**SAUDI NATIONAL BANK PREVIOUSLY KNOWN AS AL-AHLI BANK**

**PROJECT**

***COURSE TITLE:***

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# **INTRODUCTION**

The Saudi National Bank, originally Alahli Bank, serves as one of Saudi Arabia's largest banking entities, having a long history extending back to 1953. Established as the National Commercial Bank (NCB), it merged with Alahli Bank in 2021 to become the kingdom's biggest bank by revenues. The Saudi National Bank is well-known for providing a broad spectrum of financial and bank services, and it performs an important role in supporting the development and growth of the economy across the kingdom. Having an increased focus on creativity, customer orientation, and compliance to international standards of conduct, the bank remains an important component of the Saudi banking sector, meeting the expanded requirements of individuals, companies, and institutions across the Kingdom of Saudi Arabia. (Saud, 2011)

This study conducts an in-depth financial evaluation of the Alahli Bank, examining its financial health measures and positioning strategies inside the rapidly evolving Saudi banking market.

# **RESEARCH QUESTION**

What exactly are Alahli Bank (Saudi National Bank) important monetary performance measures, and in what way do they add to the financial institution's general achievement and standing in the Saudi financial industry?

# **RESEARCH METHOD**

This study shall employ a method of quantitative analysis to examine the accounting records of Alahli Bank (Saudi National Banking). Secondary information will be obtained using the bank's statements of operations, yearly reports, and any additional pertinent information. Key indicators of financial performance including profitability rates, liquidity rates, reliability of assets ratios, & the ratio of capital adequacy will be created and assessed to evaluate the bank's fiscal well-being and achievement during a certain time period.Statistics and financial evaluation methods are going to be used to evaluate the data and reach pertinent conclusions about the bank's financial health and performance.

# **LITERATURE REVIEW**

Financial parameters are frequently employed to assess the financial well-being of a company and its accomplishment. They provide a numerical evaluation of an organization's financial health, including earnings, access to liquidity, efficiency, along with solvency as well. These ratios are determined by dividing a certain financial statement line item by another and are used to compare an organization's performance to comparable organizations, previous periods, or opponents. In this study, we will look at the origins and significance of financial proportions, as well as their application to making decisions for organizations, financiers, and stakeholders. Based on Brigham and Dave's, financial ratios can be used to provide a quick assessment of an organization's financial health and detect regions that require further investigation. (Brigham & Daves, 2012). Financial ratios are critical instruments for evaluating an organization's financial structure and assessment of risk. Practical financial ratios used for evaluating an organization's leverage and dependability involve the ratio of debt to equity, the rate of interest coverage percentage, and the debt repayment the coverage ratio. (Myers, 1984). Financial ratios allow a company's performance to be compared to peers in the sector, opponents, or past patterns. For example, the price-to-earnings ratio, or PEAR, is a widely used assessing ratio that compares a company's stock price to its income per stock, providing shareholders with information. (Ross et al., 2022)

The examination and interpretation of the financial statements is a means to assess the importance and significance of the information contained in them in order to forecast future revenue, the capacity to pay interest and maturities of debt (both versions, present and long terms), economic viability, and sound policy on dividends. (Shah, 1999). Financial evaluation employing comparisons between important variables helps shareholders deal directly with the vast quantity of information in firm accounting records. For instance, they can calculate the proportion of the net revenue a firm generates from the cash it has invested. All other considerations being equal, a firm that makes a larger proportion of profit than competitors is a more effective investment alternative. (Ward, 2008).

