Arab National Bank (ANB)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	**SAR19.65**	**Target Price**	**SAR23.00**
Implied Upside	**+17.0%**		

Trading at a Discount to Book; Initiating w/ Accumulate

Arab National Bank (ANB) has a 8% market share in loans (7th largest among domestic banks) and 8% market share in deposits (7th largest among domestic banks). Moreover, ANB commands the 4th largest market share in retail lending (6%). The stock trades at a steep 43% discount to its 5-year median P/B multiple. Also, ANB is trading at a 32% discount to its median P/E. Moreover, ANB's peers (excluding Islamic Banks & NCB) are currently trading at an average P/B of 1.0x, while ANB is trading at 0.8x, implying a decent discount of 16.4%.

Highlights

- **ANB is a mid-sized bank with a 8% market share in total loans, 9% in corporate loans and 6% in retail loans (4th largest); we estimate an overall loan book CAGR of 6.6% during 2015-20e.** ANB's loan book is split between the corporate (77%) and retail (23%) segments over the past four years (2012-2015).The bank has been reducing its exposure to the retail segment from 35% in 2006 to 23% as of 2015. Moreover, the retail segment of the loan book grew by a CAGR (2010-15) of 8.2% vs. a CAGR of 12.6% for the corporates. Moreover, in 3Q2016 ANB's retail loan receded by 3.2% YTD (Total retail loans on a system wide level increased by 5.3% YTD) vs. an increase of 1.1% at the corporates' segment (Total corporate loans on a system wide level increased by 4.9%). This leads us to believe that the bank is scaling back on retail lending due to a weak macroeconomic environment, especially with retail becoming problematic due to public sector employees' salary cuts. We are of the view that the bank will take conservative approach and keep its loan book flat in 2017. **While a~8% exposure to contractors is not a cause for alarm, potential write-offs due to stress seen in that sector cannot be ruled out.** *We pencil in marginal declines of 0.4% and 0.2% in 2016 and 2017, respectively. We are expecting low single-digit growth in 2016 and 2017 as ANB's LDR reached SAMA's 90% limit/ceiling. Management would most likely bring this ratio down by a combination of lower loan growth and higher fund raising.*

- **We expect weak performance in 2016 and 2017, followed by a strong 2018; we pencil in a bottom-line CAGR of 7.5% in 2015-2020e.** *We estimate a 6.3% drop in net income to SAR2.8bn in 2016 mainly due to a 34.2% jump in net provisions & impairments.* We expect provisions to increase based on possible asset quality concerns as a result of the weak macro-economic environment. Hence, we pencil in a cost of risk (CoR) of 74bps (59bps in 2015) which leads provisions to increase to SAR869.8mn. On the other hand, we expect NIMs to increase by 11bps to 2.78% given the FED's rate hike earlier. Having said that, the bank faces funding pressure as the bank's LDR is currently at 89% (close to SAMA's 90% ceiling);. We expect cost of funding to increase by 120bps vs. 75bps for asset yields (51% and 54% of ANB's loan book and investment portfolio were repriced at the end of 1Q2016). As such, We forecast net interest income at SAR4.13bn in 2016, implying growth of 7.4%. *As far as 2017 is concerned, we expect net income to dip by 2.6% to SAR2.7bn led by weak non-interest income and higher provisions.* We estimate net interest income to increase by only 5.4% to SAR4.35bn as the bank raises further interest bearing deposits. *In 2018 we estimate net income to increase by 28.3% to SAR3.5bn, led by positive performance across the board coupled with a sharp drop in provisions.*

Catalysts

- **Beyond a stabilization/recovery in oil prices, the following developments could be perceived positively by the market:** 1) further announcements by the govt. of payments to contractors 2) further clarity on long-term development initiatives in KSA; 3) increasing market share and 3) further improvement in NIMs & spreads.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** *We assign a Price Target of SAR23.00 and an Accumulate rating.* ANB is trading at a 2017e P/B and P/E of 0.8x and 7.3x, respectively. The stock offers an attractive yield of 5.1%.

- **Risks:** 1) Depressed oil prices remains the biggest risk for ANB and the Saudi banking sector and 2) Greater-than-expected asset quality deterioration, especially given the stress seen in the contracting segment.

Key Data

Key Data	
Current Market Price (SAR)	19.65
Dividend Yield (%)	5.1
Bloomberg Ticker	ARNB AB
ADR/GDR Ticker	N/A
Reuters Ticker	1080.SE
ISIN	SA0007879105
Sector*	Banks & Financial Svcs.
52wk High/52wk Low (SAR)	26.30/14.25
3-m Average Volume ('000)	502.0
Mkt. Cap. ($ bn/SAR bn)	5.2/19.7
Shares Outstanding (mn)	1,000.0
FOL Limit* (%)	49.0
Current FOL (%)	40.7
1-Year Total Return (%)	(18.6)
Fiscal Year End	December 31

Source: Bloomberg (as of November 14, 2016), *Tadawul (as of November 14, 2016);

Key Financial Data and Estimates

	FY2015	FY2016e	FY2017e	FY2018e
EPS (SAR)	2.96	2.78	2.70	3.47
EPS Growth (%)	3.1	-6.3	-2.6	28.3
P/E (x)	6.6	7.1	7.3	5.7
BVPS (SAR)	21.9	23.2	24.4	26.1
P/B (x)	0.9	0.8	0.8	0.8
DPS (SAR)	1.00	1.00	1.00	1.25

Source: Company data, QNBFS estimates; Note: All data based on current number of shares

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Valuation

We value ANB using 4 variations of the Residual Income Model (RI); 1) Warranted Equity Valuation, 2) RI based on a fundamental P/B, 3) RI based on a persistence factor and 4) RI based on RoE converging to cost of equity:

a) We utilize a WEV technique derived from the Gordon Growth Model: P/B = (RoAE-g)/(Ke-g). This model uses sustainable return on average equity (RoAE) based on the mean forecast over the next seven years, cost of equity (Ke), expected long-term growth in earnings (g) and present value of interim dividends to arrive at a fair value for this stock. We consider this method best suited to arriving at an intrinsic valuation through the economic cycle.

b) We derive ANB's fair value by employing the RI valuation technique *(based on a fundamental P/B)*, which is calculated based on the sum of its beginning book value, present value of interim residuals (net income minus equity charge) and the present value of the terminal value (we apply a fundamental P/B multiple based on the Gordon Growth Model to the ending book value at the end of our forecast horizon). We derive the P/B from the Gordon Growth Model: P/B = (RoAE-g)/(Ke-g). This model uses sustainable return on average equity (RoAE) based on the mean over our forecast period, cost of equity (Ke) and expected long-term growth in earnings (g) to arrive at fundamental/justified P/B. *Based on this method we arrive at a fundamental P/B of 1.0x.*

c) The second variation of the RI that we use is based on a persistence factor. The persistence factor is applied on the terminal value. The maximum persistence factor is 1.0, which means that residual income does not decline and will continue indefinitely. The minimum persistence factor is 0, which means that residual income stops after the initial stage. Companies with stronger or stable market share will have higher persistence factors. **High persistence factor is applicable when the firm has a low dividend payout and when the industry has been able to maintain RoEs above the cost of equity historically.** Low persistence factor is applicable when RoE is extremely high and likely to decline and high levels of accruals & special items, such as nonrecurring items that will weigh down future RoE. *In ANB's case we use an persistence factor of 1.0 as it fits the above stated criteria.*

d) The third variation of the RI that we utilize is based on RI converging to cost of equity where the terminal value equated to zero. **This method assumes that over time the industry becomes highly competitive and firms will not be able to generate economic profits**. As such profits are not reinvested in the company, instead are paid out in the form of dividends to shareholders.

The RI model is suitable for the following reasons: 1) when the company does not pay dividends or the pattern of dividend payments is unpredictable; 2) the company is expected to generate negative free cash flows for the foreseeable future and 3) as the traditional free cash flow to equity (FCFE) formula does not apply to banks. **A major advantage of RI in equity valuation is that a greater portion of the company's intrinsic value is recognized from the beginning BVPS as opposed to the terminal value (common in traditional FCFE methodology).**

We use KSA's 5 year swaps rate of 4.2% as the risk free rate and factor in an adjusted beta of 1.0 vs. 0.85 (actual from Bloomberg) as we believe banks are a direct proxy for the economy. Finally, we add a local equity risk premium of 7.5% to arrive at a Ke of 11.70%.

Valuation Methodologies

| Fundamental P/B (WEV)	
Sustainable RoAE (%)	12.0%
Estimated Cost of Equity (%)	11.7%
Terminal Growth Rate (%)	5.0%
Fundamental P/B	1.0x
Intrinsic Value (SAR)	25.00
Current Market Price (SAR)	19.65
Upside/(Downside) Potential (%)	27.2%
Equity Value (SAR mn)	25,000

Source: Bloomberg, QNBFS estimates

RI Based on Fundamental P/B	
Beginning BVPS (2017e) (SAR)	23.2
Present Value of Interim Residuals (SAR)	(0.31)
Present Value of Terminal Value (SAR)	0.78
Fundamental P/B	1.0x
Intrinsic Value (SAR)	23.00
Current Market Price (SAR)	19.65
Upside/(Downside) Potential (%)	17.0%
Equity Value (SAR mn)	23,000

Source: Bloomberg, QNBFS estimates

RI Based on Persistence Factor	
Beginning BVPS (2017e) (SAR)	23.2
Present Value of Interim Residuals (SAR)	(0.31)
Present Value of Terminal Value (SAR)	(0.42)
Less: Minority Interest	0.73
Persistence Factor	1.0x
Intrinsic Value (SAR)	22.00
Current Market Price (SAR)	19.65
Upside/(Downside) Potential (%)	12.0%
Equity Value (SAR mn)	22,000

RI Based on RoE Converging to Ke	
Beginning BVPS (2017e) (SAR)	23.2
Present Value of Interim Residuals (SAR)	(0.67)
Present Value of Terminal Value (SAR)	0.0
Less: Minority Interest	0.73
Intrinsic Value (SAR)	22.00
Current Market Price (SAR)	19.65
Upside/(Downside) Potential (%)	12.0%
Equity Value (SAR mn)	22,000

