Banking

BUY: 12M TP @ 33

Valuation Summary (TTM)	
Price (SAR)	29.3
PER TTM (x)	10.9
P/Book (x)	1.7
Dividend Yield (%)	4.4
Free Float (%)	59%
Shares O/S (mn)	3,000
YTD Return (%)	3%
Beta	1.3

(mn)	SAR	USD
Market Cap	87,900	23,439
Total Assets	377,012	100,531

Price performance (%)	1M	3M	12M
Riyad Bank	1%	4%	7%
Tadawul All Share Index	-1%	11%	16%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	63,188	51,166	51,354
Avg Daily Volume (,000)	2,174	1,794	1,816

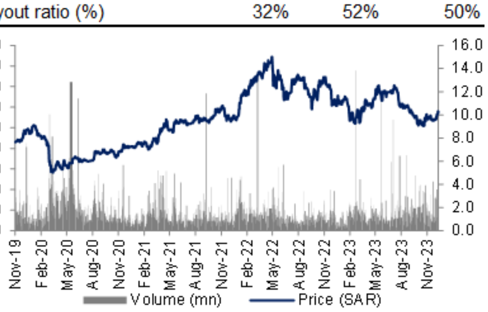
52 week	High	Low	CTL*
Price (SAR)	35.50	25.25	16.0

* CTL is % change in CMP to 52wk low

Major shareholders	
PIF	21.8%
GOSI	10.4%
Al Nahla Trading	8.7%
Others	59.1%

Other details	
Exchange	Saudi Arabia
Sector	Banks
Index weight (%)	2.6%

Key ratios	2020	2021	2022
EPS (SAR)	1.57	2.01	2.32
BVPS (SAR)	14.79	15.77	16.53
DPS (SAR)	0.50	1.04	1.15
Payout ratio (%)	32%	52%	50%



Riyad Bank – Potential For Growth

Riyad Bank (RIBL) is the third largest bank in Saudi Arabia, with a market share of 10% in terms of total assets & deposits and 9% in terms of retail loans. It was the second-largest in corporate banking with a market share of 13%. Though it had a strong market presence in both retail and commercial loans, its loan book is tilted more towards the latter, accounting for c.65% of the total loans. It has created a niche for itself in the SME segment, wherein it enjoys a leadership position with a market share of over 20%. RIBL's loan book has reported strong growth in the past five years, with it growing at a CAGR of 13%, driven by growth in both consumer (17% CAGR) and commercial (11% CAGR) loans. Aided by strong macro-economic drivers, including the execution of various infrastructure projects under Vision 2030, and the upcoming international events to be hosted in the country, Expo 2030 and FIFA World Cup 2034, we expect the uptick in loan growth to continue. Added to this we see strong potential for growth in the country's tourism (wherein the contribution to GDP is expected to increase from the current 8% to 10% by 2030) and the potential for growth in SMEs (35% of GDP by 2030), which provides long term visibility to the country's growth potential. Given this, we expect RIBL's loan book will continue to grow in double digits in the medium term. We also take into account the strong parentage of the bank, with more than 30% of its capital being held by two large and influential financial institutions in the country, PIF and GOSI.

Around 55% of RIBL's asset exposure related to commissions is within one year, which allows the bank to reprice its loan book faster to changes in interest rate. As a result of this, the bank's net commission margins (NCM) improved substantially to 3.6% in 9M23, compared to 3.0% in 9M22. However, we feel that the current levels of NCMs are unlikely to be sustainable, as we forecast interest rates to soften (Avg. SIBOR to fall from c.6% in 2023 to 3.4% by 2026). However, we view positively the ability of RIBL to manage its interest exposure actively through hedging, which in the past has aided the bank to maintain a stable NCM, despite market fluctuations. The asset quality of RIBL has been strong, with NPL levels of 1.4% vis-à-vis the industry average of 1.5%. However, we take into account the potential for a spike in the same, given its strong exposure to commercial loans, especially SMEs. This will remain a major risk factor for the bank, though we expect the NPL levels to remain stable in our base case scenario.

The capitalization of RIBL is strong with a tier 1 capital ratio of 17.6% and a core tier 1 ratio of 15.6%. Further, c.90% of the company's tier 1 capital was made up of equity and reserves, which offers the bank some headroom and flexibility to manage its regulatory capital requirements. The funding profile of RIBL was moderate, with limited dependence on market funding (13% of total assets). However, its reliance on time deposits has been traditionally high, given the domination of Al Rajhi Bank (ARB) and Saudi National Bank (SNB) in CASA accounts. In line with its peers, the liquidity profile of RIBL has come under pressure, due to an increasing interest rate scenario, with the loans-to-deposit ratio increasing from 89% in 2018 to 105% as of Sep-23. However, the overall liquidity profile continues to remain adequate, with the statutory ratios well above the minimum levels.

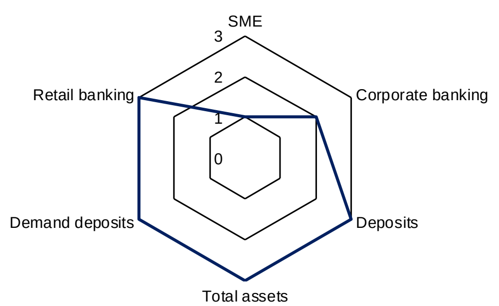
Valuations: We view positively RIBL's strong loan portfolio, with a tilt towards commercial loans, and its strong market position in the SME segment, which offers the potential for continuous growth. However, this exposure also puts the bank at risk of an increase in NPL levels, though we expect it to remain stable for our base case scenario. We also take into account the ability of the bank to maintain its NCM at favorable levels through hedging, which reduces the impact of fluctuating interest rates. RIBL is currently quoting at 1.6x its 2024e book value, compared to the peer average of c.2.0x, which offers upside from the current levels. Given this, we initiate coverage on RIBL with a ***BUY*** rating at a target price of ***SAR33/share.***