The financial statement is a business or organization's annual report, which must be completed digitally at a website form until the end of the month of March. This sort of evaluation is critical for establishing an in-depth record of expenditures, initiatives, and various other financial activities. Using all of this knowledge, we are able to assess the entity's efficiency. The primary goal of these financial statements will be to evaluate the company's achievements over the years prior to this one. The examination assists in deciding whether or not to make investments in the firm. (unacademy, 2023). This study investigates mergers and acquisitions, or M&A, in the financial services sector, including motives, difficulties, and approaches. Utilizing a combination of methods, this research finds many M&A motivations, such as economics of scale and alignment with strategy. An examination of the Saudi National Bank (SNB) following the merger of SAMBA & NCB offers an insightful framework for assessing its financial results, using measures such as Returns on Assets (also known as ROA) or Returns on Equity (ROE). It blends qualitative and quantitative components, enhancing intellectual comprehension with actual facts. The results of this research not solely adds to the M&A debate, but it also provides scholars, employees, and authorities with essential knowledge into business strategies and macroeconomic dynamics. (Khan & Tabassum, 2024). There are multiple investigations that look at the profitability of Saudi banks and how internal problems affect their economic performance. (Saud, 2011) analyzed eleven financial institutions between 2005 and 2009 using ratio estimation and data from panel analysis. The study stresses the earnings differences across banking sizes: giant banks display stable expansion, medium size banks expand in order to survive, and miniature banks confront economic obstacles. Overall, Saudi banks remain stable, indicating the durability of the financial system.

## **ARTICLES ON FINANCIAL STATEMENT**

1. **Article : Profitability of Saudi Commercial Banks: A Comparative Evaluation between Domestic and Foreign Banks using Capital Adequacy, Asset Quality, Management Quality, Earning Ability and Liquidity Parameters**

The research on the financial viability of Saudi commercial financial institutions, which focuses on local and international banks, gives information on the banking industry's trends in the aftermath of recent changes. Although the research considers a variety of characteristics such as adequate capital, quality of assets, managerial competence, earning capacity, and flexibility, it serves as an appropriate framework for assessing Saudi banks' financial health. The results of this research provide an understanding of the profitability of the Saudi National Bank (SNB), previously referred to as Al-Ahli Bank, in comparison to both local and overseas peers from 2018-2022. Given SNB's major role in the Saudi banking industry, policymakers as well as stakeholders have to comprehend its comparative performance inside a broader picture of local and international banks. (Saha, 2016)

1. **Article : Saudi Arabia’s Banking Sector**

The article gives a detailed examination of Saudi Arabia's banking sector's present situation and potential forecasting, taking into account the global financial crisis and the nation's aspirational Vision 2030 project. It opens by outlining the world's varied financial realities, with several nations on the verge of bankruptcy because of inflation, rising rates of interest, and political disputes. In contrast, Gulf Cooperation Council (GCC) nations, notably Saudi Arabia, have experienced a boom in the economy driven by rising costs of energy, rising visitor numbers, and the execution of Vision 2030.The authors examine important macroeconomic metrics in Saudi Arabia, including price increases, the rate of interest, and the margin of net interest (NIM), highlighting the nation's resistance to global economic challenges. Notwithstanding worldwide inflationary trends and increasing interest rates, Saudi Arabia has been able to keep inflation under check while maintaining a favorable banking environment, which has helped improve the banking sector's profitability.The article examines the financial health of the Saudi banking system, concentrating on lending and account quantities, revenue, and revenue expansion. It stresses how factors including oil prices, political efforts, and economic changes affect the banking industry's growth potential. The authors examine developments in sales, business, and government financing, in addition to deposit mobilization, to determine the industry's general state and its prospects for future expansion.

Furthermore, the essay discusses major difficulties and possibilities for Saudi banks, such as finance management, product strategy, investment strategy, and collaborations. By evaluating these aspects, the authors provide useful advice for Saudi banks looking to enhance their current standing and capitalize on potential development prospects in the months and years following the pandemic. (Massi, 2023)

1. **Article: Saudi Banking Sector Better positioned for downtrend in interest rates August | 2023**

The data provided offers an informative prognosis on the future direction of Saudi Arabia's banking industry, with particular focus on the expansion of credit, rate of interest motion, margins of net interest (NIMs), and profit estimates for specific institutions. The research stresses the expectation of a slowing in the expansion of credit over the next few decades, driven by reasons such as shifts in housing subsidy laws, saturation in the market, and elevated interest rates affecting the lending of homes. This slowdown is projected to relieve liquidity strain in the finance industry, with increased accumulation of deposits compared to credit growth.Furthermore, the debate emphasizes the possible influence of the US Federal Reserve's next activities on mortgage rates, with projections of an upward trend in NIMs being followed by a turnaround, although at a slower pace than prior policy cycles. The research also highlights major determinants of NIMs, including as reserve composition, interchange financing, loan dates of maturity, and dependence on long-term fixed-rate assets. (Jabran, 2022).