Source: Bloomberg, QNBFS estimates

Trading at a 43% discount to its Historical P/B…

Historical Median – 1.4x
P/B 2017e – 0.8x
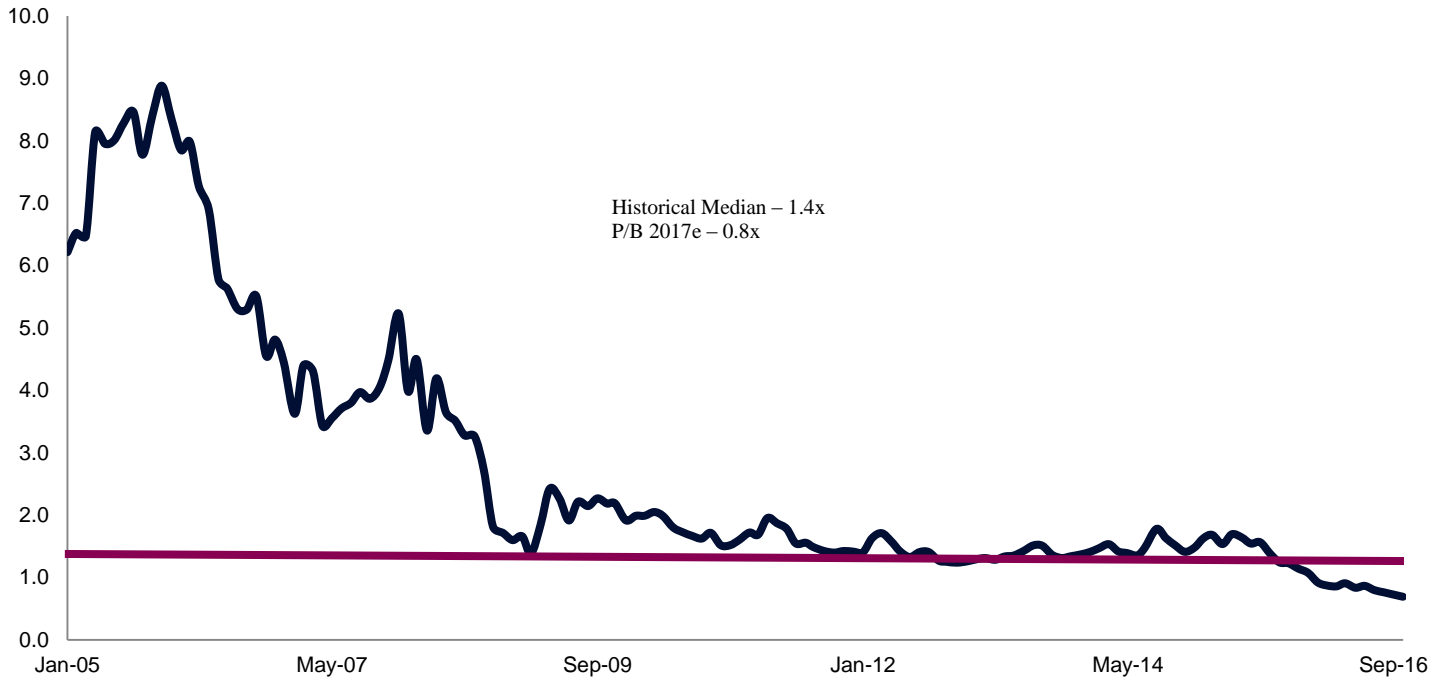
Source: Bloomberg

ANB is trading below book value on the account of concerns on asset quality; The stock never traded below book value during the global financial crisis. The stock trades at a steep discount to its 5-year average P/B and P/E ratios. Moreover, if we exclude the bull years and the global financial crisis years the stock is still trading at a *43% and 32% discount to its median P/B and P/E, respectively. Moreover, ANB's peers (excluding Islamic Banks & NCB) is currently trading at an average P/B of 1.0x, while ANB is trading at 0.8x, implying a decent discount of 16.4%.*

…And a 32% discount to its Historical P/E

Historical Median - 10.7x
P/E 2017e -   7.3x

Source: Bloomberg

Dividends Grew In-Line with the Bottom-line at a CAGR of 9% (2010-15)   *Attractive Dividend Yield*
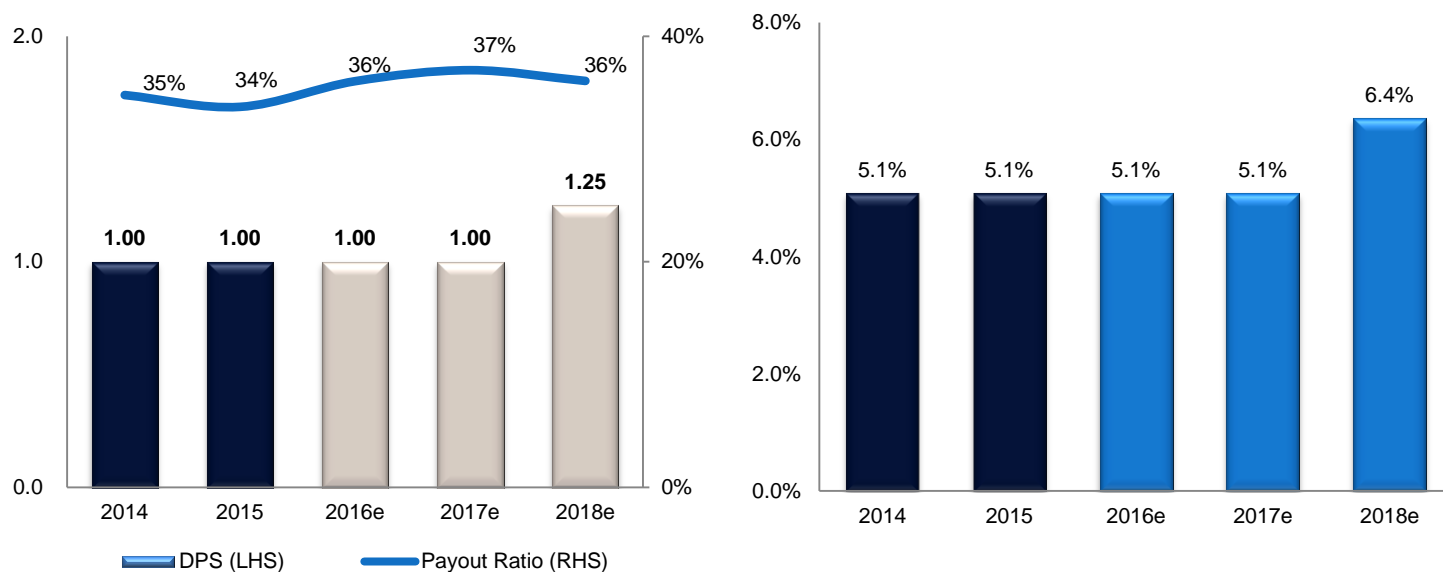
Key Forecasts

Loan Portfolio

ANB is a mid-sized bank with a 8% market share in total loans, 9% in corporate loans and 6% in retail loans (4th largest); we estimate an overall loan book CAGR of 6.6% during 2015-20e. ANB's loan book is split between the corporate (77%) and retail (23%) segments over the past four years (2012-2015).The bank has been reducing its exposure to the retail segment from 35% in 2006 to 23% as of 2015. Moreover, The retail segment of the loan book grew by a CAGR (2010-15) of 8.2% vs. a CAGR of 12.6% for the corporates. Moreover, in 3Q2016 ANB's retail loan receded by 3.2% YTD (Total retail loans on a system wide level increased by 5.3% YTD) vs. an increase of 1.1% at the corporates' segment (Total corporate loans on a system wide level increased by 4.9%). This leads us to believe that the bank is scaling back on retail lending due to a weak macroeconomic environment, especially with retail becoming problematic due to public sector employees' salary cuts. We are of the view that the bank will take conservative approach and keep its loan book flat in 2017. *We pencil in marginal declines of 0.4% and 0.2% in 2016 and 2017, respectively. On the other hand, we grow the loan book by 7.7%, 11.9% and 15.0% in 2018, 2019 and 2020, respectively. We are expecting low single digit growth in 2016 and 2017 as ANB's LDR is very close to SAMA's 90% limit/ceiling. Management would most likely bring this ratio down by a combination of lower loan growth and higher fund raising.*

Loans to Exhibit 6.6% CAGR (SAR mn) vs. 11.8% (2010-15)   *Loans Skewed Towards Corporates; Retail Dropping*
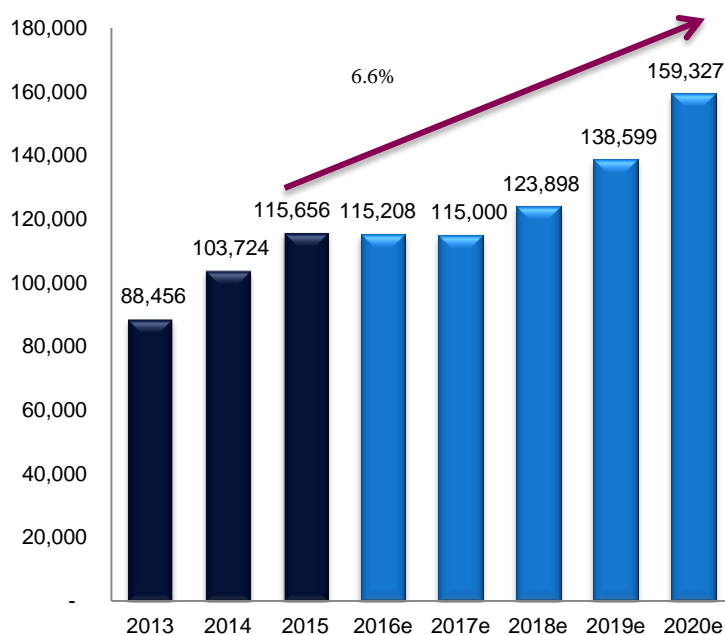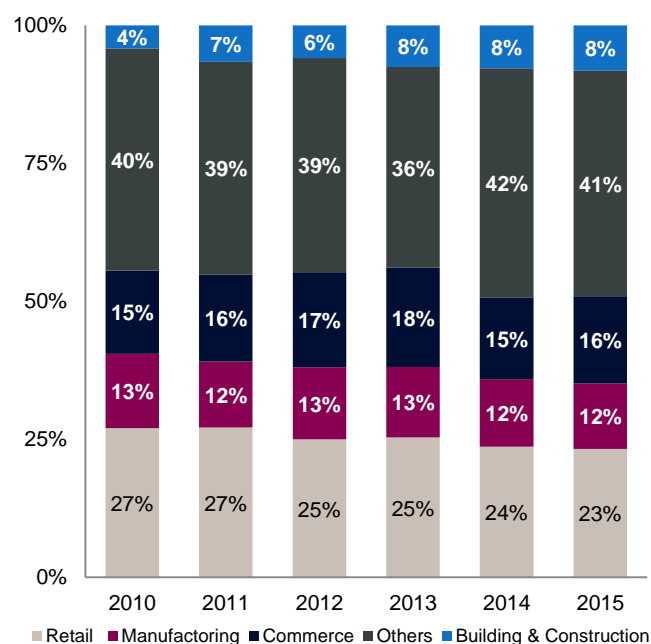
Shari'ah compliant financing to drive loan growth, as expected. Given KSA's corporate and retail sectors' preference for Shari'ah compliant loans, the former has grown by a CAGR of 14.6% (2007-2015) vs. 1.7% that of conventional loans. Given this trend, we are of the view that conventional loans will continue on shrinking.