Third largest bank in Saudi with a dominant presence in corporate banking

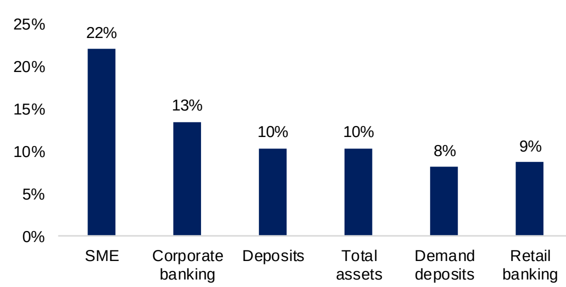
RIBL is the 3rd largest bank in terms of total assets and deposits, 2nd largest in corporate banking, and the largest in SME financing

Riyad Bank (RIBL) is one of the leading banks in the region, operating through 335 branches, >2,200 ATMs, 206K+ PoS, and 7,000+ employees with presence in three countries outside KSA, US (1 agency), UK (1 branch), Singapore (1 representative office), and an upcoming presence in China. It is the third largest bank in the country in terms of total assets, with a market share of 10%, and retail banking, with a market share of 9%. The company was the second largest bank in the Kingdom in terms of corporate banking, with a market share of 13%. It also had a leadership position in SME credit, with a market share of over 22%. The Saudi banking industry is highly concentrated, with the top 2 banks (Al Rajhi and Saudi National Bank) having a domineering position, accounting for c.50% of the total assets. In this industry, RIBL has created a niche for itself by acquiring a strong market share in the corporate banking vertical, along with a leadership position in SMEs.

Strong market position in corporate and SME loans



Moderate market share across verticals



Source: Company filings and US Research

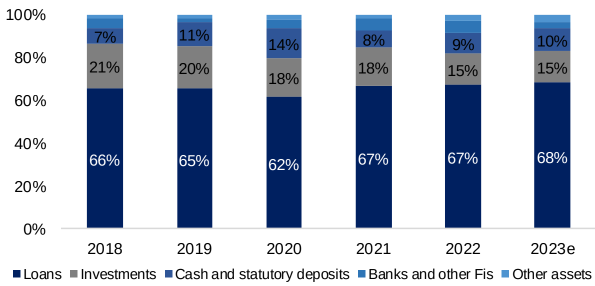
The company's funding position is moderate, with a market share of c.10% of total deposits and 8% in demand deposits, which is broadly commensurate with the size of the bank. The funding position of the bank is further supported by its strong credit rating (A2 Moody's and A- S&P and Fitch), which helps it to access domestic and international markets for cost-effective borrowings.

Commercial loans dominate the financing portfolio; asset quality is under control

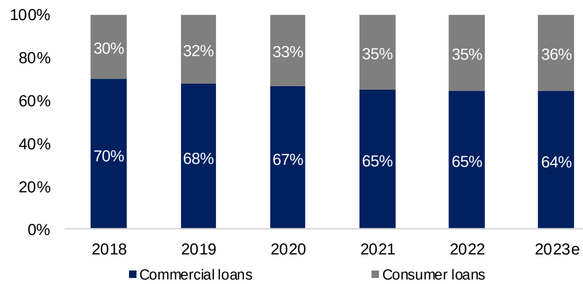
Loan portfolio dominated by commercial loans, even as consumer loan growth has been higher

The asset composition of RIBL has remained strong over the period, with loans accounting for a predominant position of the total assets (c.65-70% between 2018-Sep'23). The loan book was dominated by commercial loans (c.65% of total financing), though the proportion of consumer loans has been increasing (30% in 2018 to 35% in Sep-23). The loan portfolio of RIBL has grown at a strong 13% CAGR between 2018-Sep'23 and has been driven by a robust 17% CAGR in consumer loans and an 11% CAGR in commercial loans.

Financing dominates total assets



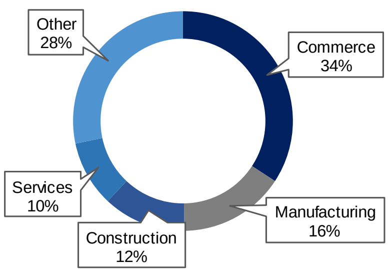
Financing portfolio dominated by commercial loans



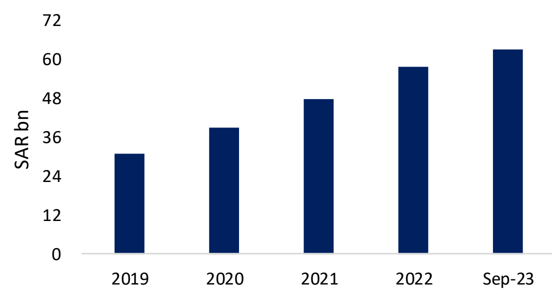
Source: Company filings and US Research

We expect the commercial loan portfolio growth to have been driven by its exposure to the SME segment, wherein it has created a niche for itself and is the market leader. Given the high government concentration towards the development of the SME segment in Saudi (35% of GDP by 2030), we expect the growth in this vertical to continue. Added to this, the various steps taken by the government, through its Vision 2030 (USD1.25tn outlay towards various infrastructure projects, of which c.80% is yet to commence operation), and the upcoming international events to be held in the Kingdom, Expo 2030 and 2034 FIFA World Cup, we expect the commercial activity in the country to remain strong. This in turn is likely to keep the offtake of commercial loans robust, as we forecast it to grow at double digits between 2023-27e.