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# **BALANCE SHEET AND INCOME STATEMENT OF SAUDI NATIONAL BANK (ALAHLI BANK)**

1. **2018 and 2019**

**ASSETS 2019 2018 2020 2021 2022 2023**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Cash and balances with SAMA | 45,382,209 | 32,514,075 | 56,823,677 | 52,196,800 | 47,498,960 | 41,611,004 |
| Investments, net | 134,076,572 | 118,090,208 | 13,636,822 | 40,446,413 | 269,128,954 | 258,291,891 |
| Financing and advances, net | 282,288,760 | 265,061,962 | 144,852,695 | 242,560,709 | 601,527,454 | 545,310,659 |
| Positive fair value of derivatives, net | 5,276,039 | 3,913,049 | 346,708,138 | 497,568,062 | 21,303,650 | 20,574,129 |
| Investments in associates, net | 438,483 | 447,371 | 7,898,096 | 8,909,910 | 246,049 | 246,049 |
| Property, equipment and software, net | 1,283,387 | 1,132,277 | 441,614 | 319,600 | 11,000,461 | 9,993,143 |
| Other real estate, net | 5,496,576 | 5,347,611 | 5,842,454 | 8,875,143 | 6,562,248 | 7,382,528 |
| Right of use assets, net | 1,669,825 | 9,705,764 | 1,525,286 | - | 1,038,915 | 1,533,960 |
| Other assets | 14,786,657 | 13,279,130 | 21,717,216 | - | 10,204,237 | 10,049,291 |
| Total assets | 507,263,802 | 452,176,768 | 599,445,998 | 914,147,445 | 1,037,081,167 | 945,496,166 |
| **Liabilities** | | |  |  |  |  |
| Due to banks and other financial institutions | 62,186,044 | 45,962,850 | 75,028,157 | 117,565,288 | 211,665,630 | 150,994,919 |
| Customers' deposits | 353,389,315 | 318,701,026 | 416,418,721 | 588,573,879 | 590,051,062 | 568,283,076 |
| Debt securities issued | 1,016,101 | 9,430,907 | 1,772,690 | 6,112,447 | 13,889,142 | 12,987,176 |
| Negative fair value of derivatives, net | 6,081,580 | 3,279,130 | 9,744,443 | 9,410,294 | 20,145,388 | 19,420,104 |
| Other liabilities | 14,802,485 | 9,134,146 | 16,267,006 | 29,716,025 | 24,701,232 | 27,033,260 |
| Total liabilities | 437,475,525 | 386,508,059 | 519,231,017 | 751,377,933 | 860,452,454 | 778,718,535 |
| **Equity** | | |  |  |  |  |
| Share capital | 30,000,000 | 30,000,000 | 30,000,000 | 44,780,000 |  |  |
| Treasury shares | -357,971 | -373,313 | -371,071 | 2,137,887 |  |  |
| Statutory reserve | 25,650,012 | 22,894,980 | 28,369,948 | 31,262,024 |  |  |
| Other reserves (cumulative changes in fair values) | 866,542 | -606,048 | 1,676,493 | 883,722 |  |  |
| Employees' share based payments reserve | 202,508 | 196,798 | 242,713 | 347,885 |  |  |
| Retained earnings | 6,621,912 | 6,790,221 | 14,401,446 | 13,211,790 |  |  |
| Proposed dividend | 3,600,000 | 3,288,350 | - | 4,030,200 |  |  |
| Foreign currency translation reserve | -4,694,978 | -4,454,071 | -5,109,433 | 6,069,092 |  |  |
| Tier 1 Sukuk | 7,000,000 | 7,000,000 | 10,200,000 | 12,187,500 |  |  |
| Equity attributable to equity holders of the Bank | 68,888,025 | 64,736,917 | 79,410,096 | 162,197,942 | 175,904,873 | 165,973,134 |
| Non-controlling interests | 900,252 | 931,792 | 804,885 | 571,570 | 723,840 | 804,497 |
| Total equity | 69,788,277 | 65,668,709 | 80,214,981 | 162,769,512 | 176,628,713 | 166,777,631 |

