
Value of shares today			44.2
Value per share in 12m (*COE)			48.8
Current share price			41.7
Upside/downside			17.1%
Dividend yield (12m forward)			5.0%
Total 1 year return			22.2%
P/B at TP	1.6	1.5	1.5
P/E at TP	13.5	12.3	11.8

Source: Jefferies

Exhibit 104 - BSF Management / board outline

Mazin Abdulrazzak AlRomaih
Chairman of Board of Directors of Banque Saudi Fransi and Chairman of the Executive Committee. CEO of Future Generation Investment Company, and chairs the Board of King Faisal Specialist Hospital & Research Center. Holds a Bachelor of Accounting and Financial Management from University of Buckingham.
Talal Ibrahim Al Maiman
Vice Chairman of Board of Directors. CEO of Kingdom Holding Company. Holds a Master of Business Administration, University of Liverpool, UK – 2009.
Bader Alsalloom
Chief Executive Officer since September 2022. Was the acting CEO and Head of Wholesale Banking Group at BSF. Holds a Bachelor of Science degree in Finance from King Fahad University.
Ramzy Darwish
Chief Financial Officer. Held various positions with the Saudi National Bank, including the head of treasury, head of principal strategies and investment and head of assets and liabilities management. Holds a B.S. in Industrial and Labour Relations from Cornell University.

Source: Company Data

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Saudi British Bank

Key takeaway

SAB (Buy, PT: SAR44.0) – Our Buy rating is predicated on (i) strong liquidity and capital position, (ii) good growth outlook, (iii) clear value proposition, (iv) good asset quality. On the negatives, we think that (i) much more clarity on the bank's strategy is needed, (ii) we have no substantial information on the bank's ESG efforts/strategy.

Funding, liquidity and margins

SAB is deposit funded and 68% of its deposits are non-interest bearing. 34% of the deposit base comes from the retail segment.

SAB enjoys strong liquidity, having the highest NSFR among peers at 131% and a relatively high LCR of 207% in Q1-23. The headline loans/deposits ratio stood at 85%.

SAB should see margins rise this year, to 3.26% from 2.84%. We expect a gradual fall thereafter to 3.15% and 3.03% in FY24/25e.

Capital and growth

SAB has strong capital with CET1/Tier 1 of 17.2%, and CAR of 19.3%. Given this, we forecast loan growth of 10.8% in FY23e and of 11% in FY24e and FY25e.

Asset quality, earnings, and returns

SAB has an NPL of 2.0% currently. We expect the bank to move around this level, with 2.1% in FY23e and gradually decreasing to 1.9% in FY25e.

SAB has around an average current coverage ratio vs peers at 146%, we expect this ratio to drop and reach 127% by FY25e.

We expect the current 47bps cost of risk to drop by the end of the year at 41bps before it starts a steady increase to reach 50bps by FY24e and 55bps by FY25e.

We forecast strong EPS growth this year, at 31%, benefiting from the higher margins. This should moderate to around 8% FY24e and 7% FY25e.

ROE to increase to reach 10.5% this year, 10.8% in FY24e, and 11.0 in FY25e.

Exhibit 105 - SAB - Financials summary

	FY21	FY22	FY23e	FY24e	FY25e
Net Interest Income	5,726	7,408	9,750	10,496	11,137
Non-Interest Income	1,994	2,289	2,416	2,627	2,941
Total operating income	7,720	9,697	12,166	13,123	14,078
Total operating expenses	131	172	138	165	199
Profit Before Tax	3,685	5,762	7,263	7,840	8,452
Profit After Tax	2,984	4,926	6,369	6,875	7,412
Basic EPS	1.45	2.37	3.10	3.35	3.61
ROAA %	1.09%	1.66%	1.91%	1.86%	1.83%

Source: Company Data, Jefferies

Exhibit 106 - SAB - Balance sheet

	FY21	FY22	FY23e	FY24e	FY25e
Cash and Balances with Saudi Central banks	14,909	19,259	26,095	29,116	33,691
Due from banks and other financial institutions	5,993	5,872	6,603	6,871	7,275
Investments, net	64,904	86,363	95,961	102,651	110,173
Loans and advances	167,556	183,132	202,957	225,278	250,065
Total assets	272,396	314,451	352,131	385,456	423,391
Customers deposits	186,761	214,279	238,026	261,829	286,703
Total liabilities	219,368	259,767	291,253	321,813	356,856
RWAs	229,416	256,252	293,982	321,805	353,475

Source: Company Data, Jefferies

Exhibit 107 - SAB Valuation

	2023e	2024e	2025e
Mid-cycle ROE			12.8%
Tg			4.0%
CoE			10.4%
Terminal multiple			1.38
BVPS	29.63	30.96	32.33
EPS	3.10	3.34	3.57
DPS	1.85	2.00	2.20
Discount factor	0.95	0.86	0.78
PV EPS	2.95	2.87	2.78
PV DPS	1.76	1.72	1.72
Terminal value			44.5
PV terminal value			34.7
DPS (3 years)			5.2
Value of shares today			39.9
Value per share in 12m (*COE)			44.0
Current share price			38.2
Upside/downside			15.4%
Dividend yield (12m forward)			4.8%
Total 1 year return			20.3%
P/B at TP	1.5	1.4	1.4
P/E at TP	14.2	13.2	12.3

Source: Jefferies

Exhibit 108 - SAB Management / board outline

Lubna Olayan
Board Chair. Chair of the Executive Committee at Olayan Financing Company. Has over 37 years of experience in investment, banking, and business management. Holds a honorary PhD in Law from Trinity College, Dublin, Ireland.
Saad Al-Fadly
Board Vice Chair. Chief Executive Officer of Hassanah Investment Company. Has more than 22 years of experience in investment management and banking services at a number of financial and regulatory institutions. Holds a Bachelor of Science in Accounting from King Saud University, Saudi Arabia.
Tony Cripps
CEO and Managing Director. Board Director of HSBC Saudi Arabia Limited. Has More than 38 years' experience in international banking. Assumed many Executive roles at HSBC Group. Holds AFMA Australia (Financial Markets).
Lama Ghazzaoui
Chief Financial Officer. Was Chief Financial Officer of NCB. Has over 22 years of experience in many banking, finance, and accounting related areas, as well as previous experience in external auditing. Is a Certified Public Accountant (CPA) – State of Colorado, USA.

Source: Company Data

Al Rajhi Bank

Key takeaway

Al Rajhi Bank (UNPF, PT: SAR63.3) – We rate the stock at Underperform. Negatives: (i) needs balance sheet repair after high growth incl. capital and funding, (ii) strategy was geared mainly to prior period of mortgage growth, needs a bold follow-up, (iii) dividend outlook not clear given capital. Positives: (i) clear strategy with strong execution, (ii) market share/scale, (iii) zero government ownership, (iv) well positioned for rates vol, (v) best positioned to capture LT structural themes.

Funding, liquidity, and margins

Rajhi Bank is deposit funded with no term debt. Sixty-five percent of its deposits are non-interest bearing, down from c.90% in FY18/19, as the bank has recently pushed into the corporate space and taken on wholesale (interest-bearing) deposits as a result. Around 53% of deposits are retail. Rajhi has a comparatively high loans to deposits ratio, at 104% (regulatory: 87.8%) while its NSFR ratio stood at 108.9% in Q1-23, among the lowest in the peer group.

Rajhi's margins have come under pressure in recent years as the asset mix has been changing in favor of corporate. NIMs were 3.43% in FY22 and we forecast these to bottom at 3.09% this year, after which we believe that margins will tick up on back-book repricing. We forecast NIM at 3.19% in FY25e.

Capital and growth

The bank looks well capitalized, with CET1 at 16.5%, Tier 1 at 19.7% and CAR at 20.9% in Q1-23. Given the bank's large mortgage book (c.50% of the consumer book), the capital may not be sufficient to sustain additional growth, as the bank is close to the 15% limit on Capital at Risk (delta EVE) at 14.2% in FY22. With a dividend to fund, we expect some conservatism. We also think growth will remain somewhat subdued until the capital angle is addressed, either through lower payouts or possibly via the issuance of a Tier 1 bond.

We expect loans to grow 6.0% in FY23e, 6.2% in FY24e, and 7.5% in FY25e.

Asset quality, earnings and returns

Asset quality is strong, with NPLs at just 0.6% currently and we don't expect a lot of movement. Coverage is solid at 230%. We do expect the cost of risk to increase from the current 25bps, to 35bps for FY23e, and reaching 41bps in FY25e.

We have relatively modest EPS targets, implying growth of 2%, 6%, and 10% between FY23e and FY25e.

ROE is expected to remain best in class and above peers, at 19.2% in FY23e, 17.8% in FY24e, and 17.5% in FY25e. Our ROE forecasts are affected by the low payout ratio penciled in for now.