Commercial loans fairly diversified



Consistent growth in mortgages

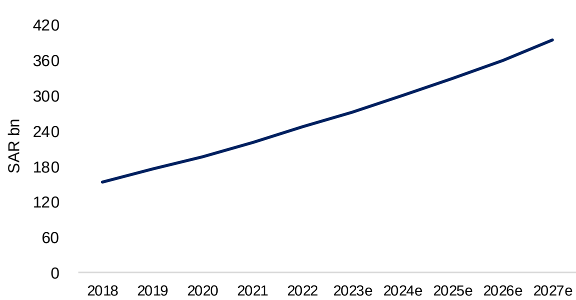


Source: Company filings and US Research

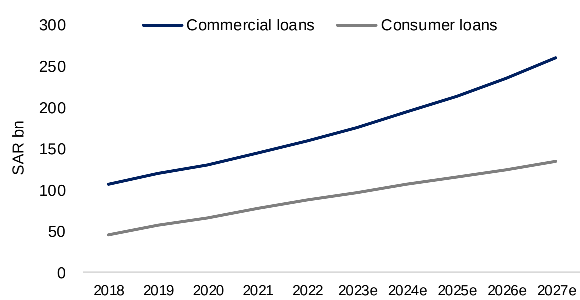
Positive macro-economic cues, including softening of interest rates to keep loan growth robust

Consumer loans were predominantly accounted for by mortgages (c.65%), and have grown at a robust CAGR of 21% between 2019 and Sep-23. The growth momentum in mortgages has largely continued in 2023, despite a nationwide slowdown in mortgage financing (the average new mortgages have declined from SAR10bn per month in 2022 to SAR6.5bn in 2023) in a scenario of increasing interest rates (average 3M SIBOR has increased from 0.8% in 2021 to c.6% in 2023). Even in this setting, RIBL's mortgage growth has remained strong and has outperformed the industry in 2023 (9% YTD vs 8% YTD industry performance in Sep-23). Going forward, we expect the growth in consumer loans to remain strong and will be aided by the softening of interest rates (3M-SIBOR at 3.4% in 2026e from c.6% in 2023e) in the next three years. However, the growth rates are likely to be lower than the historical averages. Overall, we forecast the consumer loan growth to average at low double digits between 2023e-27e.

Loan book to continue to grow



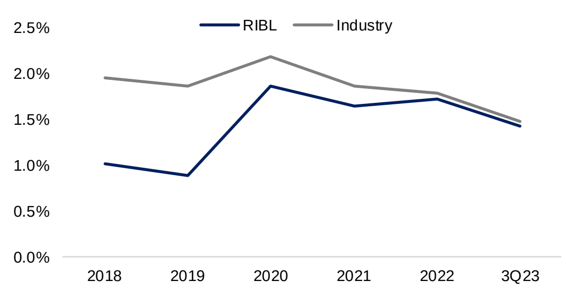
Growth to be driven by both retail and commercial



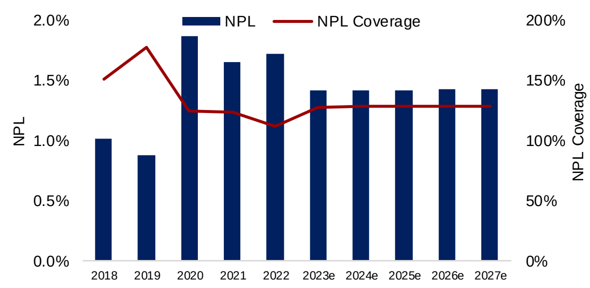
Source: Company filings and US Research

The asset quality of RIBL has come under pressure in the past few years, with the NPLs increasing from 1.0% in 2018 to 1.4% in Sep-23. Strong growth in the loan book, along with its increasing presence in the SME segment is likely to have had an impact on the NPL levels of RIBL. Despite the increase, it has been largely under control, given that the levels are slightly lower than the industry average of c.1.5%. However, given its high exposure to corporate loans, especially in SMEs, asset quality risk could remain a major downside risk for the bank.

NPL have increased, though it trails industry average



Asset quality to remain stable

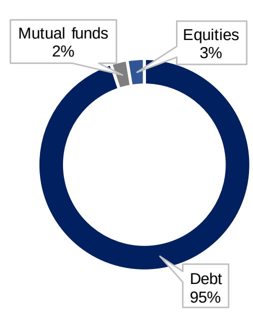


Source: Company filings and US Research

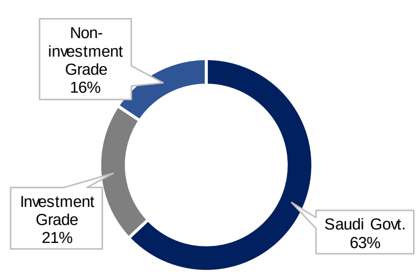
Investments dominated by government and investment grade debt instruments

Investment accounted for c.15% of the bank's total assets, and the composition of the same appears to be fairly conservative with debt-related securities accounting for 95%, mutual funds 2%, and equities accounting for a mere 3%. A high proportion of the debt investments were in government and investment-grade securities, while non-investment-grade securities accounted for 16% of the total investments.

Predominant portion of investments made of debt



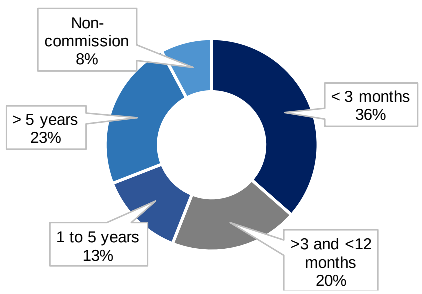
Investments made up of Govt and IG securities



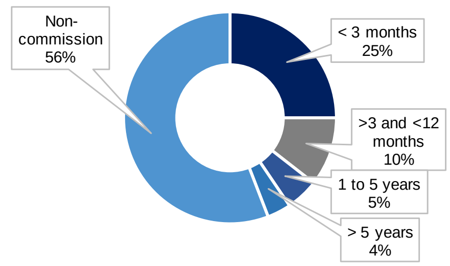
Source: Company filings and US Research

NCM margins have benefited from increasing interest rate; though likely to fall from current levels

