



### Key themes

The banking sector's net income is expected to be under pressure in Q2 2017. Net financing income is expected to slip as loan growth has been flat and loans are repriced lower due to decline in SAIBOR. Non-financing income is also expected to decline on lower FX income (fall in remittances), lower trading fees (decline in trading on Tadawul) and lower commissions (flat loan growth). Provisions may remain flat but deteriorating asset quality remains a risk for the sector.

## Saudi Arabian Banking sector

### Contraction in NIMs + Declining non-financing income + Flattish provisions = Weak Q2

*We expect Q2 2017 Saudi Banking sector consolidated earnings to remain under pressure. We expect assets yields to decline as effective SAIBOR is lower by high single digits q-o-q. This along with flat loan growth is likely to lead to lower financing income. Also, we are unlikely to see financing costs decline by as much as we saw in the last quarter and hence expect net financing incomes to contract this quarter, resulting in a decline in NIMs (q-o-q). Non-financing income is also expected to be sluggish on lower commissions, FX income and trading fees. Part repayment of outstanding dues, as seen in some corporate results, suggests that deterioration in NPLs may have been avoided - however, the risk of deteriorating asset quality still persists. Overall we expect flattish provisioning in Q2 with chances of an increase in H2. Loan growth is expected to remain weak in the foreseeable future as gross capital formation is unlikely to pick up in a significant manner in the near future. Key upside risks are related to future financing opportunities from big ticket projects and a mild increase in SAIBOR. Valuations at current levels are much lower as compared to historical basis but so are RoEs. While we expect no major impetus to Banking stocks in the near future, to have a more diversified banking sector exposure we believe it would be prudent to categorize Al Rajhi separately from the rest of the banking stocks as observed from historical stock correlations (Figure 1).*

**Financing income to see a drop q-o-q:** Though SAIBOR started stabilizing from the start of March 2017 and has been flattish since then, gross financing income is likely to be lower if we are to assume average loan reset period to be around 6 months for corporate loans. Last six month average of 3m SAIBOR stood at 1.85% in Q2 till date vs 2.04% in Q1, implying a drop of 9% q-o-q for corporate loans. For retail exposure, given the longer financing periods, we expect impact to be much milder which positions retail segment better than corporate segment in Q2. As of April, loan growth has also been flattish on m-o-m basis, with some banks seeing a decline in loans (Q1 data) which may continue in the near term. On the other hand, impact of changes from cost of deposit being more immediate (coupled with declining proportion of savings deposits to total deposits) is likely to be low. As a result, net financing income could drop by low single digits on a q-o-q basis for corporate exposures while it may stay flattish for retail segment. In the last quarter, a sharp fall in financing costs helped net financing income to increase by 9% y-o-y which helped net income stay flat y-o-y, but this may not happen in Q2.

**Loan growth unlikely to revive anytime soon:** We are of the view that loan growth is unlikely to revive anytime in the near future and growth in net financing income is likely to be mainly a determinant of any pick up in SAIBOR levels which we believe could be anticipated by mid H2 2017. Though we expect no liquidity squeeze we expect the Saudi Govt to issue local bonds to the tune of SAR70bn (Source: Bloomberg) and taken up by the Banks. Banks are likely to slowly free up other lower yielding assets to bring in liquidity, which may boost their investment returns as well. Based on April

**Mazen Al-Sudairi**  
Head of Research  
Tel +966 11 2119449,  
[alsudairim@alrajhi-capital.com](mailto:alsudairim@alrajhi-capital.com)

**Pritish Devassy, CFA**  
Tel +966 11 2119370  
[devassyp@alrajhi-capital.com](mailto:devassyp@alrajhi-capital.com)

*Note: We do not cover Banks. Al Rajhi Capital does not support non-Shariah stocks. Please read special disclaimers at the end of the report.*



monthly data, we note that banks' holding of SAMA bills has fallen to 0.7% of total Bank assets, from 6.2% at the end of December 2015, as banks have substituted them with higher yielding government bonds. Also, though not much, Fed hikes are inevitable at least to the tune of 25bps in a year's time- which should also help. The impact on banks should be positive as it comes off a low base.