Exhibit 109 - Rajhi - Financials summary

	FY21	FY22	FY23e	FY24e	FY25e
Net Interest Income	20,392	22,173	22,425	23,905	26,123
Non-Interest Income	5,324	6,402	7,400	8,433	9,527
Total operating income	25,716	28,575	29,825	32,338	35,650
Total operating expenses	(9,272)	(9,452)	(9,646)	(11,073)	(12,262)
Profit Before Tax	16,445	19,123	20,179	21,265	23,388
Profit After Tax	14,746	17,151	18,100	19,075	20,979
Basic EPS	3.69	4.24	4.32	4.57	5.04
ROAA %	2.70%	2.42%	2.20%	2.19%	2.28%

Source: Company Data, Jefferies

Exhibit 110 - Rajhi - Balance sheet

	FY21	FY22	FY23e	FY24e	FY25e
Cash and Balances with Saudi Central banks	40,363	42,052	46,566	49,023	52,390
Due from banks and other financial institutions	26,065	25,656	13,987	13,116	12,352
Investments, net	84,138	101,325	120,097	125,817	132,056
Loans and advances	452,831	568,338	602,512	640,063	688,066
Total assets	623,672	761,649	811,693	857,407	915,134
Customers deposits	512,072	564,925	596,027	637,749	679,203
Total liabilities	556,363	661,424	704,911	738,550	783,298
RWAs	425,629	497,973	527,600	574,463	622,291

Source: Company Data, Jefferies

Exhibit 111 - Al Rajhi Valuation

	2023e	2024e	2025e
Mid-cycle ROE			19.0%
Tg			4.0%
CoE			10.4%
Terminal multiple			2.34
TBVPS	22.57	25.59	28.83
EPS	4.32	4.57	5.04
DPS	1.60	1.75	2.00
Discount factor	0.95	0.86	0.78
PV EPS	4.11	3.93	3.93
PV DPS	1.52	1.51	1.56
Terminal value			67.6
PV terminal value			52.7
DPS (3 years)			4.6
Value of shares today			57.3
Value per share in 12m (*COE)			63.3
Current share price			73.0
Upside/downside			-13.3%
Dividend yield (12m forward)			2.2%
Total 1 year return			-11.1%
P/B at TP	2.8	2.5	2.2
P/E at TP	14.6	13.9	12.6

Source: Jefferies

Exhibit 112 - Al Rajhi Management / board outline

Abdullah bin Sulaiman Al Rajhi
Chairman of the Board of Directors. Held many positions in Al Rajhi Bank from 1979 including Chief Executive Officer and Managing Director. Contributed to the conversion of Al Rajhi Exchange and Trade Company into a public joint stock company. Holds a Bachelor of Business Administration – King Abdulaziz University.
Ibrahim bin Mohammed Al Romaih
Deputy Chairman of the Board. Board Member – Saudi Arabian Investment Company. Was CEO – Saudi Arabian Investment Company. Holds a Master's Degree in Economics – Central Michigan University, USA.
Waleed Abdullah Al-Mogbel
Managing Director and Chief Executive Officer. Was Deputy Chief Executive Officer – Al Rajhi Bank. Holds a PhD in Accounting and Auditing.
Abdulrahman Abdullah Al-Fadda
Chief Financial Officer. Was General Manager of Treasury and Financial Institutions – Al Rajhi. Holds a Bachelor's Degree - Electrical Engineering.

Source: Company Data

Alinma Bank

Key takeaway

Alinma (Hold, PT: SAR32.0) – We are at Hold on the name. While we like (i) the value-focused management team, (ii) good fee generation, and (iii) the relatively low gearing to rates, we flag (i) a worsening NSFR ratio that may constrain growth, (ii) rising NPLs combined with comparatively low Stage-3 coverage of 57%, (iii) ambitious 2025 ROE targets that may be easy to disappoint. Additionally, we think Street expectations on DPS may be too optimistic.

Funding, liquidity and margins

Alinma is mainly deposit-funded and 53% of its deposits are non-interest-bearing deposits, with a high share of retail deposits (64%). Its headline loans-to-deposits ratio stood at 96% in Q1-23 (82.8% regulatory ratio). The bank also has an AT1 bond (SAR 5bn), though it has no commercial paper outstanding.

Liquidity ratios have deteriorated in recent quarters, with NSFR now the lowest in the peer group at 107% (though up from the low of 103% in Q3-22). LCR is also at the lower end, at 134%.

We expect margins to peak this year at 3.68%, vs 3.44% in FY22. Thereafter, we expect a downward trend on the basis of expected policy cuts, with our NIM estimates reaching 3.53% in FY24e and 3.35% in FY25e.

Capital and growth

Alinma enjoys a strong capital base with CET1 of 15.2%, Tier I: 17.9%, and CAR of 19.1% as at Q1-23. The capital base should support medium-term growth with forecast loan growth at 13.0% in FY23, 11.0% FY24 and 10.0% FY25. Deposit growth should be in line.

Asset quality, earnings, and returns

The bank sits at the upper end of the scale in terms of NPL vs peers, at 2.1% currently. We anticipate this to fall gradually to 1.82% in FY23e, 1.75% in FY24E and 1.72% in FY25e. Provision coverage is slightly below peers at 121.5%, and we expect an increase to 136% this year. The cost of risk is expected at 75bps for this year and relatively flat thereafter (73/72bps).

We forecast strong EPS growth this year at 34%, on the back of higher margins. This should moderate to 8% next year and 3% the year after.

ROE is forecast at 15.6% FY23, 15.2% FY24, and 14.6% FY25.

Exhibit 113 - Alinma - Financials summary

	FY21	FY22	FY23e	FY24e	FY25e
Net Interest Income	5,137	6,066	7,555	7,978	8,251
Non-Interest Income	1,530	1,897	2,033	2,282	2,484
Total operating income	6,667	7,963	9,587	10,259	10,735
Total operating expenses	(2,365)	(2,765)	(3,029)	(3,208)	(3,391)
Profit Before Tax	3,022	4,013	5,362	5,751	5,928
Profit After Tax	2,709	3,599	4,809	5,158	5,317
Basic EPS	1.34	1.73	2.31	2.49	2.57
ROAA %	1.60%	1.84%	2.13%	2.10%	1.99%

Source: Company Data, Jefferies

Exhibit 114 - Alinma - Balance sheet

	FY21	FY22	FY23e	FY24e	FY25e
Cash and Balances with Saudi Central banks	9,177	9,723	13,705	14,507	15,345
Due from banks and other financial institutions	738	1,333	1,079	1,132	1,166
Investments, net	33,211	38,458	41,141	42,895	43,947
Loans and advances	128,554	146,492	165,594	183,797	202,140
Total assets	175,758	200,315	226,014	246,916	267,231
Customers deposits	121,061	145,168	163,979	182,673	200,940
Total liabilities	142,765	168,560	191,400	209,234	227,118
RWAs	145,284	173,604	202,464	224,154	245,965

Source: Company Data, Jefferies

Exhibit 115 - Alinma Valuation

	2023e	2024e	2025e
Mid-cycle ROE			16.0%
Tg			4.0%
CoE			10.5%
Terminal multiple			1.86
BVPS	14.88	16.42	17.64
EPS	2.32	2.49	2.57
DPS	1.20	1.30	1.45
Discount factor	0.95	0.86	0.78
PV EPS	2.20	2.14	2.00
PV DPS	1.14	1.12	1.13
Terminal value			32.8
PV terminal value			25.5
DPS (3 years)			3.4
Value of shares today			28.9
Value per share in 12m (*COE)			32.0
Current share price			33.5
Upside/downside			-4.6%
Dividend yield (12m forward)			3.6%
Total 1 year return			-1.0%
P/B at TP	2.1	1.9	1.8
P/E at TP	13.8	12.8	12.4

Source: Jefferies

Exhibit 116 - Alinma Management / board outline

Dr. Abdulmalik Abdullah Alhogail Chairman of the Board of Directors. Was Vice President and Executive Director of Finance – Al-Faisaliah Group. Holds PhD in Accounting/Finance - Case Western Reserve University, USA
Mr. Saad Abdulaziz Alkroud Vice Chairman of the Board of Directors since 21 May 2022, Chief Administrator and General Secretary of Board of Directors– Public Investments Fund. Holds a Master in Management and Leadership–University of Laverne California, USA.
Mr. Abdullah Ali AlKhalifa Chief Executive Officer. Was Chief Financial Officer of Banque Saudi Fransi, Al Rajhi Bank and Arab National Bank. Holds a Master of Accounting – University of Miami – United States.
Mr. Saleh Abdullah AlZumaie Deputy Chief Executive Officer, Head of Retail and Digital Banking. Was General Manager of Digital and Payments – Al Rajhi Bank. Holds a Bachelor's degree in English language – Imam Muhammad bin Saud Islamic University.
Mr. Adel Saleh Abalkhail Chief Financial Officer (CFO). Was Deputy General Manager of the Financial Group – Al Rajhi Bank. Holds a Master of Accounting – University of Illinois – USA.

Source: Company Data

Saudi National Bank

Key takeaway

SNB (Hold, PT: SAR40.6) – We have a Hold rating on the name. The obvious positives are: (i) scale and asset mix, (ii) quality of balance sheet, (iii) strongly positioned for LT structural themes, (iv) relatively low beta to rates vol. On the negatives: (i) the CS story leaves a sour taste, highlighting (a) the pitfalls of government ownership, and (b) the risk of foreign M&A/investments; (ii) fee generation is subpar for a bank of this quality and size, (iii) the punch has yet to connect on the strategy narrative.

Funding, liquidity and margins

SNB is mainly deposit funded, and it boasts the highest share of non-interest-bearing deposits, at c.80%. Around 58% of deposits are retail.

SNB has a Euro Medium Term Program (EMTN), under which it has issued conventional, green, and Sharia-compliant bonds.

The headline loans/deposits ratio stood at 93% in Q1-23 (81.2% regulatory), while NSFR and LCR both look solid at 115% and 272%, respectively.

We forecast NIM to rise to 3.29% this year, up slightly from 3.24% last year, as the bank has little interest-rate sensitivity compared with peers. NIM should gradually decrease to 3.11% by 2025e.