Most commission bearing assets <1 year



Majority of non-commission bearing liabilities <1 year

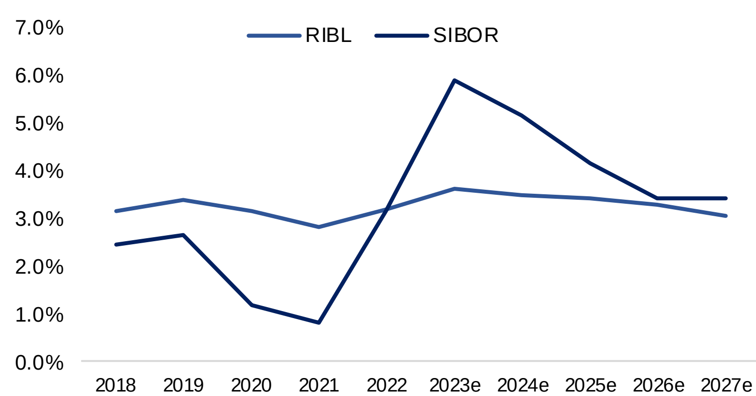


Source: Company filings and US Research

Composition of asset portfolio makes repricing easier for RIBL

The asset composition of RIBL, with more than 55% of its commission earning assets having a duration of less than one year, has aided the bank to pass on changes in interest rates faster. Given the bank's high exposure to corporate loans (65% of total loans), it has been more effective in passing on the increase in the cost of funds in its pricing. Added to this, the bank also uses hedging strategies to maintain its NCM at the desired levels. The NCM of RIBL has largely been stable in the past five years (2018 and 2022) at c.3.2%, despite the large fluctuation in the overall interest rate.

NCM levels stable despite SIBOR fluctuations



Source: Company filings and US Research

As the average 3M-SIBOR increased from 3.1% in 2022 to c.6%% in 2023, the NCM of RIBL too improved from 3.2% in 2022 to 3.6% in 9M23. However, with slowing inflation in the US, we feel that the interest rates have peaked and expect the same to decline over the next 3 to 4 years. Post the recent FOMC meeting, the FED Dots median rate showed a downward trend in the interest rates, with it falling to 2.9% in 2026, from 2023 levels of 5.4%. This is likely to result in a corresponding easing of SIBOR rates. We forecast the 3M-SIBOR rates to average 5.2% for 2024e, 4.2% for 2025e, and 3.4% for 2026e.

NCM levels to moderate gradually from 2024

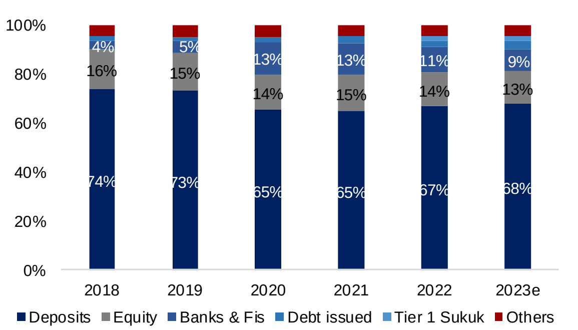
We feel that the current levels of RIBL's NCM may not be sustainable and are likely to fall over the coming years. However, we view positively the ability of the bank to manage its NCM in the past. The nature of the bank's asset portfolio and the effective use of hedging strategies are the primary reasons for this. Given this, though we expect NCM levels to decline, the same is likely to occur on a gradual basis.

The funding profile is moderate, with low access to low-cost deposits

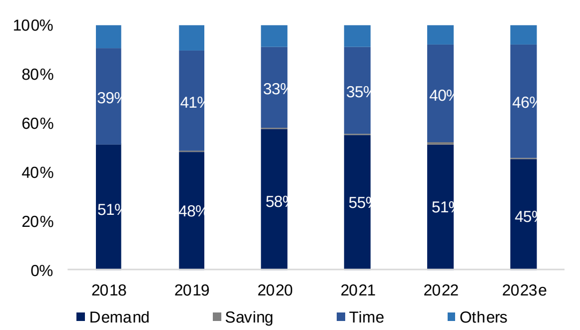
CASA funding restricted due to higher market share of larger peers

The proportion of deposits to total assets has fallen from 74% in 2018 to 68% as of Sep-23 and is reflective of lower liquidity in the economy and the steps taken by the company to raise funds from the capital market. The composition of deposits too weakened, as its CASA proportion fell from 51% in 2018 to 46% in Sep-23. The increasing interest rate scenario has made time deposits much more attractive, resulting in a lower proportion of CASA. We take into account that the bank's proportion of low-cost deposits to total deposits has been traditionally lower, due to the domination by its bigger peers in this segment. However, this is mitigated to a certain extent by its loan portfolio, dominated by corporate loans, which makes pricing more flexible.

Deposits to funding have fallen, though comfortable



CASA under pressure



Source: Company filings and US Research

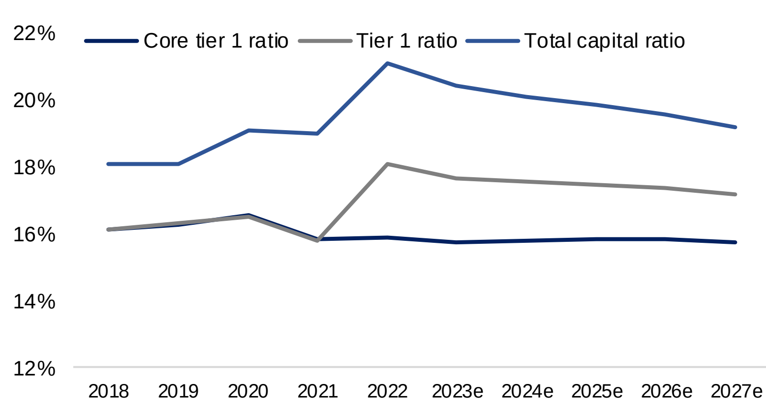
Its dependence on market funding has increased over the past five years, from 5% of total assets in 2018 to 13% in 2023, though it continuous to remain under control. We also view the ability of RIBL to tap the capital markets for funds, given its favorable credit ratings (Moody's A2, A- S&P and Fitch), positively, as it diversifies its funding source.

Capitalization is strong and more than adequate

Capitalization supplemented with recent Sukuk issues

With an equity to total asset of 13.5% and a core tier 1 ratio of 15.6% in Sep-23, the capitalization of RIBL is strong and more than adequate. In 2022, the bank supplemented its tier 1 capital through two issues of tier 1 Sukuks totaling to c.SAR6.6bn. Both these issues were Shariah compliant and perpetual, with the bank having the right to redeem these at specific time periods.