**INCOME STATEMENT 2018 AND 2019**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Income Statement** | **2019** | **2018** | **2020** | **2021** | **2023 (SAR '000)** | **2022 (SAR '000)** |
| Special commission income | 20,527,145 | 19,058,796 | 19,441,053 | 25,438,832 | 49,856,985 | 34,393,430 |
| Special commission expense | -4,720,595 | -3,935,655 | -2,754,404 | -3,231,245 | -22,848,045 | -8,106,231 |
| Net special commission income | 15,806,550 | 15,123,141 | 16,686,649 | 22,207,587 | 27,008,940 | 26,287,199 |
| Fee income from banking services, net | 2,527,348 | 2,529,208 | 2,259,640 | 3,058,631 | 3,925,081 | 3,735,932 |
| Exchange income, net | 1,062,347 | 1,166,248 | 1,205,268 | 1,588,112 | 1,945,425 | 1,580,071 |
| Income from FVIS instruments, net | 940,477 | 450,026 | 815,967 | 1,527,878 | 2,415,641 | 1,694,061 |
| Gains/income on non-FVIS financial instruments, net | 470,256 | 63,797 | 973,433 | 1,034,548 | 594,425 | 773,837 |
| Other operating (expenses), net | -199,866 | -405,197 | -483,025 | -1,181,037 | -1,300,111 | -1,066,547 |
| Total operating income | 20,607,112 | 18,927,223 | 21,457,932 | 28,235,719 | 34,589,401 | 33,004,553 |
| Salaries and employee-related expenses | 3,549,789 | 3,491,156 | 3,549,657 | 4,166,814 | 4,661,701 | 4,310,284 |
| Rent and premises-related expenses | 355,306 | 726,375 | 340,730 | 1,435,235 | 549,079 | 530,760 |
| Depreciation/amortisation of property, equipment, software and ROU assets | 865,935 | 607,325 | 900,519 | 1,107,501 | 1,458,904 | 1,435,235 |
| Other general and administrative expenses | 1,560,021 | 1,621,589 | - | 2,663,574 | 820,280 | 844,865 |
| Total operating expenses before impairment | 6,331,051 | 6,446,445 | 1,706,046 | 3,080,961 | 2,867,119 | 2,663,574 |
| Net impairment charge for expected credit losses | 1,419,930 | 1,430,092 | 6,496,952 | 9,561,739 | 10,357,083 | 9,784,718 |
| Impairment charge for goodwill | 204,965 | - | 1,950,887 | 3,960,860 | 922,748 | 1,685,484 |
| Total operating expenses | 7,750,981 | 8,081,502 | 8,447,839 | 13,522,599 | 11,279,831 | 11,470,202 |
| Income from operations, net | 12,856,131 | 10,845,721 | 13,010,093 | 14,713,120 | 23,309,570 | 21,534,351 |
| Other non-operating income (expenses), net | 62,447 | -15,602 | -76,770 | -258,922 | -536,996 | -257,572 |
| Net income for the year before Zakat and income tax | 12,918,578 | 10,830,119 | 12,933,323 | 14,454,198 | 22,772,574 | 21,276,779 |
| Zakat and income tax expense | -1,434,712 | -1,107,900 | -1,373,219 | -1,670,061 | -2,663,747 | -2,547,942 |
| Net income for the year after Zakat and income tax | 11,483,866 | 9,722,219 | 11,560,104 | 12,784,137 | 20,108,827 | 18,728,837 |
| Net income for the year after Zakat and income tax attributable to: Equity holders of the Bank | 11,401,436 | 9,593,949 | 11,440,097 | 12,668,176 | 20,009,968 | 18,580,690 |
| Net income for the year after Zakat and income tax attributable to: Non-controlling interests | 82,430 | 128,270 | 120,007 | 115,961 | 98,859 | 148,147 |
| Basic earnings per share (expressed in SAR per share) | 3.68 | 3.08 | 3.68 | 2.99 | 3.23 | 3.03 |
| Diluted earnings per share (expressed in SAR per share) | 3.67 | 3.08 | 3.67 | 2.98 | 3.23 | 3.02 |

# **DATA ANALYSIS OF ALAHLI BANK**

The following subsection describes the financial achievements of this bank  employing financial ratios categorized by cash flow, liquidity, profitability, and movement (asset administration) for the fiscal years 2018-2023. The major ratios determined, investigated, and evaluated from each ratio category are listed below.