Capital and growth

SNB is well capitalized with CET1 at 16.2%, Tier 1 at 18.6% and CAR at 19.3% in Q1-23. Although it has plenty of headroom left (330bps), its Delta EVE disclosure shows that its headway decreased by 420bps last year.

Loans are expected to grow 11.0% in FY23, 11.6% in FY24, and 12.1% in FY25. We think SNB could easily exceed this if it changes its balance sheet structure a little. Notably, it has the ability to raise its loans/deposits ratio further.

Asset quality, earnings and returns

Asset quality is good, with a low NPL ratio of 1.4% currently, with 97% coverage. We don't expect major changes in the NPL ratio, though we do expect a higher coverage ratio in the future. We see the cost of risk at 42bps in FY23e, up from 32bps last year. This should rise further to 50bps in FY24e/25e.

We forecast EPS growth of 7% this year and next, rising to 9% in FY25e,

ROE to increase to reach 11.3% this year, 11.5% in FY24e, and 12.1 in FY25e.

Exhibit 117 - SNB - Financials summary

	FY21	FY22	FY23e	FY24e	FY25e
Net Interest Income	22,120	26,286	28,747	31,194	33,540
Non-Interest Income	6,342	6,717	7,451	7,976	8,762
Total operating income	28,462	33,003	36,198	39,169	42,301
Total operating expenses	(13,791)	(11,469)	(13,096)	(14,621)	(15,726)
Profit Before Tax	14,438	21,277	23,092	24,538	26,564
Profit After Tax	12,784	18,729	20,329	21,602	23,386
Basic EPS	2.99	3.00	3.21	3.42	3.72
ROAA %	1.61%	1.94%	1.94%	1.87%	1.84%

Source: Company Data, Jefferies

Exhibit 118 - SNB - Balance sheet

	FY21	FY22	FY23e	FY24e	FY25e
Cash and Balances with Saudi Central banks	52,167	41,611	49,030	52,301	57,802
Due from banks and other financial institutions	40,161	16,497	21,541	23,695	26,064
Investments, net	240,540	258,292	280,910	307,302	340,978
Loans and advances	495,898	545,311	605,487	675,964	757,573
Total assets	914,150	945,496	1,043,456	1,148,577	1,275,404
Customers deposits	586,944	568,283	630,545	698,013	772,002
Total liabilities	751,380	778,719	855,198	953,116	1,072,758
RWAs	665,173	696,082	748,458	830,915	927,338

Source: Company Data, Jefferies

Exhibit 119 - SNB Valuation

	2023e	2024e	2025e
Mid-cycle ROE			12.5%
Tg			4.5%
CoE			10.8%
Terminal multiple			1.28
BVPS	28.47	29.65	30.82
EPS	3.21	3.42	3.72
DPS	2.10	2.40	2.70
Discount factor	0.95	0.86	0.77
PV EPS	3.05	2.93	2.88
PV DPS	1.99	2.06	2.09
Terminal value			39.4
PV terminal value			30.5
DPS (3 years)			6.1
Value of shares today			36.6
Value per share in 12m (*COE)			40.6
Current share price			36.8
Upside/downside			10.2%
Dividend yield (12m forward)			5.7%
Total 1 year return			15.9%
P/B at TP	1.4	1.4	1.3
P/E at TP	12.6	11.9	10.9

Source: Jefferies

Exhibit 120 - SNB Management / board outline

Ammar Abdulwahid Alkhudairy Chairman of the Board of Directors. Non-executive – Representative of Public Investment Fund (PIF). Chairman of the Executive Committee. Holds a Master's degree in Engineering Administration from George Washington University (USA).
Yazeed Abdulrahman Alhumied Vice Chairman of the Board. Non-executive - Representative of Public Investment Fund (PIF). Holds a Bachelor's degree in Business Administration and Accounting from King Saud University, KSA.
Saeed Mohammed Al Ghamdi Managing Director and Group Chief Executive Officer and member Executive Committee, and a member of the Bank's Risk Committee. Holds a Bachelor's Degree in Computer Sciences and Engineering from King Fahd University, KSA.
Ahmad Ali Aldhabi Group Chief Financial Officer at the Saudi National Bank. Holds a Master's degree in Finance from University of Portsmouth.

Source: Company Data

Arab National Bank

Key takeaway

ANB (Hold, PT: SAR27.8) – We are at Hold on the stock. Positives are (i) a clear path to upgrade operational performance based on currently inferior fee generation, and (ii) a very decent balance sheet with good liquidity ratios. On the negative side, (i) strategy and ESG are at an early stage (expected rollout in FY24e), (iii) no real communication with the Street (earnings calls expected from next year), (iii) its biggest shareholder, Arab Bank of Jordan, has a 40% stake but the two banks appear to have no/limited operational ties, depriving ANB of potentially strong products and knowledge.

Funding, liquidity and margins

ANB is deposit-funded and 51% of its deposits are non-interest bearing. Around half of the deposit base comes from the retail segment.

ANB enjoys strong liquidity ratios, with NSFR at 120% and LCR at 204% in Q1-23. The headline loans/deposits ratio stood at 93% (we do not know the regulatory ratio).

ANB should see margins expand strongly this year, to 3.36% from 2.98%. We expect a gradual fall thereafter to 3.24%, and to 3.18% in FY24/25e.

Capital and growth

ANB has a very strong capital profile, with a CET1 of 19.6%, Tier 1 of 19.6%, and CAR of 22.0% in Q1-23. This should amply support loan growth during our forecast period, with expected growth of 9.1% in FY23e and FY24e, and 9.4% in FY25e.

Asset quality, earnings, and returns

The bank has an NPL ratio of 1.9% currently, and we expect this to be quite stable during the forecast period.

The coverage ratio is at 150%, we expect this ratio to drop at around 122%-126% FY23e-FY25e.

We expect the current 67bps cost of risk to rise by the end of the year to 83bps before declining to 73bps in FY24e and 65bps in FY25e.

We forecast good EPS growth this year at 14%, supported by higher margins. However, we target a lower growth in FY24e of 6% and 10% in FY25e.

Having this, we see ROE slightly increasing to reach 10.6% this year, 10.8% FY24e, and 11.3% FY25e.

Exhibit 121 - ANB - Financials summary

	FY21	FY22	FY23e	FY24e	FY25e
Net Interest Income	4,672	5,636	6,810	7,141	7,595
Non-Interest Income	1,092	1,226	1,450	1,588	1,763
Total operating income	5,765	6,862	8,290	8,729	9,358
Total operating expenses	(3,236)	(3,338)	(4,274)	(4,465)	(4,673)
Profit Before Tax	2,622	3,633	4,061	4,310	4,733
Profit After Tax	2,171	3,067	3,490	3,704	4,067
Basic EPS	1.45	2.05	2.33	2.47	2.71
ROAA %	1.20%	1.49%	1.59%	1.55%	1.58%

Source: Company Data, Jefferies

Exhibit 122 - ANB - Balance sheet

	FY21	FY22	FY23e	FY24e	FY25e
Cash and Balances with Saudi Central banks	11,464	12,434	15,218	16,684	18,632
Due from banks and other financial institutions	2,283	6,048	5,431	5,703	5,988
Investments, net	44,168	41,018	43,032	44,673	46,676
Loans and advances	126,674	143,829	156,898	171,172	187,217
Total assets	192,502	212,628	229,902	247,601	267,948
Customers deposits	135,714	154,871	165,549	177,634	190,957
Total liabilities	161,374	180,270	196,903	213,149	231,904
RWAs	164,005	181,102	182,473	198,332	216,130

Source: Company Data, Jefferies

Exhibit 123 - ANB Valuation

	2023e	2024e	2025e
Mid-cycle ROE			12.0%
Tg			4.0%
CoE			11.0%
Terminal multiple			1.14
BVPS	21.98	22.95	24.01
EPS	2.33	2.47	2.71
DPS	1.40	1.50	1.65
Discount factor	0.95	0.85	0.77
PV EPS	2.21	2.11	2.09
PV DPS	1.33	1.28	1.27
Terminal value			27.4
PV terminal value			21.1
DPS (3 years)			3.9
Value of shares today			25.0
Value per share in 12m (*COE)			27.8
Current share price			26.8
Upside/downside			3.8%
Dividend yield (12m forward)			5.2%
Total 1 year return			9.0%
P/B at TP	1.3	1.2	1.2
P/E at TP	11.9	11.2	10.2

Source: Jefferies

Exhibit 124 - ANB Management / board outline

Salah Rashid Al-Rashed Chairman of the Board of Directors. Executive manager and partner at Rashid Abdulrahman Al-Rashid and Sons Co. Holds a Bachelor degree in Engineering from Washington University.
Abdulmohsen Ibrahim Al-Touq Deputy Chairman of the Board of Directors. Chief Executive Officer of Al-Touq Company. Holds a Bachelor degree in Business Administration from King Saud University.
Obaid Abdullah Al-Rasheed Managing Director and Chief Executive Officer. Board Member for Saudi Home Loans (an associate company), Saudi Chemical Company and Doctor Sulaiman Alhabib for Medical Services Holding Group. Holds a Bachelor degree in Business Administration from Saint Jose University in California, USA.
Latifa Al-Sabhan Chief Financial Officer. Member of Audit Committee at anb capital. Holds a Bachelor degree in Accounting & Business Administration from University of Kansas, USA.