Capitalization to be maintained at adequate levels



Source: Company filings and US Research

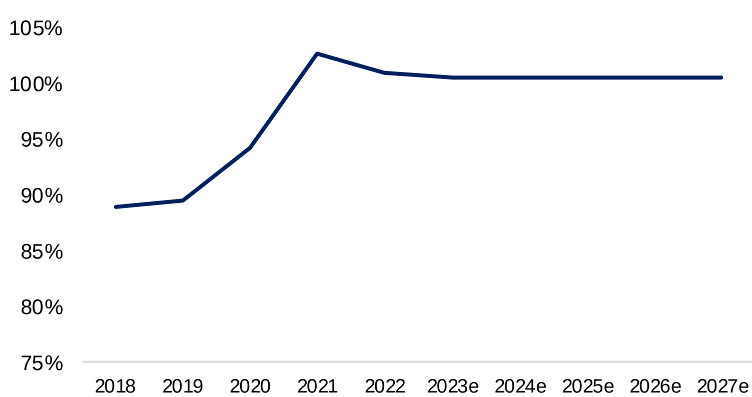
Even after the issue, nearly 90% of the tier 1 capital was made up of equity, which in turn offers flexibility to RIBL to supplement its capital in case of need. The core tier 1 ratios of RIBL were slightly lower than the industry average of c.16.0%, though the equity to total assets was in line with its peers. Going forward we expect the bank to maintain adequate capitalization, in line with its risk profile.

Liquidity remains robust, though loans to deposits ratio has weakened

L/D ratio falls in line with its peers

The loan-to-deposit (L/D) ratio of RIBL has been under pressure in the past five years, as it increased from 89% in 2018 to the current level of 105% in Sep-23. It was also higher than the industry average of 98.4% as of Sep-23. An increase in competition to access deposits, at the back of pressure on liquidity, and an increase in debt issues were the main reason for the same. However, the statutory liquidity ratios were well above the minimum requirement (liquidity coverage ratio of 169% and the net stable funding ratio of 114% in Sep-23).

L/D ratio under pressure



Source: Company filings and US Research

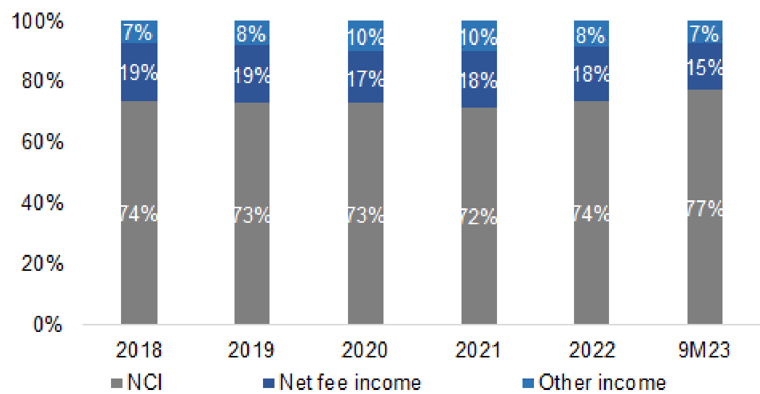
Financial performance will be aided by growth in loan book

Income stream fairly diversified

The total operating income of RIBL increased by a CAGR of 11.0% between 2018 and 2022 and was aided by strong growth in net commission income (NCI) and a 15.5% improvement in other income. Net fee income on the other hand grew by a CAGR of 9.2% for the same period. Growth in NCI was aided by a robust growth in loans and a stable NCM of c.3.2%.

Total operating income is fairly diversified, with the net fee income accounting for c.15% for 9M23. Though this is a fall from the levels of c.18% between 2018-22, it was better than the industry average of c.13%. Also, higher NCI in 9M23, due to an increase in NCM has had a disproportionate impact on the composition of total income during the year and we expect this impact to average out in the coming years. The proportion of other income to total income on the other hand was limited to c.8.5% in the past five years and has remained broadly under control.

Total income composition diversified



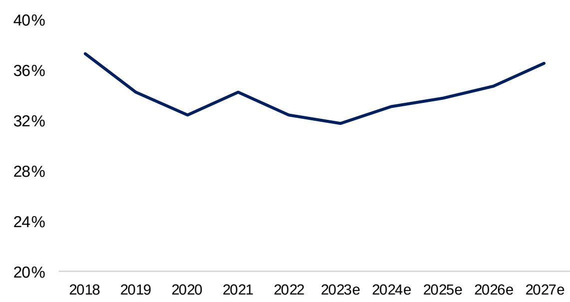
Source: Company filings and US Research

RIBL's performance in 2023 has continued to remain strong, as total income for 9M23 increased by 21% YoY, at the back of a robust 29% YoY growth in NCI. Loan growth continued to remain strong at 11% YoY as of Sep-23, while the NCM improved to 3.6% for 9M23 from 3.0% a year back, aided by a favorable interest rate scenario for the bank.

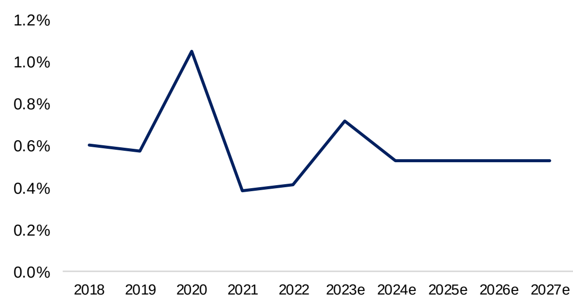
Loan growth will continue to drive total income, even as NCM moderates

Going forward, we expect total income growth will continue to be aided by growth in the loan book, even as NCMs will start moderating at the back of the softening of interest rates. Overall, we expect total operating income to grow by 8% CAGR between 2022-27e.