*Currently Shari'ah Compliant Loans Dominate ANB's Loan Book*
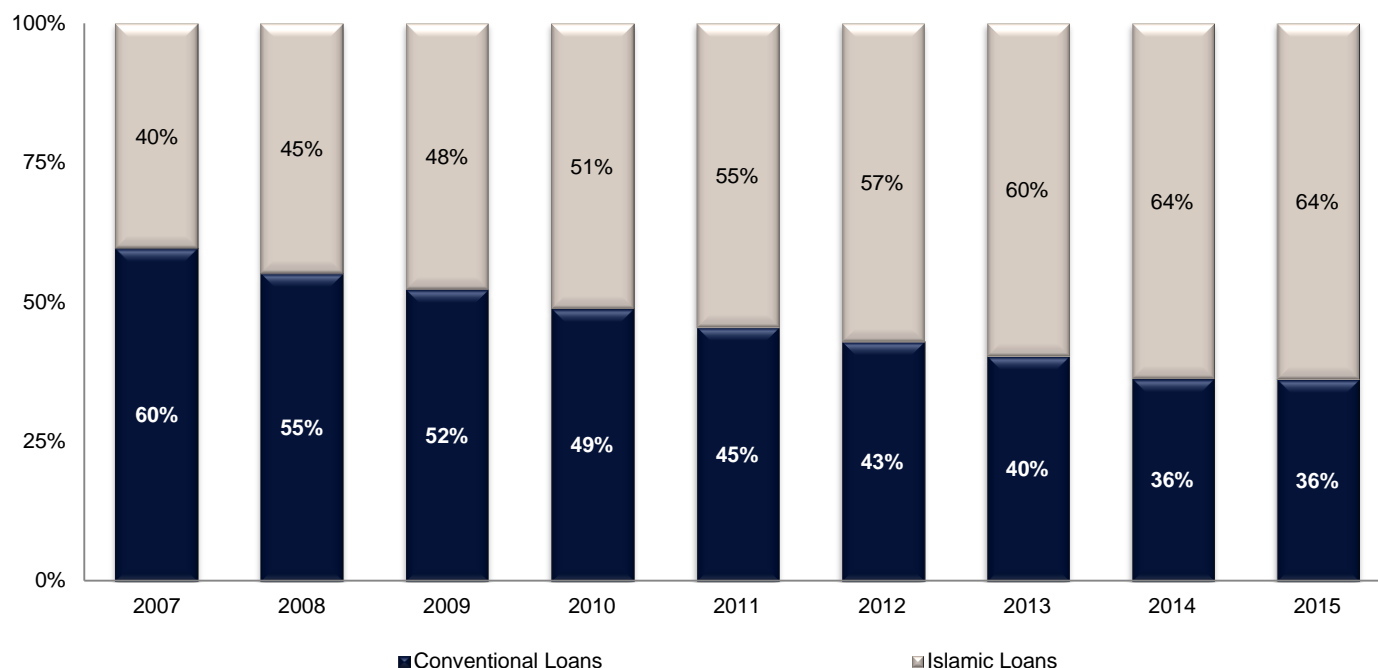
Source: Company data

Deposit Book

ANB has a 8.0% market share in deposits, 7th among domestic banks; we estimate deposits to grow by a CAGR of 5.5% during 2015-20e. The bank's share of interest-bearing deposits vs. its peers' deposit base has always been greater. In 2015 non-interest bearing deposits peaked (in-line with 2012) at 49% of total deposits. Given the previous Fed rate hike and the anticipation of further hikes in December 2016 and 2017 coupled with an LDR of 89%, we believe ANB will continue to raise interest-bearing deposits. The bank's non-interest bearing deposits grew at a CAGR of 9.4% (2010-2015) vs. interest bearing deposits which grew by 10.7%. Moreover, we do not expect this trend to reverse; we forecast a interest bearing deposits growing by a CAGR (2015-20e) of 9.9%. *Further, we expect deposits to drop by 6.0% in 2016 and tick up only by 1.0% in 2017 as the economic outlook still remains bleak. However, we expect deposits to expand by 9.0% in 2018 as the economy revives.* On a side note, SAMA has enforced a deposit insurance scheme in which banks would have to apply a charge of 5bps on non-sovereign deposits. Consequently, this would increase interest expense going forward.

Share of Interest-Bearing Deposits on the High-Side vs. Peers; Further Increase Anticipated to Bring LDR Below SAMA's Limit
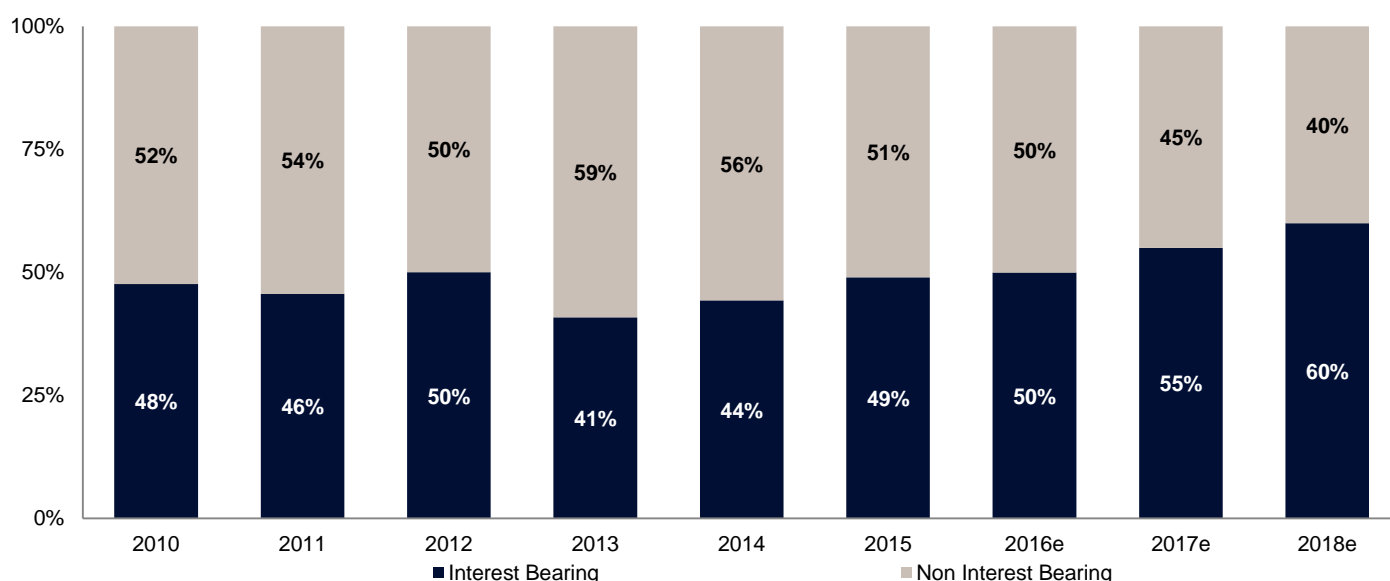
Source: Company data, QNBFS estimates

LDR (Loans to stable sources of funds) near SAMA's 90% limit. ANB's LDR reached 89% in 3Q2016, which poses an obstacle for growth in the short to medium term.