Source: Company Data

Riyad Bank

Key takeaway

Riyad Bank (Hold, PT: SAR32.2) – We are at Hold on the stock. While we like (i) its scale and asset mix, (ii) credible strategy and good delivery, (iii) positioning for LT trends, we have concerns about (i) asset quality given stage movements and relatively low coverage, (ii) the sustainability of its ultra-cheap funding. Lastly, (iii) we are generally not fans of large government stakes (c.40%).

Funding, liquidity, and margins

Riyad Bank is mainly deposit funded, and 58% of its deposit base is non-interest-bearing. Retail funding accounts for c.42% of its deposits.

The bank's headline loans-to-deposits ratio was 98% in Q1-23, while its regulatory ratio was 78% – among the lowest in the sector. This reflects the bank's activity levels in debt markets, where it is one of the more active issuers.

NSFR and LCR stood at 117% and 187%, respectively, in Q1-23.

Riyad Bank should see strong NIM expansion this year, to 3.58%, from 3.12% in FY22. This should moderate to 3.07% by FY25e as we believe its funding costs to be extremely low and thus susceptible to change.

Capital and growth

Riyad Bank has strong capital, with CET1 of 15.7%, Tier 1 of 17.8% and CAR of 20.7%. This is ample to support our forecast loan growth of 10.8% in FY23e, 10.9% in FY24e, and 10.8% in FY25e.

Asset quality, earnings, and returns

The NPL ratio is about average, at 1.5%; we do not currently expect significant variances.

The coverage ratio is a little low for our taste, at 117%, with notable weakness in Stage 3 coverage (last reported at 50.6% in FY22, below peers' median of 57.3%).

Cost of risk was 44bps in FY22 but 96bps in Q1-23. We forecast this at 83bps in FY23e, 80bps next year, and 78bps in FY25e.

Riyad Bank should see good EPS growth of 10% in FY23, but we expect a drop of -2% in FY24e, and +5% in FY25e.

ROE is forecast at 15.1% FY23e, 13.5% FY24e, and 13.2% FY25e, driven by lower margins.

Exhibit 125 - Riyad Bank - Financials summary

	FY21	FY22	FY23e	FY24e	FY25e
Net Interest Income	8,293	10,052	12,682	12,876	13,433
Non-Interest Income	3,275	3,547	3,790	4,026	4,436
Total operating income	11,568	13,599	16,471	16,902	17,870
Total operating expenses	(3,965)	(4,410)	(5,229)	(5,684)	(6,085)
Profit Before Tax	6,718	7,828	9,059	8,909	9,289
Profit After Tax	6,025	7,019	8,126	7,991	8,332
Basic EPS	2.01	2.32	2.56	2.51	2.63
ROAA %	1.91%	1.99%	1.97%	1.76%	1.66%

Source: Company Data, Jefferies

Exhibit 126 - Riyad Bank - Balance sheet

	FY21	FY22	FY23e	FY24e	FY25e
Cash and Balances with Saudi Central banks	25,587	33,367	42,987	47,271	53,143
Due from banks and other financial institutions	17,645	20,613	30,395	36,005	43,711
Investments, net	58,637	52,196	54,575	57,699	62,278
Loans and advances	217,290	242,365	268,490	297,670	329,804
Total assets	325,736	359,653	407,465	450,213	501,315
Customers deposits	211,678	240,007	266,910	294,936	325,019
Total liabilities	278,436	303,480	348,523	387,781	435,200
RWAs	298,475	310,425	336,526	373,941	416,275

Source: Company Data, Jefferies

Exhibit 127 - Riyad Valuation

	2023e	2024e	2025e
Mid-cycle ROE			15.0%
Tg			4.0%
CoE			10.7%
Terminal multiple			1.64
BVPS	17.46	18.62	19.85
EPS	2.56	2.51	2.63
DPS	1.40	1.50	1.55
Discount factor	0.95	0.86	0.77
PV EPS	2.43	2.16	2.04
PV DPS	1.33	1.29	1.20
Terminal value			32.6
PV terminal value			25.3
DPS (3 years)			3.8
Value of shares today			29.1
Value per share in 12m (*COE)			32.2
Current share price			33.2
Upside/downside			-3.1%
Dividend yield (12m forward)			4.2%
Total 1 year return			1.1%
P/B at TP	1.8	1.7	1.6
P/E at TP	12.6	12.8	12.2

Source: Jefferies

Exhibit 128 - Riyad bank Management / board outline

Abdullah Mohammed Al-Issa Chairman of the Board of Directors. Also Chairman of the Board of Directors of Assila Investment Company, Abdullah Mohammed Al-Issa Engineering Consulting Office and Amias Holding Company etc. Holds a Master of Science in Engineering Project Management – Southern Methodist University, USA.
Mutaz Kusai AlAzzawi Vice Chairman of the Board of Directors and Chairman of the Board of Directors of Herfy Food Services Company. Holds a Bachelor of Computer Engineering – King Saud University.
Tareq Abdulrahman Al-Sadhan Chief Executive Officer. Was Senior Executive Vice President and the Chief Financial Officer of Riyad Bank. Holds a Master of Business Management - Ecole National des Ponts et Chaussees, France.
Abdullah Ali Al-Oraini Chief Financial Officer. Was Chief Financial Officer - AlAwwal Bank (formally Saudi Hollandi Bank). Holds a Master of Management Sciences - University of Waterloo, Canada.

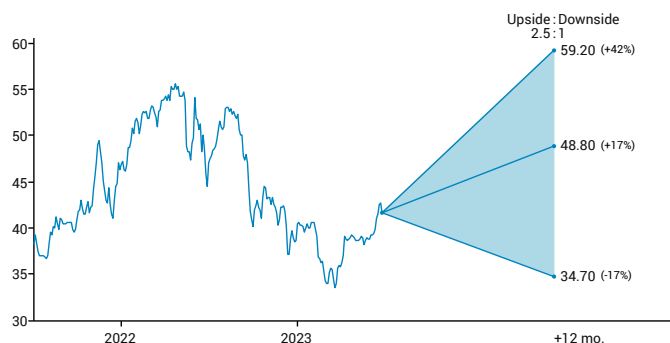
Source: Company Data

The Long View: BSF

Investment Thesis / Where We Differ

BSF (Buy, PT: SAR48.8) – Our Buy rating reflects (i) high-quality balance sheet with strong NSFR, LCR, and capital ratios, (ii) the biggest headroom to grow LT assets in terms of capital at risk, (iii) a credible narrative of medium-term growth given activity levels in the corporate space. The stock is also appealing in terms of valuation. On the negative side, (i) the biggest dissonance remains its basic asset mix, which is so skewed to Corporate as to raise real questions about its approach to the Consumer space, (ii) fee-income generation has been weaker than peers, some of which may reflect the smaller retail footprint, though as SAB clearly shows, more corporate-focused banks can still have strong fee generation.

Risk/Reward - 12 Month View



Base Case, SAR48.80, +17%

The base case for 2025 assumes no adverse economic scenarios or asset quality downturns; continued credit growth in high single to low double digits, and slightly lower margins.

- **Key assumptions 2025:**
 - Loan growth 10.4%
 - NII/avg assets 3.18%
 - Cost/income 33.5%
 - CoR 70bps
- ROTE 12.4%
- PT SAR48.8

Upside Scenario, SAR59.20, +42%

The bull case in 2025 assumes that lower US policy rates stimulate credit demand, and that funding cost benefits offset yield compression.

- **Key assumptions 2025:**
 - Loan growth 12.2%
 - NII/avg assets 3.43%
 - Cost/income 31.3%
 - CoR 58bps
- ROTE 14.3%
- PT SAR59.2

Downside Scenario, SAR34.70, -17%

The bear case for 2025 assumes lower growth combined with lower margins and higher provisions.

- **Key assumptions 2025:**
 - Loan growth 8.4%
 - NII/avg assets 3.01%
 - Cost/income 35.3%
 - CoR 80bps
- ROTE 10.9%
- PT SAR34.7

Sustainability Matters

BSF has published a materiality matrix and identified the following as key: 1) Governance, Accountability, Transparency, and Ethics, 2) Financial and Economic Performance, 3) Risk Management, 4) Responsible Customer Relations and Satisfaction, 5) Data Privacy and Security, and 6) Financial Inclusion and Accessibility. It has published a Sustainable Finance Framework and incorporated some elements of screening into its lending and investing practices, though this remains at an early stage.

No hard targets have been communicated yet.

Catalysts

Q2-23 earnings expected during the third week of July

Financials: BSF

Estimate changes

SAR	2022A	2023E	2024E	2025E
EPS	2.79	3.63	3.97	4.14
DPS	1.64	2.10	2.30	2.40
Rev. (MM)	8,017,275.0	9,468,144.7	10,088,918.9	10,846,265.3
ROE	10%	12%	13%	13%
ROA	1.50%	1.80%	1.79%	1.71%
Q1	-	-	-	-
Q2	-	-	-	-
Q3	-	-	-	-
Q4	-	-	-	-

Valuation metrics

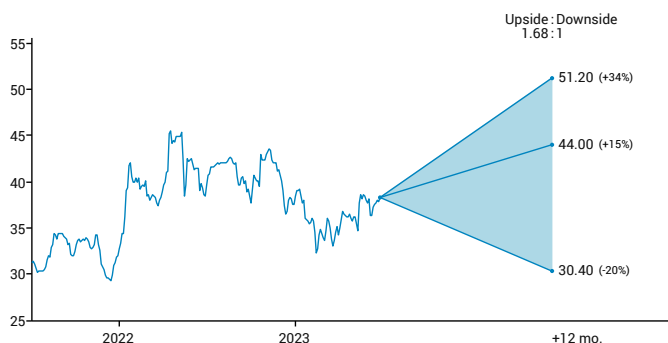
	2022A	2023E	2024E	2025E
FY P/E	14.9x	11.5x	10.5x	10.1x
EV/Rev	0.0x	0.0x	0.0x	0.0x
P/Rev	0.0x	0.0x	0.0x	0.0x

The Long View: SABB

Investment Thesis / Where We Differ

SAB (Buy, PT: SAR44.0) – Our Buy rating is predicated on (i) strong liquidity and capital position, (ii) good growth outlook, (iii) clear value proposition, (iv) good asset quality. On the negatives, we think that (i) much more clarity on the bank's strategy is needed, (ii) we have no substantial information on the bank's ESG efforts/strategy.