Cost to income ratio to remain moderate



Cost of risk to remain under control



Source: Company filings and US Research

Operating cost under check, though impairments spike in 2023.

Operating expenses increased by a CAGR of 7% between 2018-22, and despite a strong growth in its loan book, RIBL has managed to keep its costs under control. This has aided in its cost-to-income ratio falling from the levels of 37.3% in 2018 to 32.4% in 2022. This trend has continued in 2023, as the cost-to-income ratio for 9M23 further fell to 30.9%

Impairments increased by 7.6% CAGR between 2018-22, and was managed well despite a growing loan portfolio, as the cost of risk fell marginally to 0.4% in 2022, compared to 0.5% in 2018. The impairments for 2023 on the other hand have witnessed a substantial increase, as it grew by 62.4% YoY in 9M23, driven mainly by an increase in the impairments of commercial loans. As a result of this, the cost of risk increased to 0.6% in 9M23. Going forward, we expect the cost of risk to average at c.0.5% between 2024e-27e.

The overall net income of SNB grew by a robust 23% CAGR between 2018-22, driven by an increase in total income, stable operating expenses, and stable impairments. The growth has continued in 2023, as net income increased by a robust 22% YoY in 9M23, driven by an improvement in NCM. We expect the strong performance to continue, as we forecast the net income of RIBL to grow at a CAGR of 8% between 2022-27e.

Key risks

- A slowdown in the Saudi economy resulting in a deterioration of asset quality.
- Lower than expected growth in the loan book.
- The inability of the bank to manage its NCM levels.

Valuation:

Blended target price at SAR33/share

Investment in RIBL is driven by strong growth in loan book, which is expected to continue for the next 3-5 years, aided by the robust investment plans to be undertaken by the government and the bank's leading market share in the SME segment. The bank witnessed an uptick in its NCM in 2023, in line with a favorable interest rate scenario, though we expect the same to come under pressure and decline gradually. In this, we take into account the effectiveness of the management to manage its NCM through hedging as it has done in the past. The asset quality of the bank is comfortable, though it has higher weightage to commercial loans, specifically SMEs, which exposes it to a risk of an increase in NPL. This we feel will be the major risk factor to look out for in the medium term.

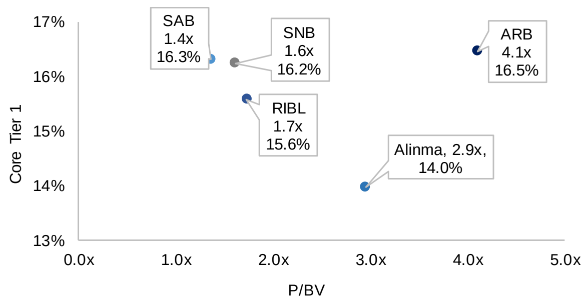
RIBL is currently quoting at a P/BV of 1.6x, which is at a discount to its last five-year average P/BV of 1.8x. The bank is also quoting at a discount to the average P/BV of c.2.0x of its peers. Given this, we see strong upside potential for the bank and initiate coverage on RIBL with a ***BUY*** rating at a target price of ***SAR33/share***.

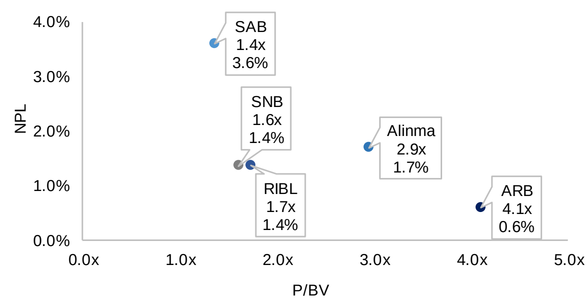
We arrive at the target price using an equal-weighted combination of residual valuation and relative valuation (P/BV). The residual valuation is based on a risk-free rate of 4.1%, a market risk premium of 4.7%, and a beta of 1.3x, giving us a cost of equity of 10.3%. Based on these inputs we arrive at a fair value price of SAR32/share, using the residual valuation methodology.

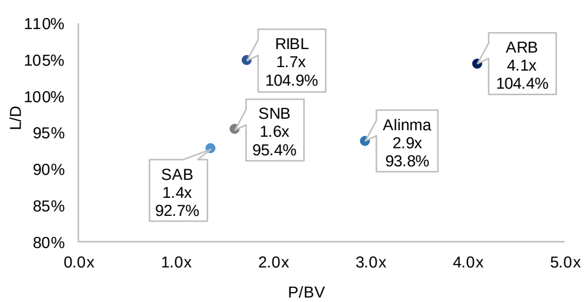
Residual Valuation (SAR mn)	2023E	2024E	2025E	2026E	2027E
Equity	51,590	55,948	60,561	65,353	70,092
Net income		8,717	9,225	9,585	9,478
Less Cost of equity		(5,334)	(5,784)	(6,261)	(6,757)
Residual value		3,383	3,441	3,324	2,721
Discounted residual value		**3,098**	**2,856**	**2,500**	**1,855**
Current equity value					**51,590**
Terminal value					**34,135**
Equity value					**96,032**
Fair value per share (SAR)					***32***

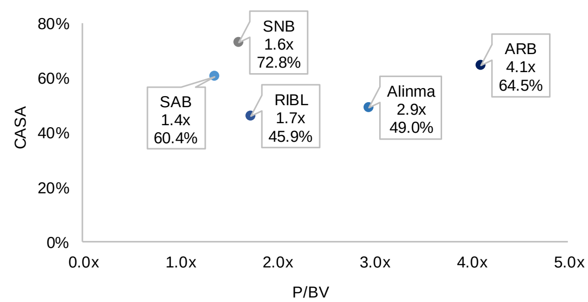
Cost of Capital	
Risk free rate	4.1%
Adjusted beta	1.3x
Equity risk premium	4.7%
Cost of equity	10.3%
Terminal growth	2.0%

Valuation attractive given RIBL's operating parameters









Relative valuation	SAR/sh
BV (2024e)	19
5 year median P/BV	1.8x
Fair Value	***34***