LDR Needs to Drop
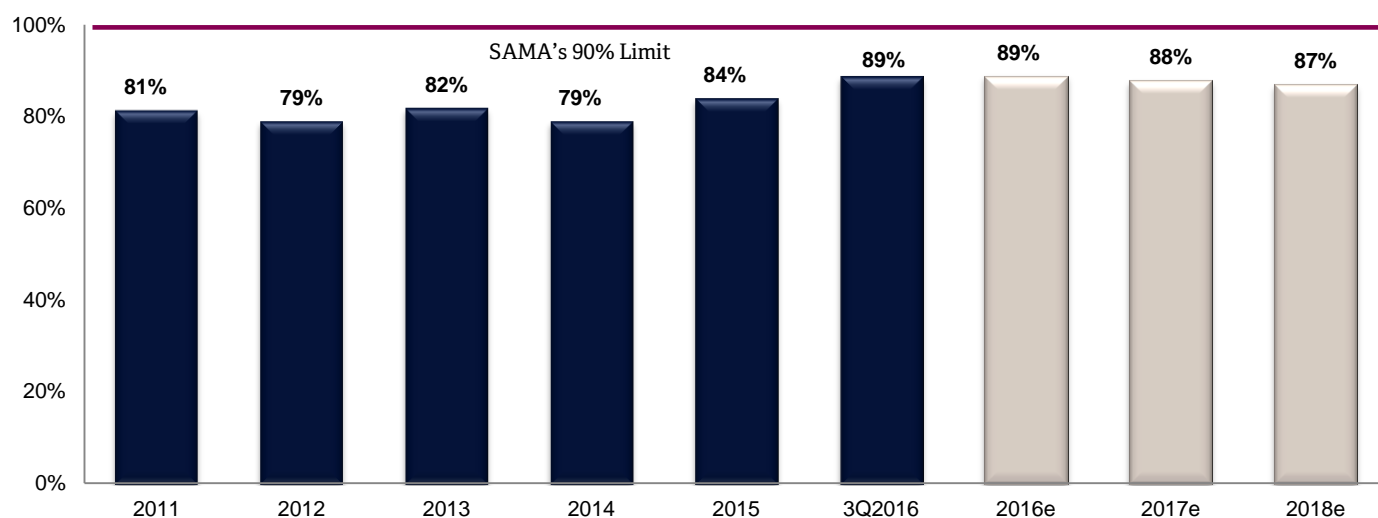
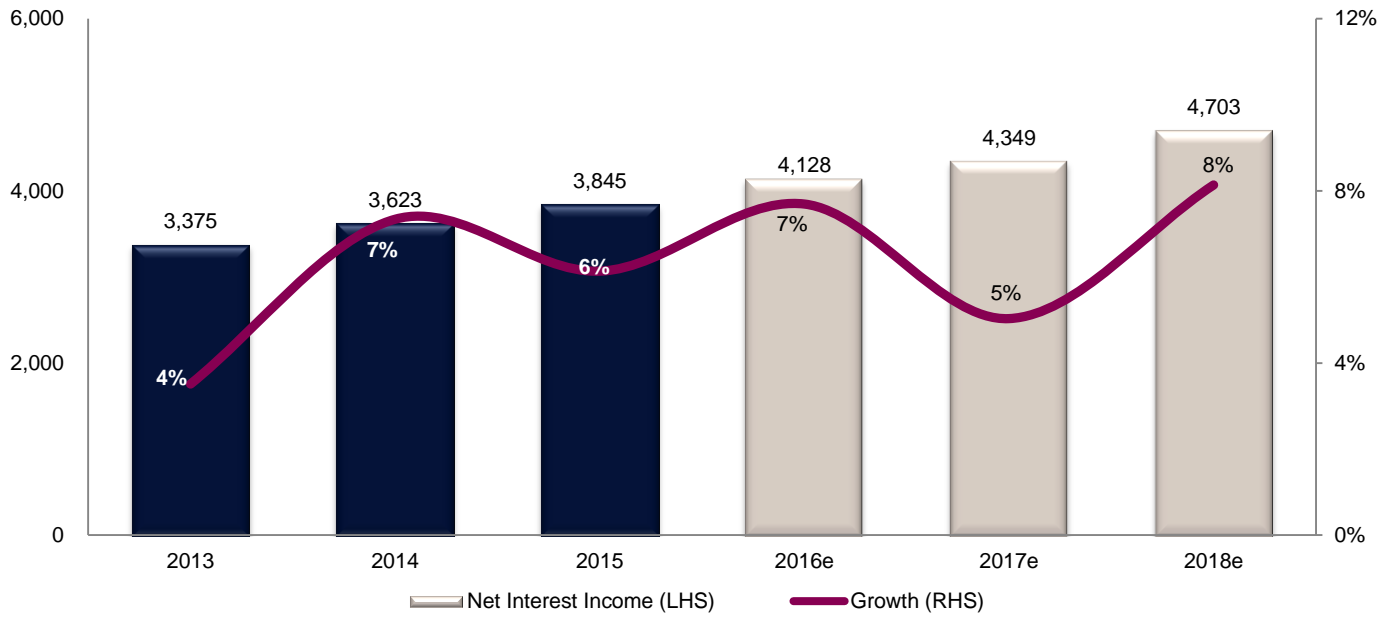Source: Company data, QNBFS estimates

Operating Performance

We expect weak performance in 2016 and 2017 followed by a strong 2018; we pencil in a bottom-line CAGR of 7.5% in 2015-2020e vs. 9.2% (2010-2015). *We estimate a 6.3% drop in net income to SAR2.8bn in 2016 mainly due to a 34.2% jump in net provisions & impairments.* We expect provisions to increase based on possible asset quality concerns as a result of the weak macro-economic environment. Hence, we pencil in a cost of risk (CoR) of 74bps (59bps in 2015) which leads provisions to increase to SAR869.8mn. Moreover, in-line with the same reasoning, we estimate fees and commissions to decline by 18.0% to SAR1.05bn. *Furthermore, we expect NIMs to increase by 11bps to 2.78% given the FED's rate hike earlier. Having said that, the bank faces funding pressure* as the bank's LDR is currently at 89% (close to SAMA's 90% ceiling);. *We expect cost of funding to increase by 120bps vs. 75bps for asset yields (**51% and 54% of ANB's loan book and investment portfolio were repriced at the end of 1Q2016**). As such,* We forecast net interest income at SAR4.13bn in 2016, implying growth of 7.4%. As far as 2017 is concerned, we expect net income to dip by 2.6% to SAR2.7bn led by weak non-interest income and higher provisions. We estimate net interest income to increase by only 5.4% to SAR4.35bn as the bank raises further interest bearing deposits. Moreover, we pencil in a 8.0% drop in fees and commissions to SAR970.10mn. Furthermore, We remain conservative; we estimate provisions to gain by 20.6% to SAR1.05bn (CoR 89bps). In 2018 we estimate net income to increase by 28.3% to SAR3.5bn, led by positive performance across the board coupled with a sharp drop in provisions. *We caution that our estimates could be revised downward if oil prices remain depressed longer than expected and if asset quality deteriorates more than expected.*
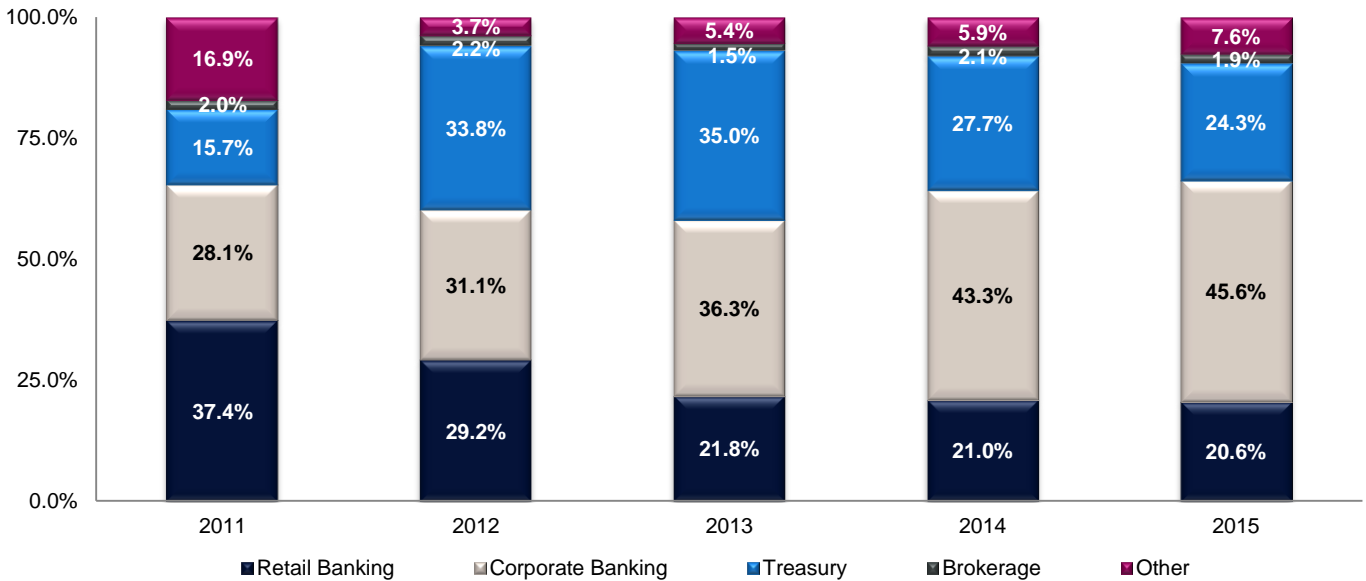
Net Income (SAR mn)
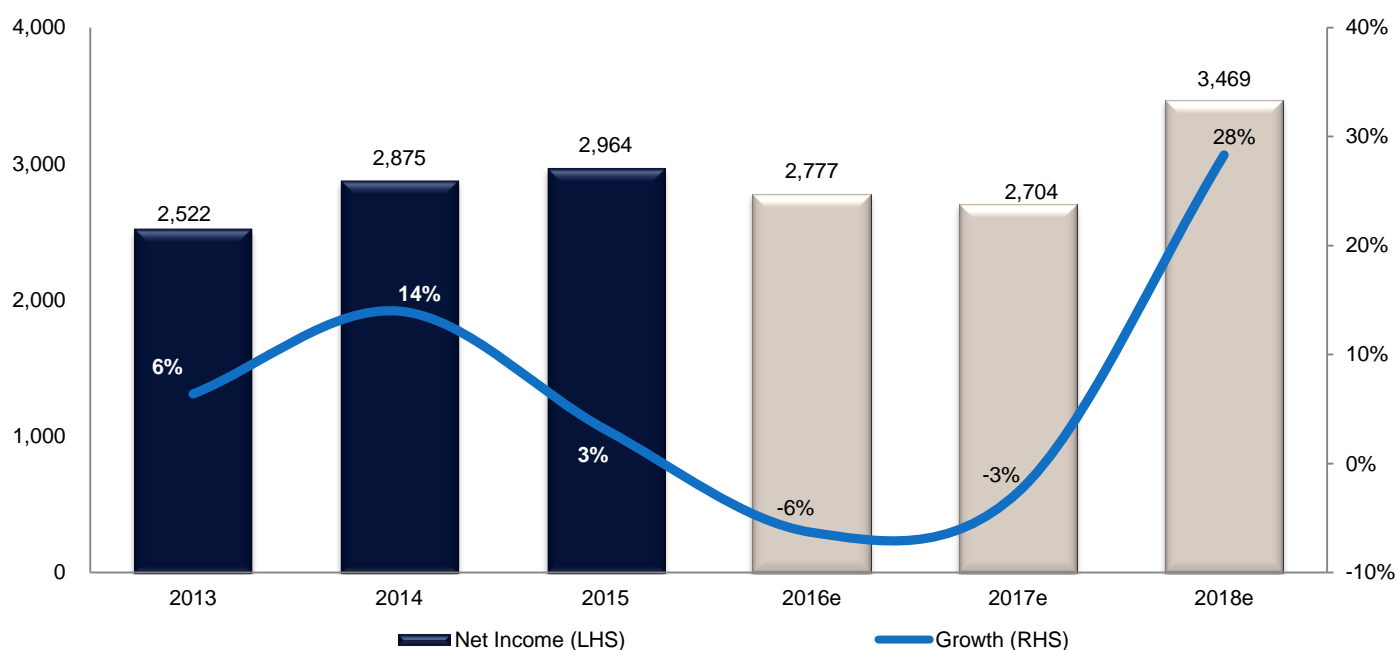
Source: Company data, QNBFS estimates
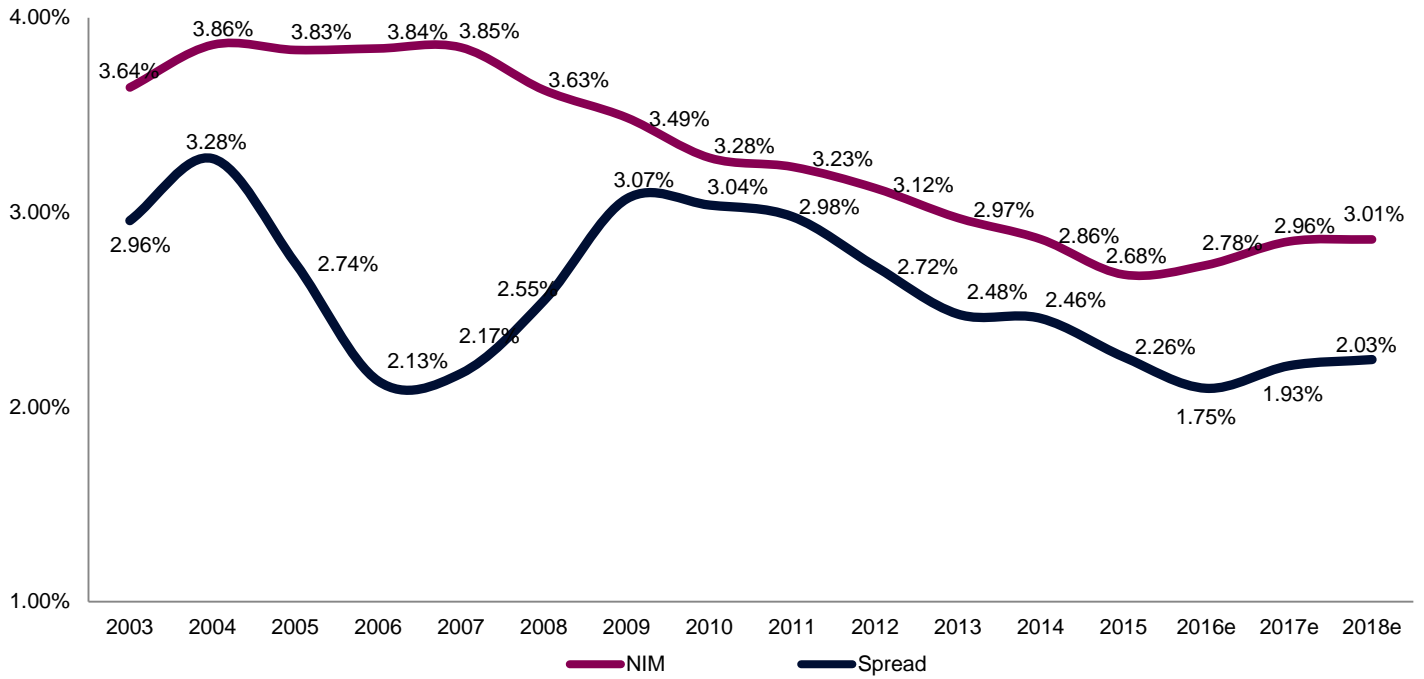
Net Interest Income (SAR mn)