**Liquidity to be comfortable despite Govt bond issuances:** Since September 2016 the liquidity situation in the Kingdom has improved significantly. "Other deposits" with SAMA accounted for 4.7% (SAR107bn) of the banks' consolidated total assets at the end of April 2017, compared to only 1.2% in April 2016. Thus, the banking system has the ability to absorb the SAR70bn planned local bond issue. These issuance of Government bonds could help them to pay dues which could come back into the banking system helping boost money multiplier effect. Banking deposits have increased over the last couple of months on a sequential basis, indicating the Government continues to slowly clear its dues. In addition, the plan to raise another US\$10-15bn from international markets this year, will support liquidity.

**Non – financing income and provisions:** Though some investors were surprised by an increase in non-financing income q-o-q in Q1, we believe this was mostly expected as we had highlighted about the seasonal nature of this segment in our last note. Q2 non-financing incomes are lower than Q1 seasonally. Continuing with the same trend, we expect a decline both on a q-o-q basis and a y-o-y basis. Other than seasonal factors, we believe a y-o-y decline may be attributed to lesser loan restructuring given flattish SAIBOR levels since March. Secondly, trading volumes have also been lower. TASI avg. daily volumes were down 30% y-o-y in Q1 and during Ramadan (from May 26 to June 13), avg. daily volumes are 38% lower compared to Q1. Thirdly we believe FX fee income is likely to be lower given lower remittances (SAR11.41bn in April 2017, down 4% y-o-y, source: SAMA). Hence loan and fee related incomes are likely to be lower as well. As for provisions, we believe some portion of Govt. dues may have been paid as evidenced in a few company results and seen in increase in deposits on a m-o-m basis (April - SAMA data). As a result, we believe some payments may have come through and secondly, with banks having lesser opportunities to provide credit, could have provided easier terms to avoid worsening NPLs. However, on the other hand, we note that days of receivables have been increasing. Overall we believe provisions may at best remain flattish q-o-q.

**Considering sector allocation:** We note that most of the banks are highly correlated with each other with the exception of Al Rajhi bank as seen from the correlation matrix. Thus while considering banking sector allocations, we believe it would be prudent to categorize Al Rajhi separately from the others to have a more diversified mix. Given that a few banks have seen rallies based on sale/merger news (eg. SABB, BSF), it might also be prudent to consider these separately as well.

Figure 1 Banking stocks correlation (5 years data)

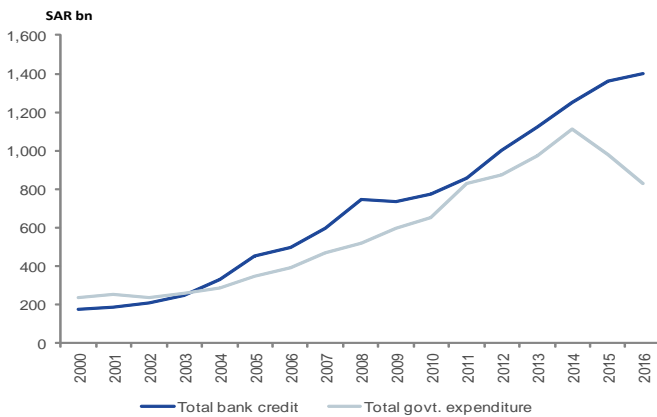
	Al Rajhi	Samba	Riyad	BSF	SABB	ANB	Alawwal	SIB	Alinma	AlJazira	Al Bilad	NCB
Al Rajhi	1.0	0.5	0.4	0.3	0.3	0.3	0.2	0.4	0.3	0.4	0.3	0.1
Samba	0.5	1.0	0.8	0.9	0.9	0.9	0.9	0.8	0.9	0.6	0.9	0.9
Riyad	0.4	0.8	1.0	0.9	1.0	0.9	0.9	0.9	0.9	0.9	1.0	0.9
BSF	0.3	0.9	0.9	1.0	0.9	0.9	0.9	0.8	1.0	0.7	0.9	0.9
SABB	0.3	0.9	1.0	0.9	1.0	0.9	0.9	1.0	0.9	0.8	1.0	0.9
ANB	0.3	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.8	0.9	1.0
Alawwal	0.2	0.9	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.7	0.9	0.9
SIB	0.4	0.8	0.9	0.8	1.0	0.9	0.9	1.0	0.9	0.9	0.9	0.9
Alinma	0.3	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	0.8	0.9	0.9
AlJazira	0.4	0.6	0.9	0.7	0.8	0.8	0.7	0.9	0.8	1.0	0.8	0.9
Al Bilad	0.3	0.9	1.0	0.9	1.0	0.9	0.9	0.9	0.9	0.8	1.0	0.9
NCB	0.1	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9	1.0