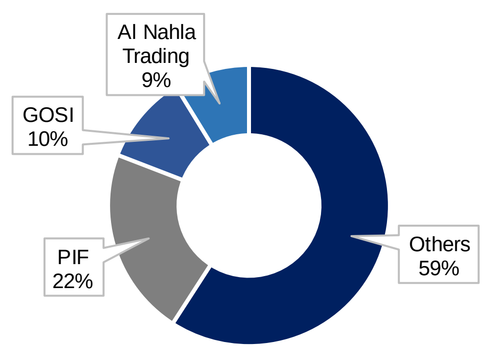
Methodology	Tp/Sh SAR	Wt	Avg./Sh SAR
Residual valuation	32	50%	16
Relative valuation	34	50%	17
Value per share			**33**

For relative valuations we have used P/BV; RIBL is currently quoting at a discount to its peers and we feel that this discount is unjustified. We use a P/BV multiple of 1.8x and arrive at a fair value of SAR34/share. Using an equally weighted average, we arrive at a target price of ***SAR33/share*** and a ***BUY*** rating on RIBL.

About the Company

RIBL is the third largest bank in Saudi, in terms of total assets, and is the largest lender to the SME segment. The bank was established in 1957 with a share capital of SAR30bn. It currently operates with more than 7,200 employees, 335 branches, 2,214 ATMs, and 216,927 POS. Riyad Capital, a wholly owned subsidiary of RIBL, is a leading player in the IPO advisory business and asset management and has been presented with various awards over the years, including *Top Performance Fund*, *Best Custodian,* and *Most Innovative REIT Fund*. It currently has a credit rating of A2 (Moody's) and A- (S&P and Fitch). Two of the most important financial institutions in the Kingdom, PIF and GOSI, hold more than 30% of the shareholding of the bank.

Share Holding Pattern



S.no	Board of Directors Name	Position
1	Eng. Abdullah Mohammed Al-Issa	Chairman
2	Eng. Mutaz Kusai AlAzzawi	Vice-Chairman
3	Mr. Ibrahim Hassan Sharbatly	Director
4	Mr. Jamal Abdul-Karim Al-Rammah	Director
5	Eng. Abdulrahman Ismail Tarabzouni	Director
6	Eng. Omar Hamad Al-Madhi	Director
7	Ms. Mona Mohammed Al-Tawil	Director
8	Mr. Hani Abdullah Al-Jehani	Director
9	Mr. Nader Ibrahim Al-Wehibi	Director
10	Mr. Yasir Abdullah Al-Salman	Director

Source: Bloomberg, Company filings and US Research

Income Statement (SAR mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Net commission income	7,837	8,214	8,293	10,052	12,297	13,100	14,006	14,775	15,040
Net fee income	2,031	1,874	2,118	2,429	2,448	2,722	2,965	3,233	3,525
Other income	849	1,118	1,157	1,118	1,127	1,253	1,365	1,488	1,622
Total income	**10,717**	**11,205**	**11,568**	**13,599**	**15,872**	**17,075**	**18,336**	**19,496**	**20,187**
Operating expenses	(3,674)	(3,635)	(3,965)	(4,410)	(5,039)	(5,651)	(6,193)	(6,768)	(7,378)
Profit before impairments	**7,043**	**7,571**	**7,603**	**9,189**	**10,833**	**11,424**	**12,143**	**12,727**	**12,810**
Impairments	(964)	(2,106)	(853)	(1,281)	(2,061)	(1,714)	(1,866)	(2,048)	(2,251)
Other income/expenses	153	19	(32)	(80)	9	9	9	9	9
Profit before tax	**6,232**	**5,484**	**6,718**	**7,828**	**8,780**	**9,719**	**10,286**	**10,688**	**10,567**
Tax	(630)	(769)	(693)	(809)	(905)	(1,002)	(1,061)	(1,102)	(1,090)
Profit after tax	**5,602**	**4,715**	**6,025**	**7,019**	**7,875**	**8,717**	**9,225**	**9,585**	**9,478**

Balance Sheet (SAR mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Cash and statutory deposits	29,189	41,954	25,587	33,367	41,097	43,139	45,493	47,944	50,231
Due to financial institutions	4,735	13,624	17,645	20,613	12,070	13,295	14,550	15,925	17,435
Investments - Net	53,361	56,450	58,637	52,196	58,314	64,231	70,293	76,938	84,231
Financing - Net	173,982	191,347	217,290	242,365	268,430	295,659	323,542	354,106	387,648
PP&E and right to use assets	2,202	2,428	2,706	3,309	4,152	4,901	5,571	6,173	6,717
Other assets	2,319	4,285	3,870	7,803	9,134	9,662	10,202	10,793	11,441
Total Assets	**265,789**	**310,088**	**325,736**	**359,653**	**393,198**	**430,887**	**469,650**	**511,879**	**557,703**
Liabilities and Equity									
Liabilities									
Due to banks and other FI	13,124	41,789	43,134	38,760	35,691	39,312	43,022	47,090	51,553
Customer deposits	194,518	203,039	211,678	240,007	267,014	294,105	321,863	352,291	385,686
Debt issued	4,003	5,684	8,717	8,758	14,155	16,257	18,411	20,772	23,363
Other liabilities	13,572	15,221	14,907	15,954	18,185	18,701	19,230	19,810	20,446
Total liabilities	**225,217**	**265,733**	**278,436**	**303,480**	**335,045**	**368,376**	**402,527**	**439,963**	**481,048**
Equity									
Share capital	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Reserves	10,571	14,355	17,300	19,602	21,590	25,948	30,561	35,353	40,092
Total shareholders' equity	**40,571**	**44,355**	**47,300**	**49,602**	**51,590**	**55,948**	**60,561**	**65,353**	**70,092**
Tier 1 Sukuk	0	0	0	6,571	6,563	6,563	6,563	6,563	6,563
Total Equity	**40,571**	**44,355**	**47,300**	**56,173**	**58,152**	**62,511**	**67,123**	**71,916**	**76,655**
Total liabilities and equity	**265,789**	**310,088**	**325,736**	**359,653**	**393,198**	**430,887**	**469,650**	**511,879**	**557,703**