Source: Company data, QNBFS estimates

Profitability Dominated by Corporate Banking Followed by Treasury; Retail Banking has Steadily Weakened
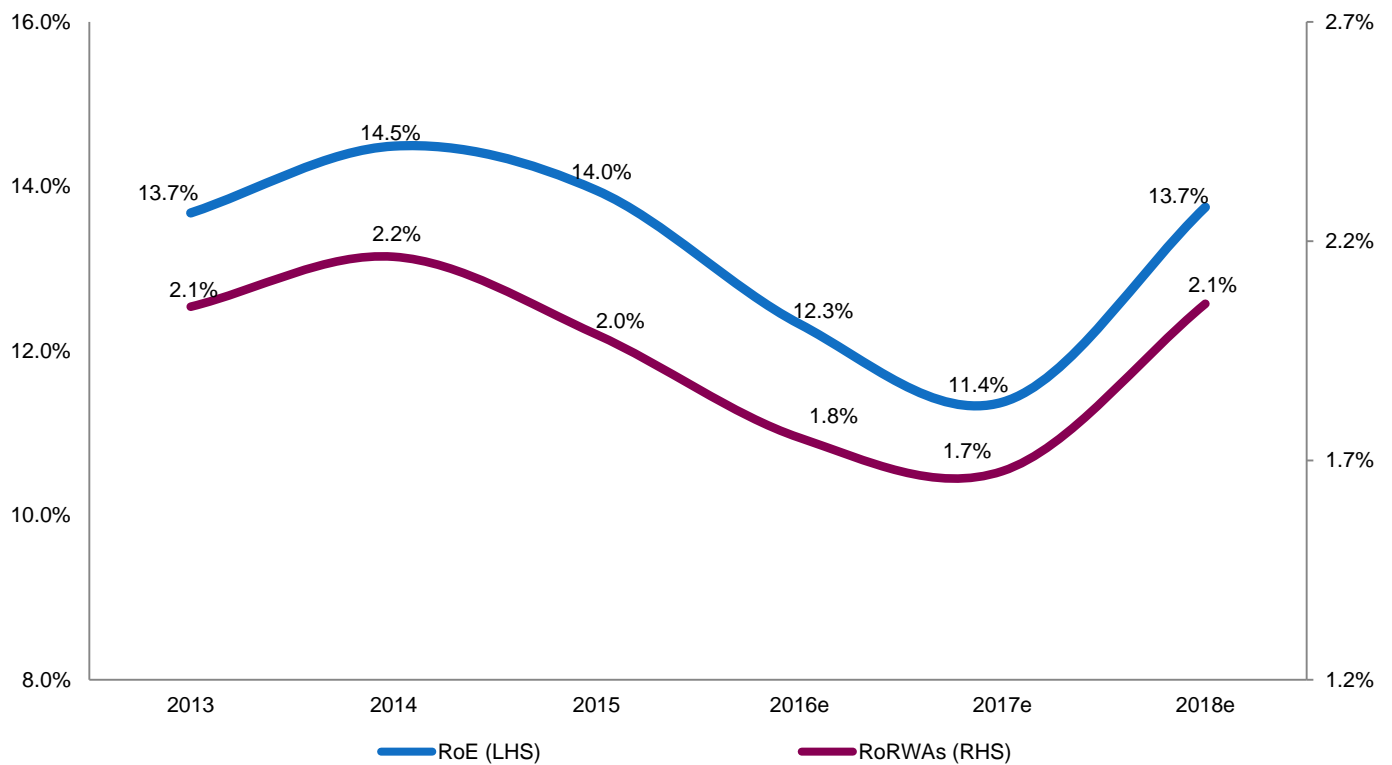

Source: Company Data

NIMs To Progressively Improve

Source: Company data, QNBFS estimates

RoAE to Remain Under Pressure On the Back of Excessive Provisioning But to Gradually Improve
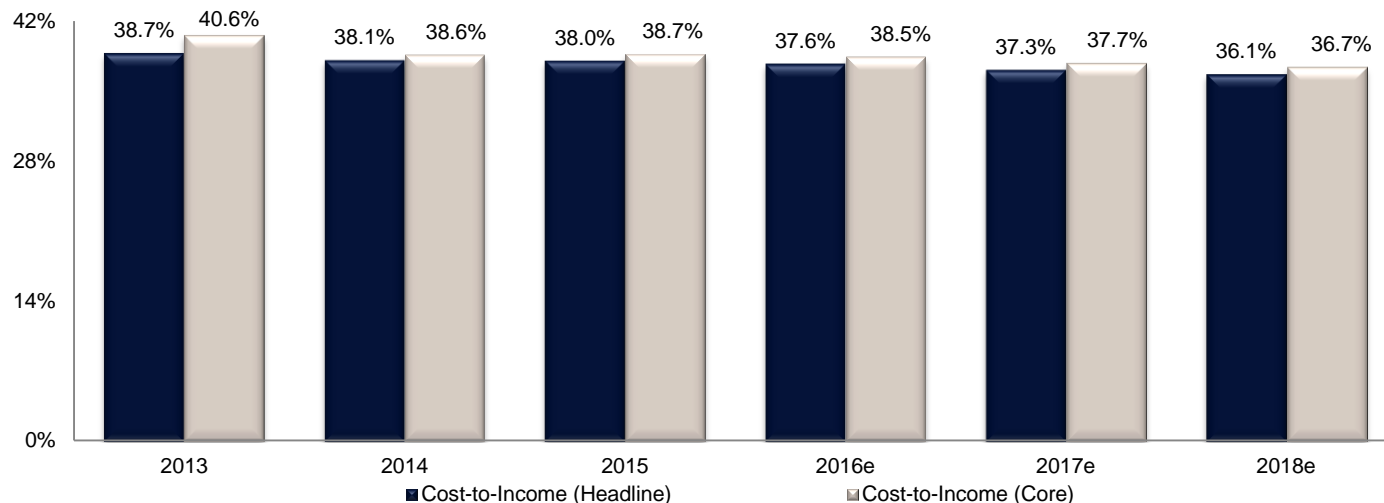

Source: Company data, QNBFS estimates

Efficiency

ANB's cost-to-income generally on the high-side, but has improved. ANB's efficiency ratio has always been elevated. This is primarily due to its retail banking operation where the bank has an extensive network of 151 branches. Thus, ANB's retail banking cost-to-income ratio has sat around the 62% vs. ~24% and 12.8% for corporate banking and treasury, respectively. Moreover, the bank's opex grew by a CAGR (2010-2015) of 6.4% vs. 5.5% in revenue. This growth in cost is likely due to the bank's retail banking division which is more cost intensive vs. corporate banking and treasury. Going forward, we estimate the bank's cost-to-income ratio to steadily improve as the bank contains costs during economic hardships. We expect opex to be flattish in 2016 and 2017. On the other hand we pencil in a growth of 7.1% in 2018 assuming the economy improves and the bank starts operating more aggressively.