Source: Bloomberg, Al Rajhi Capital



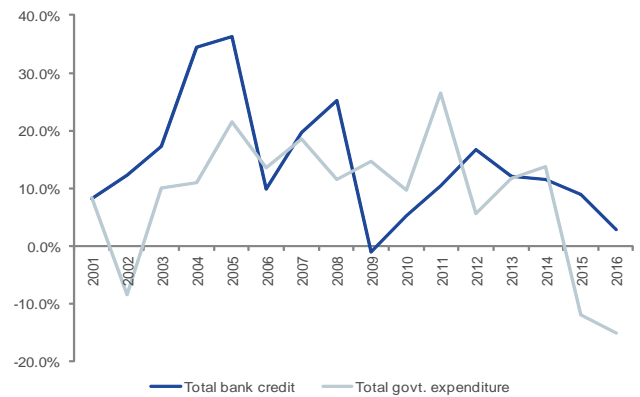
**What awaits the Saudi Banking sector in the coming year:** Loan growth has historically been very closely linked to Govt expenditure in the Kingdom (Figure 2 and 3). Given that oil price is still below USD54/barrel which we believe is required for achieving oil revenue targets for the Govt (based on our calculations), we expect capex could remain lower than expected, which will mean a slight decline/flattish financing on a y-o-y basis. We also note that the pace of decline of FX reserves could initiate some more capex cuts to meet fiscal targets unless other sources of income come higher than expected. In our view, the key driver of possible corporate loan growth is likely to come from major projects that have been announced by the Govt. We believe there is unlikely to be major deleveraging across companies. As for retail segment, Govt which is the largest employer in the Kingdom, with its reinstatement of allowances will help see moderate growth continuing for related banks. We also expect money supply in the economy to be driven by Aramco IPO which could bring in ~ USD100bn of FX if we assume Aramco's valuation to be around USD2trn. On mergers, apart from a possible SABB-AlAwwal merger we believe there is unlikely an appetite for anything else currently. The banking sector index performance has been mostly flat in Q2 QTD (similar to broader market). With regard to valuation, most of the Banks are trading at least below one Standard Deviation of their multi-year P/Bs, but growth prospects also look weak and ROEs are not expected to reach earlier levels at least in the near term.

**Figure 2 Total bank credit compared to annual actual government expenditure**



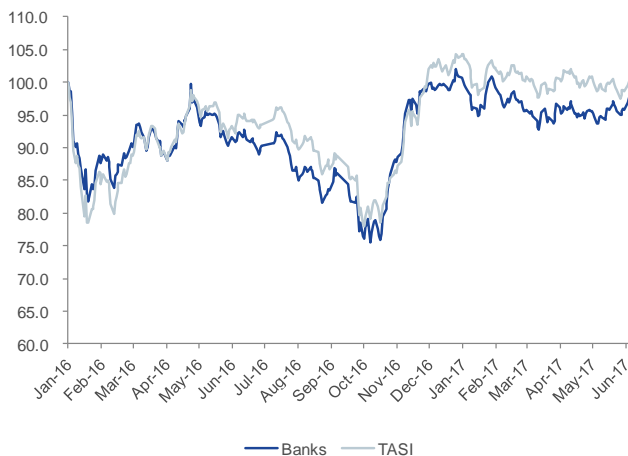
Source: SAMA, Al Rajhi Capital (\* we have excluded government bonds from our total bank credit calculation)