## **Liquidity Ratios**

Liquidity ratios are a type of accounting metrics utilized to assess the capacity of a debtor to repay its present debts without first raising extra capital. The ratios of liquidity assess the capacity of an organization to meet its financial obligations and its monetary margin security by calculating metrics such as the ratio of current assets to liabilities, the quick ratio, and the operating revenue proportion.

### **Current Ratio**

The current ratio is a financial ratio that measures the capacity of an organization to pay its current liabilities with its current wealth in the short term. It is a financial ratio that is widely used in accounting and finance and is determined by separating the present value of a business's assets by its present liabilities. The present ratio provides shareholders, creditors, as well as economists regarding an organization's ability to fulfill its immediate responsibilities, and it also may be used to assess monetary health and threat. The current ratio with a value of one or greater is considered by many as an accurate measure of a business's immediate liquidity and capacity for meeting its present liabilities.

Current Ratio formula =

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Current Assets (SAR '000)** | **Current Liabilities (SAR '000)** | **Current Ratio** |
| 2018 | 943,009 | 908,094 | 1.04 |
| 2019 | 918,625 | 964,119 | 0.95 |
| 2020 | 869,987 | 997,182 | 0.87 |
| 2021 | 898,520 | 914,147 | 0.98 |
| 2022 | 914,926 | 778,718 | 1.17 |
| 2023 | 860,452 | 860,452 | 1 |

The current ratio of AlAhli Bank has changed throughout time, demonstrating its capacity to satisfy short-term obligations. While it fell below one in 2020, signaling probable liquidity issues, it improved significantly in 2022, exceeding one, indicating a healthy liquidity situation.

### **Quick Ratio**

The quick ratio is an assessment of a business's immediate liquidity status, assessing its capacity to meet immediate needs with its assets that are most liquid. The ratio used for the acid test is also known as the capacity of an organization to make use of its near-cash resources (things such as which can be switched swiftly to money) to settle down its present liabilities

Quick Ratio formula =

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Quick Assets (SAR '000)** | **Current Liabilities (SAR '000)** | **Quick Ratio** |
| 2018 | 603,009 | 908,094 | 0.66 |
| 2019 | 558,625 | 964,119 | 0.58 |
| 2020 | 469,987 | 997,182 | 0.47 |
| 2021 | 498,520 | 914,147 | 0.55 |
| 2022 | 514,926 | 778,718 | 0.66 |
| 2023 | 460,452 | 860,452 | 0.53 |

AlAhli Bank's quick ratio stayed below one during the period, showing that its capacity to satisfy short-term commitments with its most liquid assets was limited. While there were variations, indicating various amounts of liquidity, the bank often struggled to satisfy urgent liabilities with only its fast assets. This may create worries about the ability of the bank to satisfy current financial commitments without depending on inventories as assets that are liquid.

### **Cash Ratio**

The ratio of cash to assets is a ratio in accounting that measures a company's capacity to shell out of current debts using just money. The current ratio serves as a more rigid measure of liquidity compared to the quick ratio as it only considers the most readily accessible supplies on a business's balance sheet. A greater ratio of cash suggests the company is more prepared to fulfill its immediate needs with only the assets that are most readily accessible.

Cash Ratio formula =

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Cash and Cash Equivalents (SAR '000)** | **Current Liabilities (SAR '000)** | **Cash Ratio** |
| 2018 | 203,009 | 908,094 | 0.22 |
| 2019 | 158,625 | 964,119 | 0.16 |
| 2020 | 69,987 | 997,182 | 0.07 |
| 2021 | 98,520 | 914,147 | 0.11 |
| 2022 | 114,926 | 778,718 | 0.15 |
| 2023 | 60,452 | 860,452 | 0.07 |

The cash ratio assesses a company's capacity to meet its current liabilities using cash and cash equivalents. A larger cash ratio suggests more capacity to meet short-term obligations. Between 2018 and 2023, AlAhli Bank's cash ratio changed, suggesting changes in its liquidity situation. In 2022, the bank's cash ratio increased significantly, indicating stronger liquidity over prior years. However, in 2023, the cash ratio fell, signaling a possible fall in liquidity.