Operating Efficiency Requires Improvement

Source: Company data, QNBFS estimates

Asset Quality

ANB's asset quality has marginally worsened (not in a significant manner) but it could get worse by the end 2016 and 2017. So far in 3Q2016, ANB has not experienced any significant stress in its asset quality; NPLs dropped by 16.2% YTD. However, the NPL ratio slightly moved up to 0.87% vs. 0.75% in 2Q2016 but lower than 1Q2016's 1.03% (1.04% in 2015). The drop in NPLs appears to be driven by a ~SAR200mn write-off. We forecast some deterioration in asset quality towards the end of 2016 and 2017 as is likely during periods of economic distress. Moreover, the construction industry especially contracting could negatively impact banks including ANB (8% of ANB's loan book is exposed to the building & construction segment). Thus, we estimate an increase in the NPL ratio to 0.95% and 1.10% in 2016 and 2017, respectively. *It should be noted that there is an upside risk to our NPLs forecast, should major contractors default.* I is worth mentioning that although we expect the NPL ratio to increase, the increase in the ratio still implies NPLs to remain lower than the medium-term historical levels. Prior to 2009 and 2010, the NPL ratio was on average 1.3% (2004-2008). However, during the global financial crisis, this ratio jumped to 3.0%. As a result, management has been reducing this ratio through write-offs, with the largest one occurring in 2013.

Healthy Asset Quality but Could Worsen in 2016 and 2017
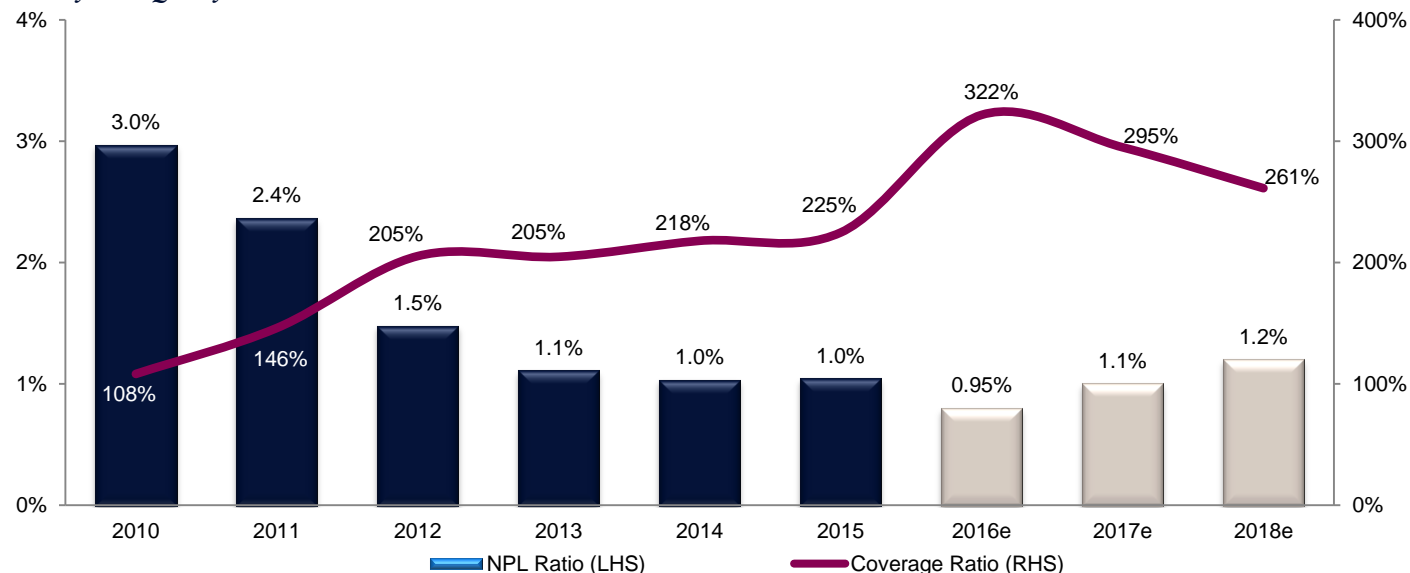
Source: Company data, QNBFS estimates

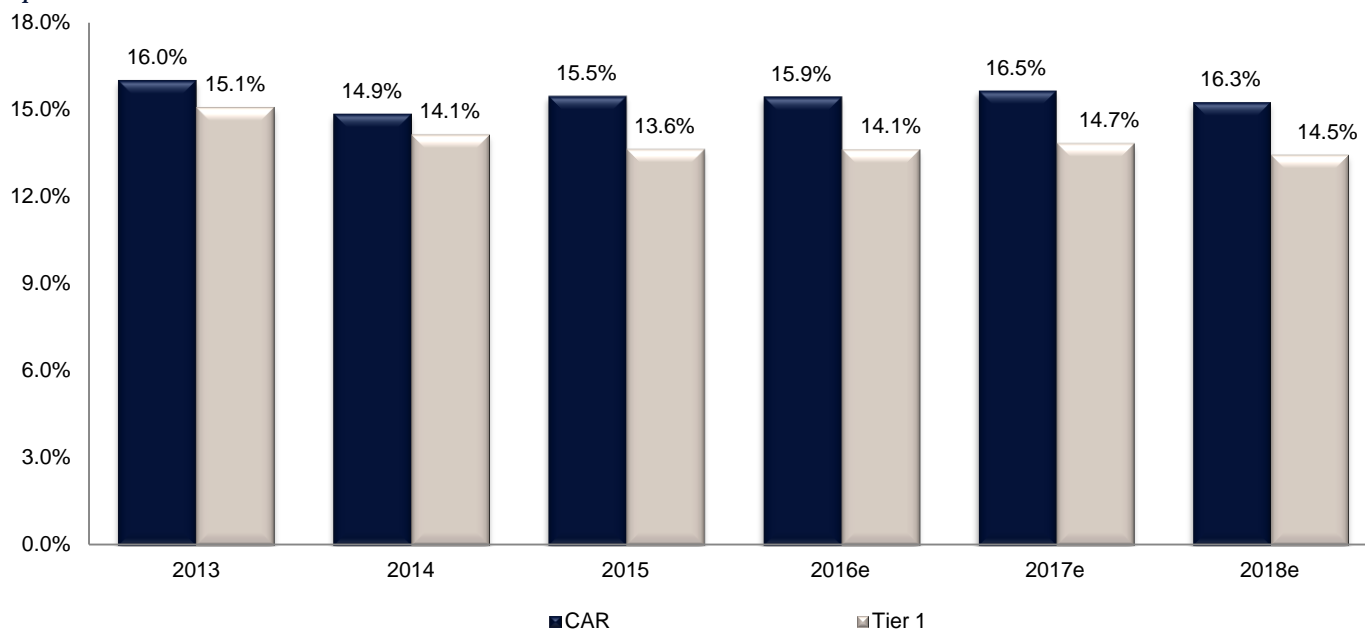*Cost of Risk to Remain Elevated in the Near Term; Drop to Within Historical Range From 2018 and Beyond*
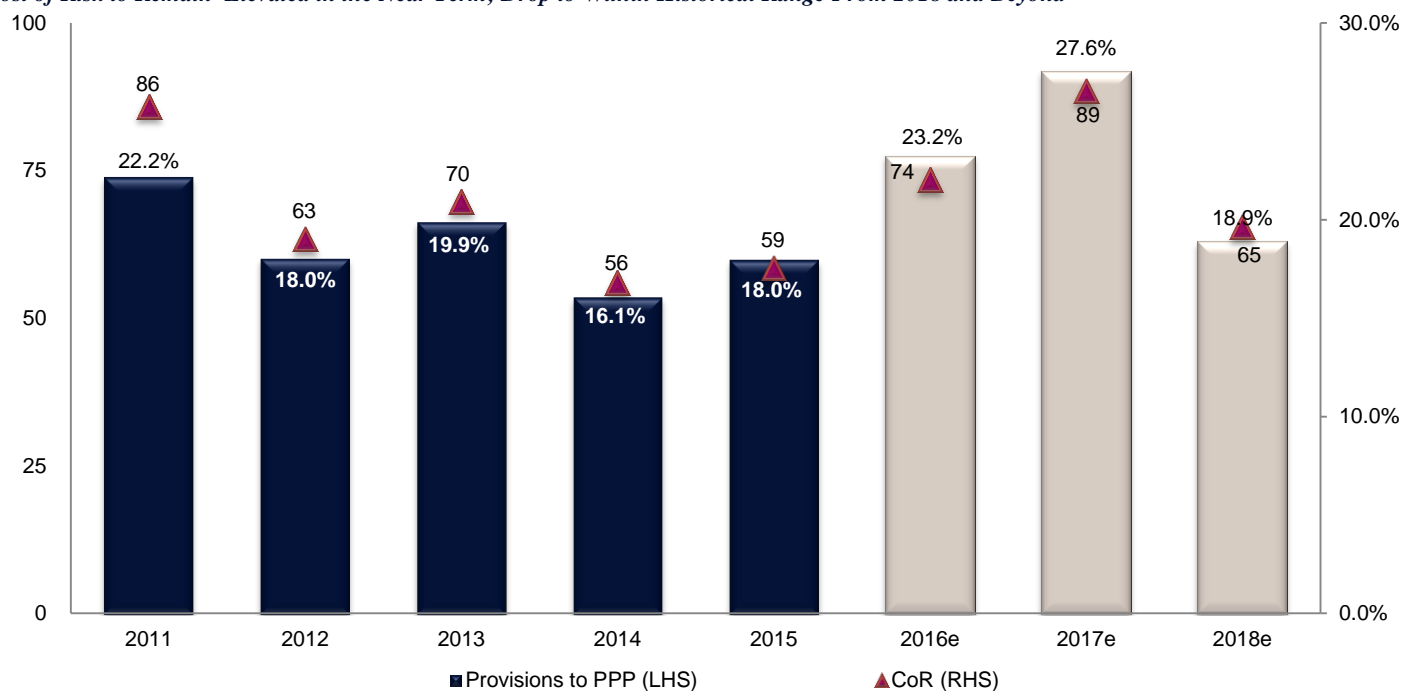
Source: Company data, QNBFS estimates

Capitalization

Strong capitalization levels. ANB has always maintained healthy capitalization levels and we do not expect this trend to reverse.