Risk/Reward - 12 Month View



Base Case, SAR44.00, +15%

- The base case for 2025 assumes no adverse economic scenarios or asset quality downturns; continued credit growth in high single to low double digits, and slightly lower margins.
- **Key assumptions 2025:**
 - Loan growth 11%
 - NII/avg assets 3.03%
 - Cost/income 32.8%
 - CoR 55bps
- ROTE 11.0%
- PT SAR44.0

Upside Scenario, SAR51.20, +34%

- The bull case in 2025 assumes that lower US policy rates stimulate credit demand, and that funding cost benefits offset yield compression.
- **Key assumptions 2025:**
 - Loan growth 14.2%
 - NII/avg assets 3.22%
 - Cost/income 30.1%
 - CoR 43bps
- ROTE 12.4%
- PT SAR51.2

Downside Scenario, SAR30.40, -20%

- The bear case for 2025 assumes lower growth combined with lower margins and higher provisions.
- **Key assumptions 2025:**
 - Loan growth 8.8%
 - NII/avg assets 2.88%
 - Cost/income 33.4%
 - CoR 64bps
- ROTE 10.1%
- PT SAR30.4

Sustainability Matters

As yet, SAB has disclosed very little on ESG, other than airing its intention to take this up seriously and to incorporate it fully into its strategy. We await further information.

Catalysts

Q2-23 earnings expected during the third week of July.

Financials: SABB

Estimate changes

SAR	2022A	2023E	2024E	2025E
EPS	2.37	3.10	3.34	3.57
DPS	1.35	1.85	2.00	2.20
Rev. (MM)	9,697,028.0	12,165,628.4	13,171,164.6	14,127,936.4
ROE	9%	11%	11%	11%
ROA	1.66%	1.91%	1.86%	1.81%
Q1	-	-	-	-
Q2	-	-	-	-
Q3	-	-	-	-
Q4	-	-	-	-

Valuation metrics

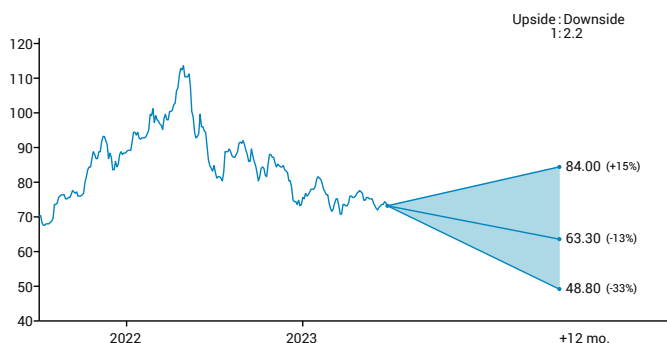
	2022A	2023E	2024E	2025E
FY P/E	16.1x	12.3x	11.4x	10.7x
EV/Rev	0.0x	0.0x	0.0x	0.0x
P/Rev	0.0x	0.0x	0.0x	0.0x

The Long View: RAJHI

Investment Thesis / Where We Differ

Al Rajhi Bank (UNPF, PT: SAR63.3) – We rate the stock at Underperform. Negatives: (i) needs balance sheet repair after high growth incl. capital and funding, (ii) strategy was geared mainly to prior period of mortgage growth, needs a bold follow-up, (iii) dividend outlook not clear given capital. Positives: (i) clear strategy with strong execution, (ii) market share/scale, (iii) zero government ownership, (iv) well positioned for rates vol, (v) best positioned to capture LT structural themes.

Risk/Reward - 12 Month View



Base Case, SAR63.30, -13%

- The base case for 2025 assumes no adverse economic scenarios or asset quality downturns; continued credit growth in high single to low double digits, and slightly lower margins.
- **Key assumptions 2025:**
 - Loan growth 7.5%
 - NII/avg assets 3.19%
 - Cost/income 26.7%
 - CoR 41bps
- ROTC 17.5%
- PT SAR63.3

Upside Scenario, SAR84.00, +15%

- The bull case in 2025 assumes that lower US policy rates stimulate credit demand, and that funding cost benefits offset yield compression.
- **Key assumptions 2025:**
 - Loan growth 12.3%
 - NII/avg assets 3.56%
 - Cost/income 24.2%
 - CoR 23bps
- ROTC 20.5%
- PT SAR84.0

Downside Scenario, SAR48.80, -33%

- The bear case for 2025 assumes lower growth combined with lower margins and higher provisions.
- **Key assumptions 2025:**
 - Loan growth 5.5%
 - NII/avg assets 3.05%
 - Cost/income 27.7%
 - CoR 52bps
- ROTC 16.1%
- PT SAR48.8

Sustainability Matters

Rajhi Bank has published a materiality matrix and identified the following as being most significant: 1) climate change, 2) customer experience, and 3), green banking and lending. The Bank has published a standalone ESG report prepared in accordance with the Saudi Exchange ESG Disclosure Guidelines.

Rajhi Bank has issued a Sustainable Finance Framework, for which a second-party opinion was issued by a major rating agency. The bank has not tapped markets for any Green borrowing but has itself financed numerous projects that are either focused on sustainability or that have green credentials.

In broad terms, Rajhi Bank benefits from its Sharia compliance as ethical considerations and prescriptions (against certain types of lending) have always been a part of its DNA.

Catalysts

Update on Strategy expected by YE, which is key.
Q2 earnings expected 3rd week of July

Financials: RAJHI

Estimate changes

SAR	2022A	2023E	2024E	2025E
EPS	4.24	4.32	4.57	5.04
DPS	1.25	1.60	1.75	2.00
Rev. (MM)	28,575,019.0	29,824,578.7	32,338,085.0	35,649,736.1
ROE	22%	20%	19%	19%
ROA	2.42%	2.20%	2.19%	2.28%
Q1	-	-	-	-
Q2	-	-	-	-
Q3	-	-	-	-
Q4	-	-	-	-

Valuation metrics

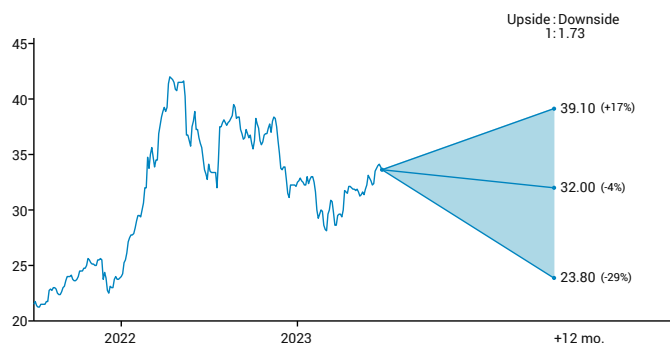
	2022A	2023E	2024E	2025E
FY P/E	17.2x	16.9x	16.0x	14.5x
EV/Rev	0.0x	0.0x	0.0x	0.0x
P/Rev	0.0x	0.0x	0.0x	0.0x

The Long View: Alinma

Investment Thesis / Where We Differ

Alinma (Hold, PT: SAR32.0) – We are at Hold on the name. While we like (i) the value-focused management team, (ii) good fee generation, and (iii) the relatively low gearing to rates, we flag (i) a worsening NSFR ratio that may constrain growth, (ii) rising NPLs combined with comparatively low Stage-3 coverage of 57%, (iii) ambitious 2025 ROE targets that may be easy to disappoint. Additionally, we think Street expectations on DPS may be too optimistic.

Risk/Reward - 12 Month View



Base Case, SAR32.00, -4%

- The base case for 2025 assumes no adverse economic scenarios or asset quality downturns; continued credit growth in high single to low double digits, and slightly lower margins.
- **Key assumptions 2025:**
 - Loan growth 10%
 - NII/avg assets 3.35%
 - Cost/income 31.6%
 - CoR 72bps
- ROTe 14.6%
- PT SAR32.0

Upside Scenario, SAR39.10, +17%

- The bull case in 2025 assumes that lower US policy rates stimulate credit demand, and that funding cost benefits offset yield compression.
- **Key assumptions 2025:**
 - Loan growth 13%
 - NII/avg assets 3.64%
 - Cost/income 29.3%
 - CoR 58bps
- ROTe 16.9%
- PT SAR39.1

Downside Scenario, SAR23.80, -29%

- The bear case for 2025 assumes lower growth combined with lower margins and higher provisions.
- **Key assumptions 2025:**
 - Loan growth 7.5%
 - NII/avg assets 3.22%
 - Cost/income 32.9%
 - CoR 83bps
- ROTe 13.2%
- PT SAR23.8

Sustainability Matters

Alinma has identified the following key issues in its materiality matrix: 1) Responsible Customer Relations and Satisfaction, 2) Talent attraction, retention, and development, 3) Diversity and inclusion, 4) Digitalization and innovation, 5) Governance, accountability, transparency and ethics, 5) Systemic risk management.