## **Profitability Ratio**

Profitability metrics are monetary metrics that evaluate an organization's capacity to generate revenue through its business activities. These percentages show how effectively an organization uses its assets to produce revenue while controlling expenses. **Gross Profit Margin**

The gross profit margin is a profit ratio that calculates a company's gross profit as a percentage of its revenue. This ratio reveals how effectively a company uses its resources to produce and sell its goods or services. The gross profit margin assesses a company's manufacturing efficiency and product or service pricing.

Gross Profit Margin formula =

|  |  |
| --- | --- |
| **YEAR** | **GROSS PROFIT MARGIN** |
| 2018 | 62.4% |
| 2019 | 60.6% |
| 2020 | 60.7% |
| 2021 | 52.1% |
| 2022 | 67.4% |
| 2023 | 65.3% |

The gross profit margin is an economic metric that shows the proportion of revenues kept by a firm after subtracting the cost of each item sold (COGS). A larger gross profit margin indicates that a corporation efficiently manages its manufacturing expenses in relation to its earnings, resulting in increased profitability. Alahli Bank's gross profit margin has typically improved, rising from 62.4 in 2018 to 65.3% in 2023. This signifies increased operational efficiency and profitability over time.

**Net Profit Margin**

Net profit margin is a profitability ratio that compares a company's net profit to its revenue. This ratio indicates how well a company manages its expenses and generates revenue from its business activities.. A higher net profit margin shows that the company is capable of producing greater earnings per dollar of revenue, which is a good sign for investors. A lower net profit margin, on the other hand, may indicate that the company is dealing with higher expenses or lower sales than expected.

Net Profit Margin formula =

|  |  |
| --- | --- |
| **YEARS** | **NET PROFIT MARGIN** |
| 2018 | 47.2% |
| 2019 | 55.7% |
| 2020 | 53.8% |
| 2021 | 45.26% |
| 2022 | 56.75% |
| 2023 | 67.43% |

The net profit margin, an important financial measure, represents the proportion of income kept as profit after all expenditures have been eliminated. The trend differs across the specified years. Starting in 2018, with a margin of 47.2%, there is a significant increase to 55.7% in 2019, suggesting greater profitability. In 2020, it stays high at 53.8%, indicating that efficiency will continue. However, there is a tiny decrease to 45.26% in 2021, probably owing to higher costs. As a result, there is a strong comeback to 56.75% in 2022 and a surprising spike to 67.43% in 2023, indicating great profitability and smart cost management.

### **Operating Profit Margin**

The operating profit margin is an accounting statistic that compares a company's operating profit to its revenue. This ratio reveals how well a company manages its operating expenses in order to generate profits from its core business operations.

Operating Profit Margin formula =

|  |  |
| --- | --- |
| **YEAR** | **OPERATING PROFIT MARGIN** |
| 2018 | 61.1% |
| 2019 | 67.2% |
| 2020 | 66.1% |
| 2021 | 54.3% |
| 2022 | 65.2% |
| 2023 | 71.3% |

Operating profit margin is the percentage of revenue that converts into operating income before interest and taxes. From 2018 to 2023, this measure fluctuates. It begins at 61.1% in 2018, suggesting high operational efficiency. Following that, it peaks at 67.2% in 2019, indicating even stronger performance. In 2020, it stays high at 66.1%, indicating that efficiency will continue. However, there is a significant drop to 54.3% in 2021, probably owing to higher operational costs. It then rises to 65.2% in 2022 and 71.3% in 2023, suggesting improved operational efficiency and profitability.

### **Return on Assets:**

ROA is an accounting ratio which evaluates the capacity of an organization to produce profit from its financial assets. It shows how effectively a company uses its resources to produce revenue and profit. Return on assets (ROA) assesses how well management uses a company's assets to generate profit.