Capitalization Levels Remain Good

Source: Company data, QNBFS estimates

Company Description

As of 3Q2016, Arab National Bank had a 8% market share in loans (7th largest among domestic banks) and 8% market share in deposits (7th largest among domestic banks). Moreover, ANB commands the 4th largest market share in retail lending (6%) and 4th largest branch network. Established in 1980 as a JV with prominent Jordan based Arab Bank, ANB is a universal bank offering conventional and Shari'ah compliant services to corporates and retail customers, investment banking, brokerage and asset management. The bank has a network of 151 branches and over 1,000 ATMs.

Solid shareholder base. ANB enjoys a strong and stable shareholding structure.

Major Shareholders

Shareholders	Investor Type	Country	Share (%)
Arab Bank PLC	Institutional	Jordan	40.00
General Organization for Social Insurance (GOSI)	Government	KSA	11.28
Rashed Abdulrahman Al Rashed & Sons Co.	Institutional	KSA	9.96
Al Jaber Trading Co.	Institutional	KSA	5.65
Total			**66.89**

Source: Tadawul

Subsidiaries/Associates

Company	Country	Share (%)
Arab National Investment Co. (ANB Invest)	KSA	100
Arabian Heavy Equipment Leasing Co. (AHEL)	KSA	87.5
Arab Insurance Agency	KSA	100
Al Manzil Al Mubarak Real Estate Financing Ltd.	KSA	100
ANBI Business Gate Fund	KSA	25.47
Metlife-AIG-ANB Cooperative Insurance Co.	KSA	30
Saudi Home Loans Company	KSA	40

Source: Company data

Detailed Financial Statements

Ratios	FY2015	FY2016e	FY2017e	FY2018e
Profitability (%)				
RoAE	14.0	12.3	11.4	13.7
RoAA	1.8	1.6	1.6	2.0
RoRWA	2.0	1.8	1.7	2.1
NIM (% of IEAs)	2.67	2.78	2.96	3.01
NIM (% of RWAs)	2.58	2.60	2.70	2.79
NIM (% of AAs)	2.29	2.44	2.57	2.66
Spread	2.3	1.8	1.9	2.0
Efficiency (%)				
Cost-to-Income (Headline)	38.0	37.6	37.3	36.1
Cost-to-Income (Core)	38.7	38.5	37.7	36.7
Liquidity (%)				
LDR	85.2	90.3	89.2	88.2
Loans/Assets	67.9	68.8	67.4	67.6
Cash & Interbank Loans-to-Total Assets	9.4	12.3	12.3	10.3
Deposits to Assets	79.7	76.2	75.5	76.7
Wholesale Funding to Loans	6.6	10.6	10.9	9.5
IEAs to IBLs	204.2	191.9	178.7	170.3
Asset Quality (%)				
NPL Ratio	1.0	1.0	1.1	1.2
NPLs to Shareholder's Equity	5.6	4.8	5.4	5.9
NPLs to Tier 1 Capital	5.8	5.0	5.5	6.1
Coverage Ratio	224.6	269.9	293.1	288.3
ALL/Average Loans	2.5	2.6	3.2	3.6
Cost of Risk	59	74	89	65
Capitalization (%)				
Tier 1 Ratio	13.6	14.1	14.7	14.5
CAR	15.5	15.9	16.5	16.3
Tier 1 Capital to Assets	12.5	13.5	14.0	13.9
Tier 1 Capital to Loans	18.5	19.6	20.7	20.5
Tier 1 Capital to Deposits	15.7	17.7	18.5	18.1
Leverage (x)	7.8	7.2	7.0	7.0
Growth (%)				
Net Interest Income	6.1	7.4	5.4	8.1
Non-Interest income	7.5	-10.3	-6.8	16.4
Total Revenue	6.6	1.2	1.6	10.5
Opex	6.5	0.0	0.8	7.1
Net Provisions & Impairments	27.0	34.2	17.0	-26.4
Net Income	3.3	-6.3	-2.6	28.3
Loans	11.5	-0.4	-0.2	7.7
Deposits	4.7	-6.0	1.0	9.0
Assets	3.5	-1.7	1.9	7.4
RWAs	10.3	2.6	1.0	8.0

Source: Company data, QNBFS estimates

Income Statement (In SAR mn)	FY2015	FY2016e	FY2017e	FY2018e
Net Interest Income	3,845	4,128	4,349	4,703
Fees & Commissions	1,286	1,054	970	1,116
FX Income	513	477	520	614
Investment Income	62	107	46	69
Other Income	194	206	181	200
Non-Interest Income	**2,055**	**1,844**	**1,718**	**1,999**
Total Revenue	**5,900**	**5,972**	**6,067**	**6,702**
Operating Expenses	(2,243)	(2,243)	(2,261)	(2,421)
Net Operating Income	**3,657**	**3,729**	**3,805**	**4,281**
Net Provisions & Investment Impairments	(700)	(940)	(1,099)	(809)
Minority Interest	8	(12)	(3)	(3)
Net Profit	**2,964**	**2,777**	**2,704**	**3,469**

Source: Company data, QNBFS estimates

Balance Sheet (In SAR mn)	FY2015	FY2016e	FY2017e	FY2018e
Assets				
Cash & Balances with Central Bank	10,428	12,762	12,889	12,644
Interbank Loans	5,575	7,834	8,050	6,195
Net Investments	33,294	26,167	29,202	34,988
Net Loans	115,656	115,208	115,000	123,898
Other Assets	3,522	3,632	3,774	3,667
Net PP&E	1,945	1,971	1,770	1,859
Total Assets	**170,421**	**167,574**	**170,686**	**183,251**
Liabilities				
Interbank Deposits	5,673	10,225	10,558	9,713
Customer Deposits	135,761	127,616	128,892	140,492
Term Loans	2,011	2,016	2,016	2,016
Other Liabilities	4,344	3,828	4,125	4,215
Total Liabilities	**147,789**	**143,685**	**145,590**	**156,435**
Shareholders' Equity	21,894	23,163	24,373	26,095
Total Liabilities & Shareholders' Equity	**170,421**	**167,574**	**170,686**	**183,251**

Source: Company data, QNBFS estimates

KSA Banking Landscape

Loans/GDP: KSA Underbanked

	KSA	Oman	Kuwait	UAE	Qatar
2014	45%	68%	63%	87%	85%
2015	56%	86%	92%	109%	124%

■2014 ■2015

Source: Respective Central Banks, IMF, UN

Young Population: Favorable for Retail Banking

■0-14 ■15-40 ■40-65 ■65+

- 0-14: 29%
- 15-40: 44%
- 40-65: 24%
- 65+: 3%

ANB Claims 4th Largest Branch Network

RJHI	NCB	RIBL	ANB	Al Bilad	SABB	BSFR	BAJ	SAMBA	Alinma	SHB	SAIB	Foreign...
537	355	334	151	120	84	83	78	72	70	61	48	14
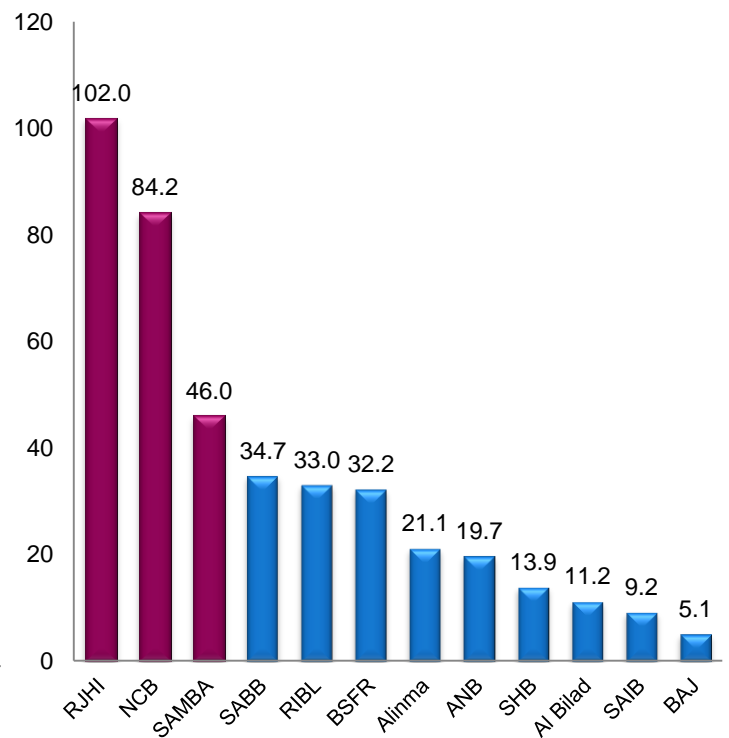
Source: SAMA, Bloomberg

ANB - Mid Cap Stock **(SAR bn)**

RJHI	NCB	SAMBA	SABB	RIBL	BSFR	Alinma	ANB	SHB	Al Bilad	SAIB	BAJ
102.0	84.2	46.0	34.7	33.0	32.2	21.1	19.7	13.9	11.2	9.2	5.1