The bank has not yet published hard targets for its ESG aspirations.

Catalysts

2Q23 Earnings Call 27 July 2023

Financials: Alinma

Estimate changes

SAR	2022A	2023E	2024E	2025E
Rev. (MM)	7,963,060.0	9,587,486.3	10,259,371.7	10,734,679.7
EPS	1.73	2.31	2.49	2.57
DPS	0.95	1.20	1.30	1.45
ROE	13%	16%	16%	15%
ROA	1.84%	2.13%	2.10%	1.99%
Q1	-	-	-	-
Q2	-	-	-	-
Q3	-	-	-	-
Q4	-	-	-	-

Valuation metrics

	2022A	2023E	2024E	2025E
EV/Rev	0.0x	0.0x	0.0x	0.0x
P/Rev	0.0x	0.0x	0.0x	0.0x
FY P/E	19.3x	14.5x	13.4x	13.0x

The Long View: SNB

Investment Thesis / Where We Differ

SNB (Hold, PT: SAR40.6) – We have a Hold rating on the name. The obvious positives are: (i) scale and asset mix, (ii) quality of balance sheet, (iii) strongly positioned for LT structural themes, (iv) relatively low beta to rates vol. On the negatives: (i) the CS story leaves a sour taste, highlighting (a) the pitfalls of government ownership, and (b) the risk of foreign M&A/investments; (ii) fee generation is subpar for a bank of this quality and size, (iii) the punch is yet to connect on the strategy narrative.

Risk/Reward - 12 Month View



Base Case, SAR40.60, +10%

- The base case for 2025 assumes no adverse economic scenarios or asset quality downturns; continued credit growth in high single to low double digits, and slightly lower margins.
- **Key assumptions 2025:**
 - Loan growth 12.1%
 - NII/avg assets 3.11%
 - Cost/income 28.6%
 - CoR 50bps
- ROTC 12.0%
- PT SAR40.6

Upside Scenario, SAR47.30, +29%

- The bull case in 2025 assumes that lower US policy rates stimulate credit demand, and that funding cost benefits offset yield compression.
- **Key assumptions 2025:**
 - Loan growth 15.6%
 - NII/avg assets 3.27%
 - Cost/income 27.2%
 - CoR 40bps
- ROTC 13.2%
- PT SAR47.3

Downside Scenario, SAR31.30, -15%

- The bear case for 2025 assumes lower growth combined with lower margins and higher provisions.
- **Key assumptions 2025:**
 - Loan growth 10%
 - NII/avg assets 2.91%
 - Cost/income 30.3%
 - CoR 62bps
- ROTC 10.7%
- PT SAR31.3

Sustainability Matters

SNB has published a materiality matrix and identified the following as key topics: 1), governance and ethical behaviour, 2) Sustainable finance, 3) Financial performance, 4) Data privacy and security, 5) climate change, 6) customer relationships.

SNB was the first Saudi bank to publish a Sustainable Finance Framework and has issued debt on this basis. It was also a key backer of the Green Repo transaction and has lent SAR7.2bn (USD1.92bn) to green projects so far.

Catalysts

Q2-23 earnings expected during the third week of July

Financials: SNB

Estimate changes

SAR	2022A	2023E	2024E	2025E
EPS	3.00	3.21	3.42	3.72
DPS	1.27	2.10	2.40	2.70
Rev. (MM)	33,003,452.0	36,197,711.1	39,169,476.8	42,301,248.1
ROE	11%	11%	12%	12%
ROA	1.94%	1.94%	1.87%	1.84%
Q1	-	-	-	-
Q2	-	-	-	-
Q3	-	-	-	-
Q4	-	-	-	-

Valuation metrics

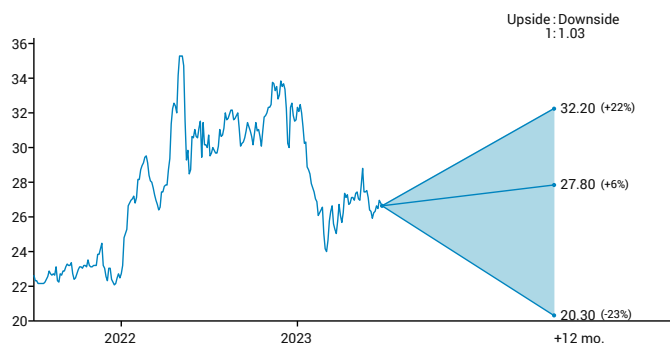
	2022A	2023E	2024E	2025E
FY P/E	12.3x	11.5x	10.8x	9.9x
EV/Rev	0.0x	0.0x	0.0x	0.0x
P/Rev	0.0x	0.0x	0.0x	0.0x

The Long View: Arab National

Investment Thesis / Where We Differ

ANB (Hold, PT: SAR27.8) – We are at Hold on the stock. Positives are (i) a clear path to upgrade operational performance based on currently inferior fee generation, and (ii) a very decent balance sheet with good liquidity ratios. On the negative side, (i) strategy and ESG are at an early stage (expected rollout in FY24e), (ii) no real communication with the Street (earnings calls expected from next year), (iii) its biggest shareholder, Arab Bank of Jordan, has a 40% stake but the two banks appear to have no/limited operational ties, depriving ANB of potentially strong products and knowledge.

Risk/Reward - 12 Month View



Base Case, SAR27.80, +6%

- The base case for 2025 assumes no adverse economic scenarios or asset quality downturns; continued credit growth in high single to low double digits, and slightly lower margins.
- **Key assumptions 2025:**
 - Loan growth 9.5%
 - NII/avg assets 3.18%
 - Cost/income 37.2%
 - CoR 65bps
- ROTC 11.3%
- PT SAR27.8

Upside Scenario, SAR32.20, +22%

- The bull case in 2025 assumes that lower US policy rates stimulate credit demand, and that funding cost benefits offset yield compression.
- **Key assumptions 2025:**
 - Loan growth 12.6%
 - NII/avg assets 3.29%
 - Cost/income 35.8%
 - CoR 52bps
- ROTC 12.5%
- PT SAR32.2

Downside Scenario, SAR20.30, -23%

- The bear case for 2025 assumes lower growth combined with lower margins and higher provisions.
- **Key assumptions 2025:**
 - Loan growth 6.5%
 - NII/avg assets 3.02%
 - Cost/income 39.2%
 - CoR 76bps
- ROTC 9.9
- PT SAR20.3

Sustainability Matters

ANB has not yet published any information on ESG.

Catalysts

Q2-23 earnings expected during the third week of July.

Financials: Arab National

Estimate changes

SAR	2022A	2023E	2024E	2025E
EPS	2.05	2.33	2.47	2.71
DPS	1.03	1.40	1.50	1.65
Rev. (MM)	6,862,240.0	8,289,862.4	8,728,780.9	9,358,497.0
ROE	10%	10%	11%	12%
ROA	1.49%	1.59%	1.55%	1.58%
Q1	-	-	-	-
Q2	-	-	-	-
Q3	-	-	-	-
Q4	-	-	-	-

Valuation metrics

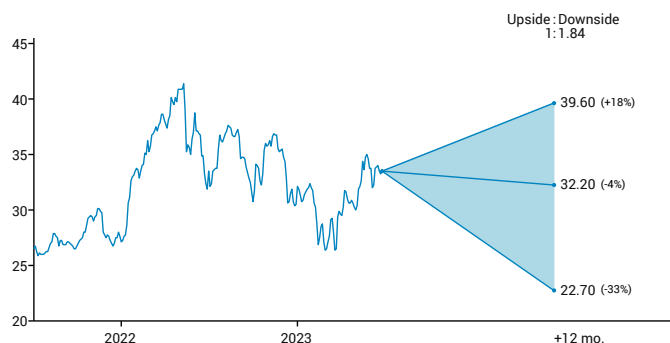
	2022A	2023E	2024E	2025E
FY P/E	12.9x	11.3x	10.7x	9.7x
EV/Rev	0.0x	0.0x	0.0x	0.0x
P/Rev	0.0x	0.0x	0.0x	0.0x

The Long View: Riyadh Bank

Investment Thesis / Where We Differ

Riyad Bank (Hold, PT: SAR32.2) – We are at Hold on the stock. While we like (i) its scale and asset mix, (ii) credible strategy and good delivery, (iii) positioning for LT trends, we have concerns about (i) asset quality given stage movements and relatively low coverage, (ii) the sustainability of its ultra-cheap funding. Lastly, (iii) we are also generally not fans of large government stakes (c.40%).