**Figure 3 Y-o-Y change in total bank credit and government expenditure**



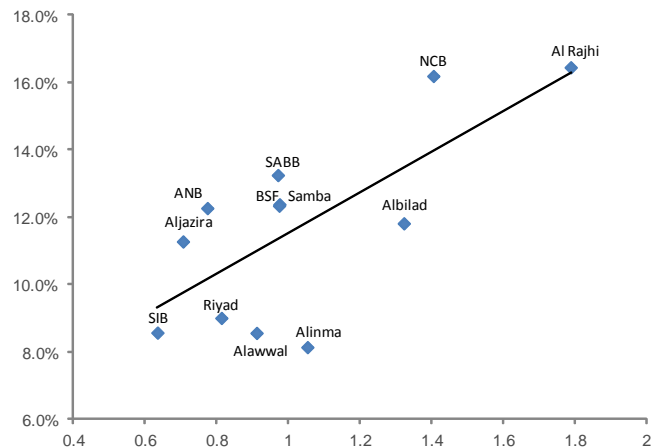
Source: SAMA, Al Rajhi Capital (\* we have excluded government bonds from our total bank credit calculation)

**Figure 4 Performance of Bank sector vs. TASI**



Source: Bloomberg, Al Rajhi Capital

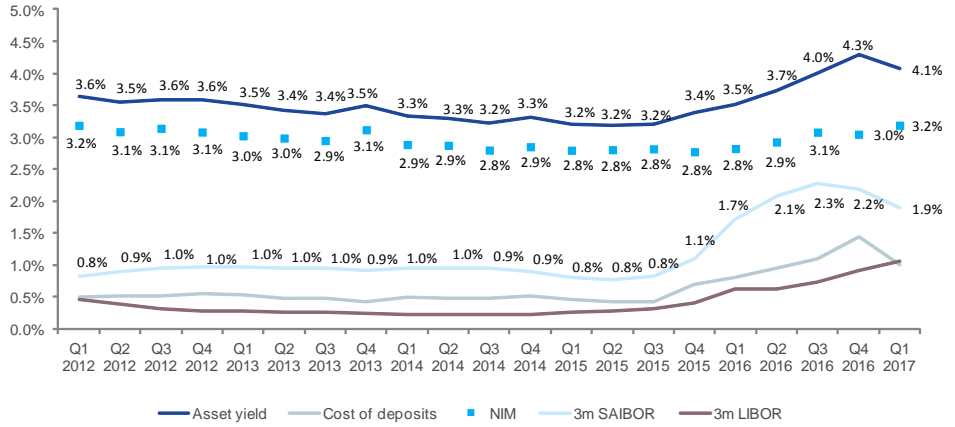
**Figure 5 ROE (avg. last 4 quarters) vs. P/B (12m forward)**



Source: Bloomberg, Company data, Al Rajhi Capital

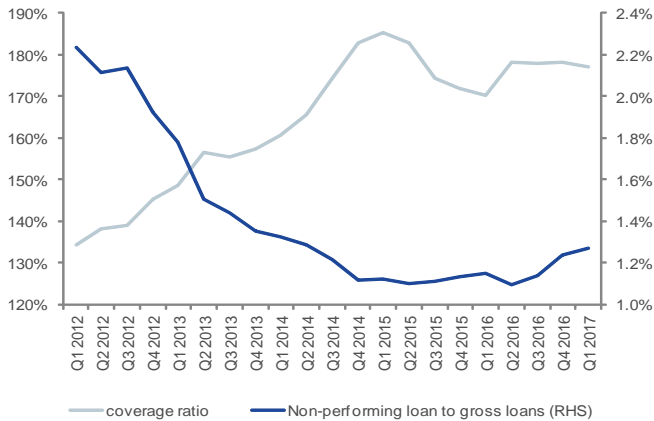


Figure 6 Movement of asset yield, cost of deposit, net financing margin and financing rates