2015 Loans Market Share: NCB is the Incumbent
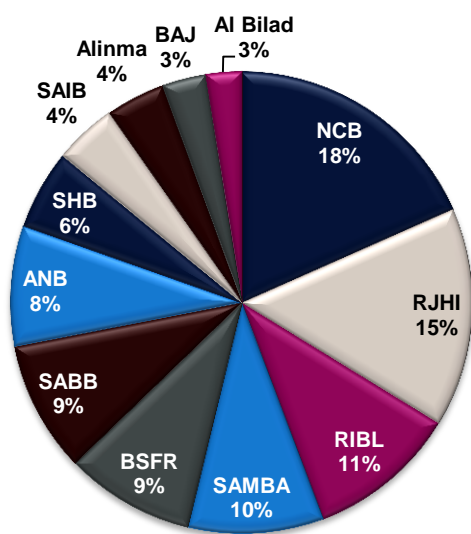
Source: Company financials

3Q2016: ANB Maintained its Market Share
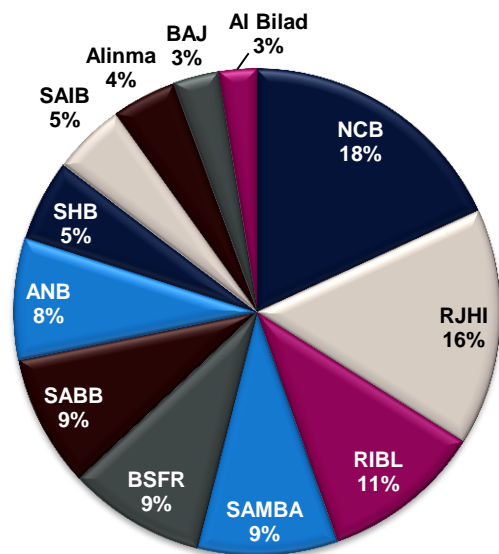
2015 Corporate Loans Share: NCB Followed by BSFR Largest)
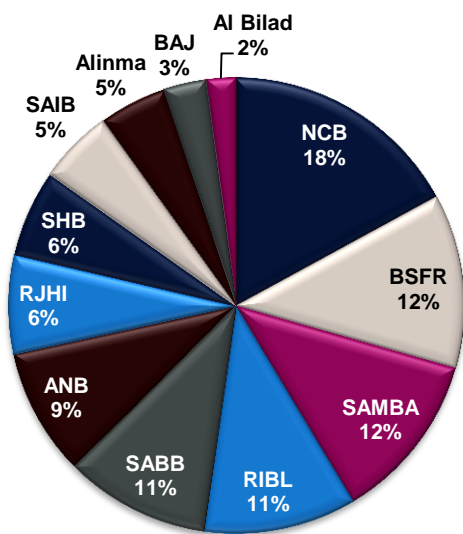
Source: Company financials

2015 Retail Loans: ANB Commands 6% Market Share (4th
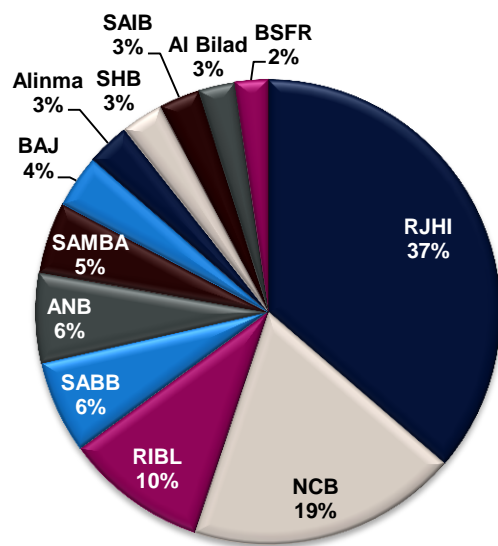
2015 Conventional Loans Share: RIBL Followed by SAMBA

Source: Company financials

Corporate Loans Dominate as is the Case in the GCC Saudis

Source: Company financials
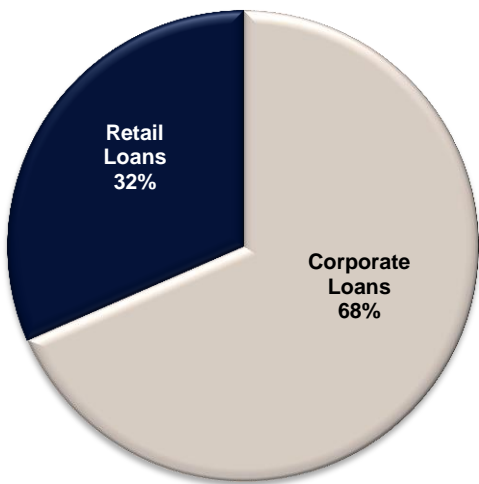
2015 Shari'ah Loans: ANB In-Line With Its Direct Peers

Conventional Loans vs. Shari'ah Loans: Shari'ah Favored by
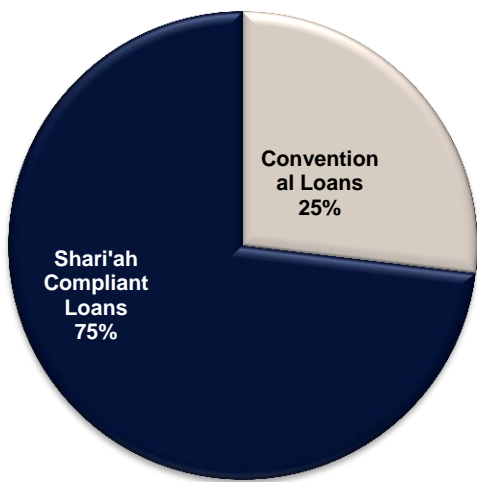
2015 Deposits: NCB & RJHI Dominate ANB Lost
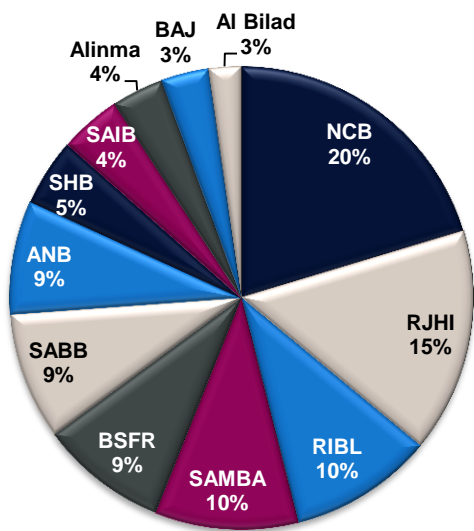
3Q2016 Deposits: RJHI Gained Market Share While NCB &
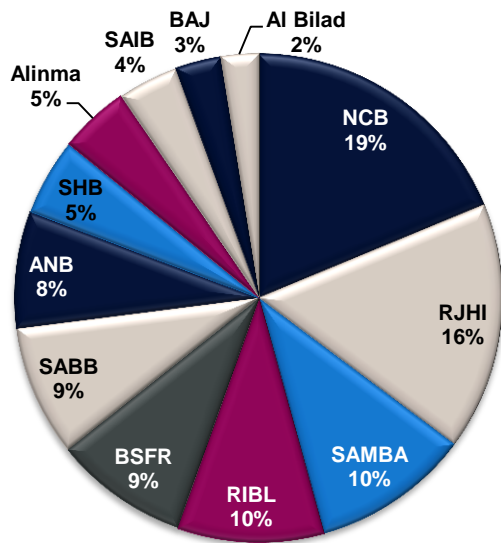
Source: Company financials

ANB's LDR (headline/simple LDR) On The Upper End
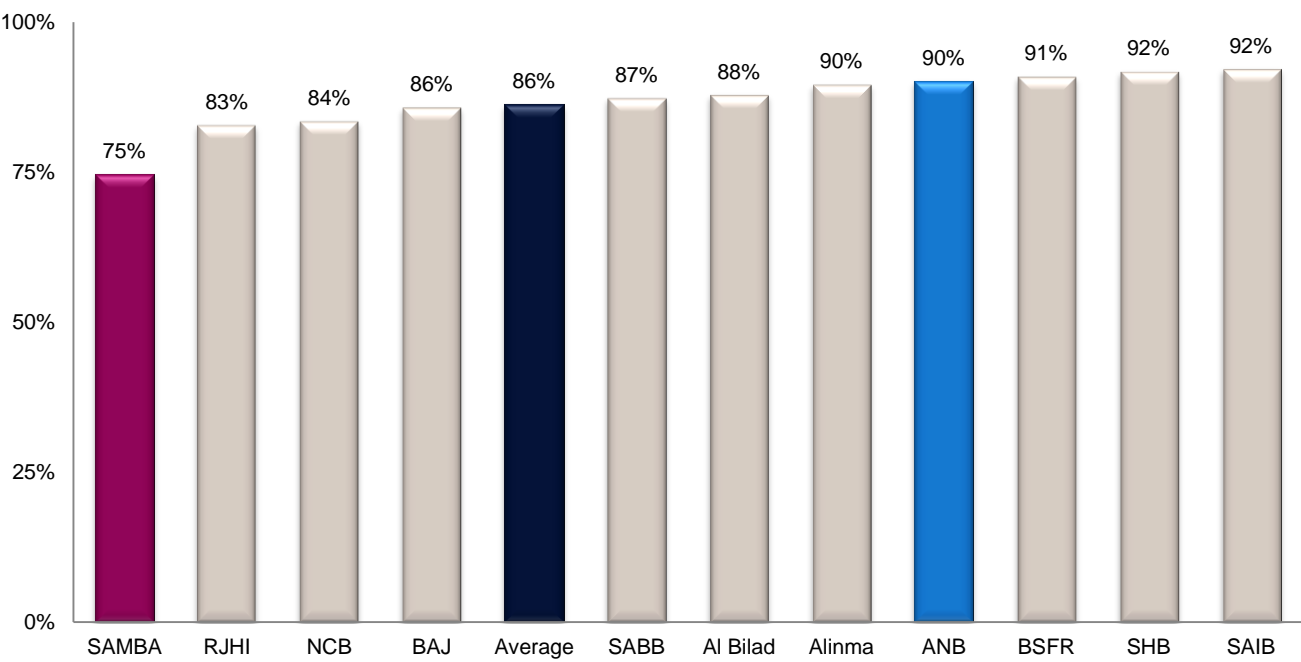
Source: Company financials

Recommendations		Risk Ratings	
Based on the range for the upside / downside offered by the 12 - month target price of a stock versus the current market price		*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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