Risk/Reward - 12 Month View



Base Case, SAR32.20, -4%

- The base case for 2025 assumes no adverse economic scenarios or asset quality downturns; continued credit growth in high single to low double digits, and slightly lower margins.
- **Key assumptions 2025:**
 - Loan growth 10.8%
 - NII/avg assets 3.07%
 - Cost/income 34.1%
 - CoR 78bps
- ROTC 13.2%
- PT SAR32.2

Upside Scenario, SAR39.60, +18%

- The bull case in 2025 assumes that lower US policy rates stimulate credit demand, and that funding cost benefits offset yield compression.
- **Key assumptions 2025:**
 - Loan growth 13.4%
 - NII/avg assets 3.32%
 - Cost/income 31.8%
 - CoR 60bps
- ROTC 15.5%
- PT SAR39.6

Downside Scenario, SAR22.70, -33%

- The bear case for 2025 assumes lower growth combined with lower margins and higher provisions.
- **Key assumptions 2025:**
 - Loan growth 8.5%
 - NII/avg assets 2.96%
 - Cost/income 35.2%
 - CoR 88bps
- ROTC 12.1%
- PT SAR22.7

Sustainability Matters

Riyad Bank identifies the following as key material issues: 1) Digitization and technological resources, 2) customer focus and operational excellence, 3) financial performance, 4) data privacy and security, 5) employee development and well-being, 6) Supporting SMEs, and 7) Governance, ethics and compliance risks.

The bank issued its first Sustainable AT1 in 2022.

Riyad Bank publishes the most information on ESG in the peer group. It has tried to merge CSR/ESG activities into a homegrown initiative and integrate aspects of ESG into its strategy.

No hard targets have been published so far.

Catalysts

Q2-23 earnings during the third week of July

Financials: Riyadh Bank

Estimate changes

SAR	2022A	2023E	2024E	2025E
EPS	2.32	2.56	2.51	2.63
DPS	1.15	1.40	1.50	1.55
Rev. (MM)	13,599,366.0	16,471,093.7	16,902,116.0	17,869,625.9
ROE	15%	15%	14%	14%
ROA	1.99%	1.97%	1.76%	1.66%
Q1	-	-	-	-
Q2	-	-	-	-
Q3	-	-	-	-
Q4	-	-	-	-

Valuation metrics

	2022A	2023E	2024E	2025E
FY P/E	14.5x	13.1x	13.4x	12.8x
EV/Rev	0.0x	0.0x	0.0x	0.0x
P/Rev	0.0x	0.0x	0.0x	0.0x

Company Description

Alinma

Alinma is the 'newest' bank in the Kingdom being established in 2006. The bank provides Shariah compliant banking services, asset management and brokerage services. With 3.9 million customers (FY22), it is mainly a corporate bank on the asset side but also has a good retail funding footprint. The bank has a market share of 5.7% of the Saudi market assets (7.7% of the market's corporate assets and 3.1% of the market's retail assets), 6.5% of the market's loans and 6.7% of the market's customers' deposits. Its main shareholders are the Public Investment Fund (10%), the Public Pension Agency (10%) and the General Organization for Social Insurance (10%).

Arab National

Arab National Bank was established in 1979. The bank provides a full range of banking and financial services to its retail and corporate customers including Shariah compliant products. The bank offers treasury, private banking, asset management, and brokerage services. In 2022 ANB launched its corporate identity, moving towards "Faster and Simpler" banking solutions. The bank controls around 6% of the Saudi market assets (6.3% of the market's corporate assets and 4.7% of the market's retail assets), 6.1% of the market's loans and 6.5% of the market's customers' deposits. It is 40% owned by the Jordan-based Arab Bank.

BSF

Banque Saudi Fransi was established in 1977. It was formerly affiliated with Credit Agricole. BSF is a leading bank in Saudi Arabia serving more than 1.2 million customers. It is ranked top 5 corporate bank in the Kingdom, offering treasury services, investment banking, investment advisory, asset management, local and international securities trading. The bank has around 6.5% of the Saudi market assets (8.7% of the market's corporate assets and 3.1% of the market's retail assets), 7% of the market's loans and customers' deposits. With a 16.2% stake, Prince Alwaleed bin Talal's Kingdom Holding Company is the bank's largest shareholder,

Riyad Bank

Riyad Bank was established in 1957. The bank provides a range of products and services that are fully compliant with the Islamic Sharia' serving both retail and corporate customers. The bank is distinguished as a leading financier and arranger of syndicated loans in the oil, petrochemicals and infrastructure projects. The Bank enjoys its position as the largest financing bank for small, medium and micro enterprises, with a market share of 22%. It is the third largest bank, controlling more than 10% of the Saudi market's assets (11.6% of the market's corporate assets and 8.3% of the market's retail assets), and around 10.7% of the market's loans and customers' deposits. Saudi's Public Investment Fund is the bank's largest shareholder, with a 21.8% stake.

RAJHI

Al Rajhi Bank was founded in 1957, serving more than 14.0 million customers is the world's largest Islamic bank and the largest retail bank in the Middle East. Al Rajhi Bank provides fully Shariah-compliant retail and corporate banking, treasury services, investment banking services, asset and wealth management products to corporations, government, institutional investors, SMEs, as well as private individuals. Al Rajhi is the second largest bank with 21% market share of Saudi banking asset (10% of the market's corporate assets and 36.3% of the market's retail assets), 24.5% of the market's loans and 23.2% of the market's customers' deposits.

SABB

SAB was established in 1978, it took over the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. It provides Shariah approved products. SAB also provides the option of a complete set of conventional banking products and services to the corporate and institutional customers, which include current accounts, savings, time deposits, corporate credit facilities, trade finance and treasury risk management solutions. The bank controls around 9% of the Saudi market assets (9.9% of the market's corporate assets and 4.5% of the market's retail assets), 8.1% of the market's loans and 9.4% of the market's customers' deposits. The HSBC Group owns 31% of the bank.

SNB

SNB has been formed after the merger of the National SNB Commercial Bank (est. 1953) and Samba Financial Group. It is the largest Saudi bank by assets, loans and deposits sizes, serving more than 7.4 million customers. It offers a wide range of banking products and services to retail, corporate, private and investment clients. The Group played a key role in supporting SMEs in Saudi Arabia, and offered its banking services to international clients in different regions around the world. SNB controls 26% of the Saudi market assets (36.6% of the market's corporate assets and 31% of the market's retail assets), 24.1% of the market's loans and 25.4% of the market's customers' deposits. The Public Investment Fund of Saudi Arabia is the main shareholder owning 37.2% of the bank.

Company Valuation/Risks

Alinma

We value Alinma using a Gordon growth model with a COE of 10.5% and ROE of 16%. Our terminal growth assumption is 4%. Key downside risks include lower volumes and margins, and higher impairments. On the upside, higher NIM and volumes are the main source of risk.

Arab National

We value ANB using a Gordon growth model with a COE of 11% and ROE of 12%. Our terminal growth assumption is 4%. Key downside risks include lower volumes and margins, and higher impairments. On the upside, higher NIM and volumes are the main source of risk.

BSF

We value BSF using a Gordon growth model with a COE of 10.6% and ROE of 13.5%. Our terminal growth assumption is 4%. Key downside risks include lower volumes and margins, and higher impairments.

Riyad Bank

We value RB using a Gordon growth model with a COE of 10.7% and ROE of 15%. Our terminal growth assumption is 4%. Key downside risks include lower volumes and margins, and higher impairments. On the upside, higher NIM and volumes are the main source of risk.

RAJHI

We value Rajhi Bank using a Gordon growth model with a COE of 10.4% and ROE of 19%. Our terminal growth assumption is 4%. Key upside risks are higher NIM and volumes.

SABB

We value SNB using a Gordon growth model with a COE of 10.8% and ROE of 12.5%. Our terminal growth assumption is 4%. Key downside risks include lower volumes and margins, and higher impairments.

SNB

We value ANB using a Gordon growth model with a COE of 11% and ROE of 12%. Our terminal growth assumption is 4%. Key downside risks include lower volumes and margins, and higher impairments. On the upside, we see higher NIM, stronger volumes and lower impairments.

For Important Disclosure information on companies recommended in this report, please visit our website at [https://javatar.bluematrix.com/sellside/ Disclosures.action](https://javatar.bluematrix.com/sellside/Disclosures.action) or call 212.284.2300.

Analyst Certification:

I, Ryan Ayache, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Registration of non-US analysts: Ryan Ayache is employed by Jefferies Int'l Ltd. Dubai, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the FINRA Rule 2241 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	June 30, 2023 , 17:06 ET.
Recommendation Distributed	July 2, 2023 , 08:30 ET.

Company Specific Disclosures

Jefferies Group LLC makes a market in the securities or ADRs of HSBC Holdings PLC.

Within the past 12 months, Jefferies Group LLC, its affiliates or subsidiaries has received compensation from investment banking services from Israel Discount Bank Ltd..

Jefferies Group LLC, its affiliates or subsidiaries is acting as a manager or co-manager in the underwriting or placement of securities for Israel Discount Bank Ltd. or one of its affiliates.

Within the past twelve months, Israel Discount Bank Ltd. has been a client of Jefferies LLC and investment banking services are being or have been provided. Jefferies Group LLC, its affiliates or subsidiaries has acted as a manager or co-manager in the underwriting or placement of securities for Israel Discount Bank Ltd. or one of its affiliates within the past twelve months.

Jefferies International Ltd, its affiliates or subsidiaries has, or had, within the past 12 months an agreement to provide investment services to Israel Discount Bank Ltd..

Within the past 12 months, Jefferies Group LLC, its affiliates or subsidiaries has received compensation from investment banking services from Bank Leumi Le-Israel B.M.

Within the past twelve months, Bank Leumi Le-Israel B.M has been a client of Jefferies LLC and investment banking services are being or have been provided. Jefferies International Ltd, its affiliates or subsidiaries has, or had, within the past 12 months an agreement to provide investment services to Bank Leumi Le-Israel B.M.