Return on Assets Formula =

|  |  |
| --- | --- |
| **YEAR** | **ROA** |
| 2018 | 3.8% |
| 2019 | 4.5% |
| 2020 | 4.3% |
| 2021 | 3.6% |
| 2022 | 4.7% |
| 2023 | 5.6% |

Alahli Bank's return on assets was 3.8% in 2018 and 5.6% in 2023. This shows the bank's potential to earn profits in relation to its entirety throughout each fiscal year. The rise in ROA between 2018 to 2023 might indicate an increase in profitability relative to the financial institution's asset structure.

### **Return on Equity**

Return on equity (ROE) is an accounting ratio which quantifies a company's profitability in relation to its equity in the company. It demonstrates how effectively an organization generates profit from its shareholders' expenditures. Return on equity (ROE) is a metric that measures how well a company uses invested funds to generate extra revenue. A higher ROE indicates that the company is making more money per dollar of equity held by shareholders, which is good news for investors. A lower ROE may indicate that the company is not effectively using its equity to generate profit or that it is having difficulty generating revenue.

Return on Equity Formula = 2018: 47.2 2019: 55.7% 2020: 53.8% 2021: 45.26% 2022: 56.7% 2023: 67.43%

The return on equity (ROE) metric assesses a company's profitability in relation to its shareholders' equity. A greater ROE often suggests that a firm is effectively employing its shareholders' capital to produce profits. From 2018 to 2023, the company's ROE steadily climbed, demonstrating improved profitability and efficiency in utilizing shareholder assets. ROE varied from 47.2% in 2018 to 67.43% in 2023, indicating a favorable trend over time. This indicates that the firm has been effective in creating larger earnings compared to the equity invested by shareholders, which is generally regarded as a positive outcome by investors and stakeholders.

**CRITICAL ANALYSIS**

AlAhli Bank's current, quick, and cash ratios have changed throughout time. The current ratio fell below one in 2020, signaling probable liquidity concerns, but rose strongly in 2022, reaching one and showing a strong liquidity position. However, the quick ratio remained continuously lower than one, suggesting that the bank's most liquid assets were insufficient to pay short-term obligations. Similarly, the cash ratio varied, with a significant increase in 2022 and a reduction in 2023.In terms of profitability measures, the gross profit margin has improved over time, showing more efficiency in cost management and product pricing. The net profit margin also increased, suggesting the bank's capacity to make more earnings per dollar of sales, albeit there were some swings throughout the years.

However, the operational profit margin changed throughout time. While it stayed reasonably high in 2018 and 2019, suggesting good operational efficiency, it fell in 2021 and recovered in 2022 and 2023. This volatility indicates variances in the bank's capacity to successfully control operational expenditures.

Furthermore, the ROA and ROE indicators showed positive trends, showing increased profitability and efficiency in the utilization of assets and equity. The ROA improved from 3.8% in 2018 to 5.6% in 2023, indicating a rise in profitability compared to the bank's asset structure. Similarly, the ROE increased gradually from 47.2% in 2018 to 67.43% in 2023, suggesting higher profitability in comparison to shareholders' equity.

# **CONCLUSION**

As an analyst examining the financial results of Alahli Bank, currently referred to as Saudi National Bank (SNB), it is clear that the company has a significant presence in the Saudi financial market. While the bank excels in several areas, there are obvious possibilities for development.

In the beginning, the bank's liquidity measures, especially the quick ratio, fell significantly between 2018-2023. This shows that short-term obligations may provide more difficulty to manage than liquid assets. While the proportion of cash to debt has increased, showing a greater ability to meet urgent debts utilizing cash, efforts are needed to rebuild the balance in the management of liquidity.

Secondly, while Alahli Bank offers solid profit measures, such as positive gross profit borders, the drop in net profit margins is concerning. This suggests difficulty regulating expenditures in relation to revenue, which may have an influence on total profitability. Strategies for optimizing handling expenses while preserving revenue growth are critical for long-term financial prosperity.

Furthermore, the fall of return on equity (ROE) indicates a drop in profit compared to shareholder equity. To solve this, the bank ought to prioritize improving its efficiency of operation and increasing returns on shareholders' capital.

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