Cash Flows (SAR mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Cash from operations	12,187	23,655	(10,026)	1,998	6,659	2,585	3,050	2,829	2,055
Cash from investments	(3,404)	(2,190)	(2,576)	3,683	(1,530)	(1,561)	(1,592)	(1,624)	(1,656)
Cash from financing	(2,758)	26	44	3,398	(499)	(2,256)	(2,459)	(2,432)	(2,148)
Net changes in cash	6,024	21,492	(12,558)	9,079	4,631	(1,232)	(1,001)	(1,227)	(1,748)
Cash balance	**23,473**	**44,965**	**32,407**	**41,486**	**46,117**	**44,885**	**43,884**	**42,657**	**40,909**

Ratios	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Per Share (SAR)									
EPS	1.9	1.6	2.0	2.3	2.6	2.9	3.1	3.2	3.2
BVPS	13.5	14.8	15.8	16.5	17.2	18.6	20.2	21.8	23.4
DPS	1.1	0.5	1.0	1.2	1.3	1.5	1.5	1.6	1.6
Total income/share	3.6	3.7	3.9	4.5	5.3	5.7	6.1	6.5	6.7
Valuations									
M.Cap (SAR mn)	72,868	56,655	76,062	105,054	89,859	87,900	87,900	87,900	87,900
P/E	13.0	12.0	12.6	15.0	11.4	10.1	9.5	9.2	9.3
P/BV	1.8	1.3	1.6	2.1	1.7	1.6	1.5	1.3	1.3
Div. yield	4.4%	2.6%	4.1%	3.3%	4.4%	5.0%	5.2%	5.5%	5.4%
Capital Quality									
Equity to total assets	15.3%	14.3%	14.5%	13.8%	13.1%	13.0%	12.9%	12.8%	12.6%
Core Tier 1	16.3%	16.5%	15.8%	15.9%	15.7%	15.8%	15.8%	15.8%	15.7%
Tier 1	16.3%	16.5%	15.8%	18.1%	17.7%	17.6%	17.5%	17.4%	17.2%
Total capital	18.1%	19.1%	19.0%	21.1%	20.4%	20.1%	19.8%	19.5%	19.2%
Earning Quality									
NCM	3.4%	3.1%	2.8%	3.2%	3.6%	3.5%	3.4%	3.3%	3.1%
NCM to total income	73.1%	73.3%	71.7%	73.9%	77.5%	76.7%	76.4%	75.8%	74.5%
Fee income to total income	18.9%	16.7%	18.3%	17.9%	15.4%	15.9%	16.2%	16.6%	17.5%
Other income to total income	7.9%	10.0%	10.0%	8.2%	7.1%	7.3%	7.4%	7.6%	8.0%
Cost to income ratio	34.3%	32.4%	34.3%	32.4%	31.7%	33.1%	33.8%	34.7%	36.5%
Impairment coverage	7.3	3.6	8.9	7.2	5.3	6.7	6.5	6.2	5.7
ROA	2.1%	1.5%	1.8%	2.0%	2.0%	2.0%	2.0%	1.9%	1.7%
ROE	13.8%	10.6%	12.7%	14.2%	15.3%	15.6%	15.2%	14.7%	13.5%
Return on RWA	2.2%	1.8%	2.0%	2.3%	2.3%	2.4%	2.3%	2.3%	2.1%
Asset Quality									
Cost of risk	0.4%	0.8%	0.3%	0.4%	0.6%	0.5%	0.5%	0.5%	0.5%
NPL	0.9%	1.9%	1.6%	1.7%	1.4%	1.4%	1.4%	1.4%	1.4%
NPL coverage	177.3%	124.2%	123.5%	112.0%	127.8%	127.9%	128.2%	128.5%	128.8%
Stage 1 ratio	95.3%	90.2%	92.0%	92.4%	92.7%	92.7%	92.7%	92.7%	92.6%
Stage 2 ratio	2.8%	7.6%	6.1%	5.6%	5.6%	5.6%	5.7%	5.7%	5.7%
Stage 3 ratio	1.9%	2.2%	1.9%	2.0%	1.6%	1.6%	1.7%	1.7%	1.7%
Stage 1 coverage	0.3%	0.6%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Stage 2 coverage	10.2%	6.3%	11.0%	11.1%	11.1%	11.1%	11.1%	11.2%	11.2%
Stage 3 coverage	54.6%	58.6%	56.1%	54.3%	58.8%	58.8%	58.9%	59.0%	59.1%
Provisions to gross loans	1.6%	2.3%	2.0%	1.9%	1.8%	1.8%	1.8%	1.8%	1.8%
Funding									
Deposits to total funding	73.2%	65.5%	65.0%	66.7%	67.9%	68.3%	68.5%	68.8%	69.2%
Market funds to total funding	6.4%	15.3%	15.9%	13.2%	12.7%	12.9%	13.1%	13.3%	13.4%
Liquidity									
Loans to deposits	89.4%	94.2%	102.7%	101.0%	100.5%	100.5%	100.5%	100.5%	100.5%
Investments and cash to total assets	31.1%	31.7%	25.9%	23.8%	25.3%	24.9%	24.7%	24.4%	24.1%

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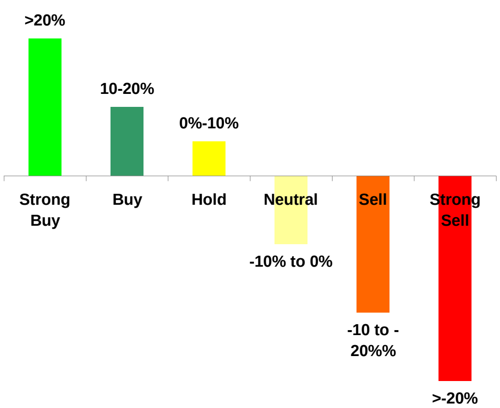
Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

Disclaimer