For Important Disclosure information on companies recommended in this report, please visit our website at [https://javatar.bluematrix.com/sellside/ Disclosures.action](https://javatar.bluematrix.com/sellside/Disclosures.action) or call 212.284.2300.

Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

Risks which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived

from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

Other Companies Mentioned in This Report

- Alinma Bank (ALINMA AB: SAR33.50, HOLD)
- Al Rajhi Bank (RJHI AB: SAR73.00, UNDERPERFORM)
- Arab National Bank (ARNB AB: SAR26.35, HOLD)
- Bank Hapoalim B.M (POLI IT: ILS30.38, HOLD)
- Bank Leumi Le-Israel B.M (LUMI IT: ILS27.59, BUY)
- Banque Saudi Fransi (BSFR AB: SAR41.70, BUY)
- HSBC Holdings PLC (HSBA LN: p621.70, BUY)
- Israel Discount Bank Ltd. (DSCT IT: ILS18.40, BUY)
- Riyadh Bank (RIBL AB: SAR33.65, HOLD)
- Saudi British Bank/The (SABB AB: SAR38.15, BUY)
- Saudi National Bank/The (SNB AB: SAR36.80, HOLD)
- UBS Group AG (UBSG SW: CHF18.10, HOLD)

Distribution of Ratings

			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1809	58.06%	297	16.42%	105	5.80%
HOLD	1144	36.71%	104	9.09%	11	0.96%
UNDERPERFORM	163	5.23%	5	3.07%	3	1.84%

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

Other important disclosures

Other Important Disclosures

Jefferies does business and seeks to do business with companies covered in its research reports, and expects to receive or intends to seek compensation for investment banking services among other activities from such companies. As a result, investors should be aware that Jefferies may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered broker-dealer and a member of FINRA (and distributed by Jefferies Research Services, LLC, an SEC registered Investment Adviser, to clients paying separately for such research).

Canada: You are advised that Jefferies LLC operates as a dealer in your jurisdiction under an exemption from the dealer registration requirements contained in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and, as such, Jefferies LLC is not required to be and is not a registered dealer or adviser in your jurisdiction. You are advised that Jefferies LLC prepared this research report and it was not prepared in accordance with Canadian disclosure requirements relating to research reports in Canada.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: 100 Bishopsgate, London EC2N 4JL; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Germany: Jefferies GmbH, which is authorized and regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht, BaFin-ID: 10150151; registered office: Bockenheimer Landstr. 24, 60232 Frankfurt a.M., Germany; telephone: +49 (0) 69 719 1870

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Level 26, Two International Finance Center, 8 Finance Street, Central, Hong Kong; telephone: +852 3743 8000.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Tokyo Midtown Hibiya 30F Hibiya Mitsui Tower, 1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), licensed by the Securities and Exchange Board of India for: Stock Broker (NSE & BSE) INZ000243033, Research Analyst INH000000701 and Merchant Banker INM000011443, located at Level 16, Express Towers, Nariman Point, Mumbai 400 021, India; Tel +91 22 4356 6000. Compliance Officer name: Sanjay Pai, Tel No: +91 22 42246150, Email: spai@jefferies.com, Grievance officer name: Sanjay Pai, Tel no. +91 22 42246150, Email: compliance_india@jefferies.com. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Australia: Jefferies (Australia) Pty Limited (ACN 623 059 898), which holds an Australian financial services license (AFSL 504712) and is located at Level 22, 60 Martin Place, Sydney NSW 2000; telephone +61 2 9364 2800.

Dubai: Jefferies International Limited, Dubai branch, which is licensed by the Dubai Financial Services Authority (DFSA Reference Number F007325); registered office Unit L31-06, L31-07, Level 31, ICD Brookfield Pace, DIFC, PO Box 121208, Dubai, UAE.

This report was prepared by personnel who are associated with Jefferies (Jefferies International Limited, Jefferies GmbH, Jefferies Hong Kong Limited, Jefferies Singapore Limited, Jefferies (Japan) Limited, Tokyo Branch, Jefferies India Private Limited), and Jefferies (Australia) Pty Ltd; or by personnel who are associated with both Jefferies LLC and Jefferies Research Services LLC ("JRS"). Jefferies LLC is a US registered broker-dealer and is affiliated with JRS, which is a US registered investment adviser. JRS does not create tailored or personalized research and all research provided by JRS is impersonal. If you are paying separately for this research, it is being provided to you by JRS. Otherwise, it is being provided by Jefferies LLC. Jefferies LLC, JRS, and their affiliates are collectively referred to below as "Jefferies". Jefferies may seek to do business with companies covered in this research report. As a result, investors should be aware that Jefferies may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only one of many factors in making their investment decisions. Specific conflict of interest and other disclosures that are required by FINRA and other rules are set forth in this disclosure section.

If you are receiving this report from a non-US Jefferies entity, please note the following: Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, as amended, this material is distributed in the United States by Jefferies LLC, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6 under the US Securities Exchange Act of 1934, as amended. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited ("JIL") and/or Jefferies GmbH and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies LLC, JIL, Jefferies GmbH and their affiliates, may make a market or provide liquidity in the financial instruments referred to in this report; and where they do make a market, such activity is disclosed specifically in this report under "company specific disclosures".

For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "permitted client" as defined by National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. This research report is a general discussion of the merits and risks of a security or securities only, and is not in any way meant to be tailored to the needs and circumstances of any recipient. The information contained herein is not, and under no circumstances is to be construed as, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators, if applicable, and only by a dealer properly registered under applicable securities laws or,

alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon this research report, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence.

In Singapore, Jefferies Singapore Limited ("JSL") is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, where this material is prepared and issued by a Jefferies affiliate outside of Singapore, it is distributed by JSL pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act 2001 (Singapore). If there are any matters arising from, or in connection with this material, please contact JSL, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Dubai, this material is issued and distributed by Jefferies International Limited, Dubai branch, and is intended solely for Professional Clients and should not be distributed to, or relied upon by, Retail Clients (as defined by DFSA). A distribution of ratings in percentage terms in each sector covered is available upon request from your sales representative. In Japan, this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the People's Republic of China ("PRC"). This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India, this report is made available by Jefferies India Private Limited. In Australia, this report is issued and/or approved for distribution by, or on behalf of, Jefferies (Australia) Securities Pty Ltd (ACN 610 977 074), which holds an Australian financial services license (AFSL 487263). It is directed solely at wholesale clients within the meaning of the Corporations Act 2001 (Cth) of Australia (the "Corporations Act"), in connection with their consideration of any investment or investment service that is the subject of this report. This report may contain general financial product advice. Where this report refers to a particular financial product, you should obtain a copy of the relevant product disclosure statement or offer document before making any decision in relation to the product. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, and their respective officers, directors, and employees, may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. This material is provided solely for informational purposes and is not tailored to any recipient, and is not based on, and does not take into account, the particular investment objectives, portfolio holdings, strategy, financial situation, or needs of any recipient. As such, any advice or recommendation in this report may not be suitable for a particular recipient. Jefferies assumes recipients of this report are capable of evaluating the information contained herein and of exercising independent judgment. A recipient of this report should not make any investment decision without first considering whether any advice or recommendation in this report is suitable for the recipient based on the recipient's particular circumstances and, if appropriate or otherwise needed, seeking professional advice, including tax advice. Jefferies does not perform any suitability or other analysis to check whether an investment decision made by the recipient based on this report is consistent with a recipient's investment objectives, portfolio holdings, strategy, financial situation, or needs.

By providing this report, neither JRS nor any other Jefferies entity accepts any authority, discretion, or control over the management of the recipient's assets. Any action taken by the recipient of this report, based on the information in the report, is at the recipient's sole judgment and risk. The recipient must perform his or her own independent review of any prospective investment. If the recipient uses the services of Jefferies LLC (or other affiliated broker-dealers), in connection with a purchase or sale of a security that is a subject of these materials, such broker-dealer may act as principal for its own accounts or as agent for another person. Only JRS is registered with the SEC as an investment adviser; and therefore neither Jefferies LLC nor any other Jefferies affiliate has any fiduciary duty in connection with distribution of these reports.

The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

This report may contain forward looking statements that may be affected by inaccurate assumptions or by known or unknown risks, uncertainties, and other important factors. As a result, the actual results, events, performance or achievements of the financial product may be materially different from those expressed or implied in such statements.

This report has been prepared independently of any issuer of securities mentioned herein and not as agent of any issuer of securities. No Equity Research personnel have authority whatsoever to make any representations or warranty on behalf of the issuer(s). Any comments or statements made herein are those of the Jefferies entity producing this report and may differ from the views of other Jefferies entities.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Jefferies does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Neither Jefferies nor any third-party content provider shall be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions

and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available electronically, and, in some cases, also in printed form. Electronic research is simultaneously made available to all clients. This report or any portion hereof may not be copied, reprinted, sold, or redistributed or disclosed by the recipient or any third party, by content scraping or extraction, automated processing, or any other form or means, without the prior written consent of Jefferies. Any unauthorized use is prohibited. Neither Jefferies nor any of its respective directors, officers or employees, is responsible for guaranteeing the financial success of any investment, or accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents. Nothing herein shall be construed to waive any liability Jefferies has under applicable U.S. federal or state securities laws.

For Important Disclosure information relating to JRS, please see https://adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=483878 and <https://adviserinfo.sec.gov/Firm/292142> or visit our website at <https://javatar.bluematrix.com/sellside/Disclosures.action>, or www.jefferies.com, or call 1.888.JEFFERIES.

© 2023 Jefferies

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.