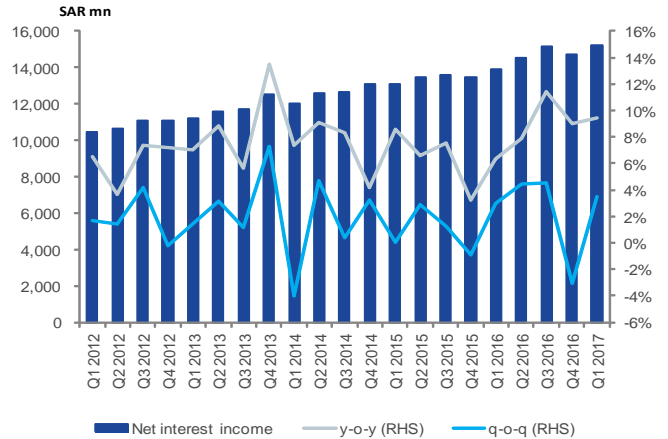
Source: SAMA, Company data, Al Rajhi Capital (\* NIM is calculated as Non-financing income divided by financing earning assets)

Figure 7 Non-performing loan ratio vs. coverage ratio



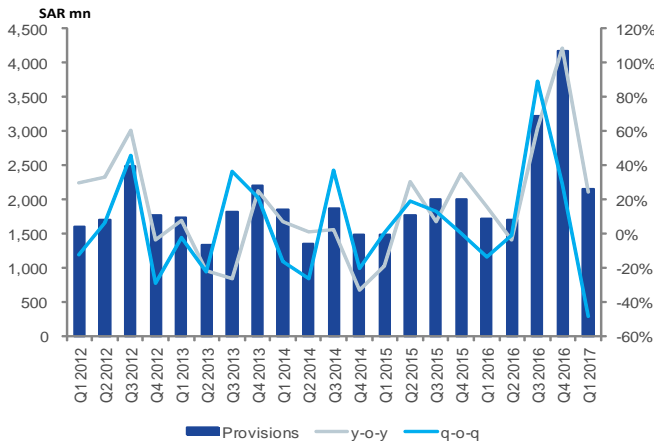
Source: Company data, Al Rajhi Capital

Figure 8 Net financing income for the sector



Source: Company data, Al Rajhi Capital

Figure 9 Banking sector provisions trend



Source: Company data, Al Rajhi Capital

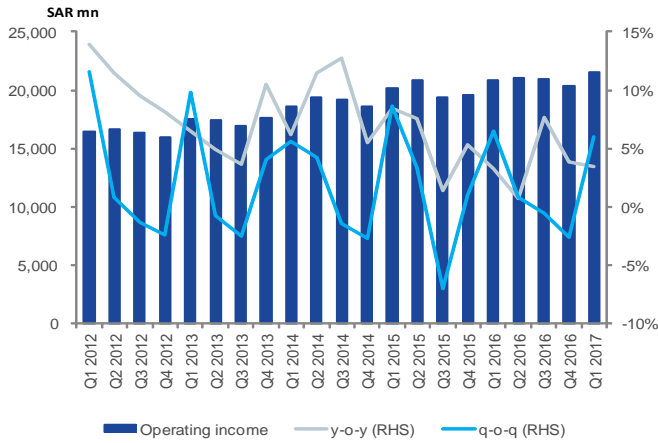
Figure 10 Banking sector non-financing income



Source: Company data, Al Rajhi Capital

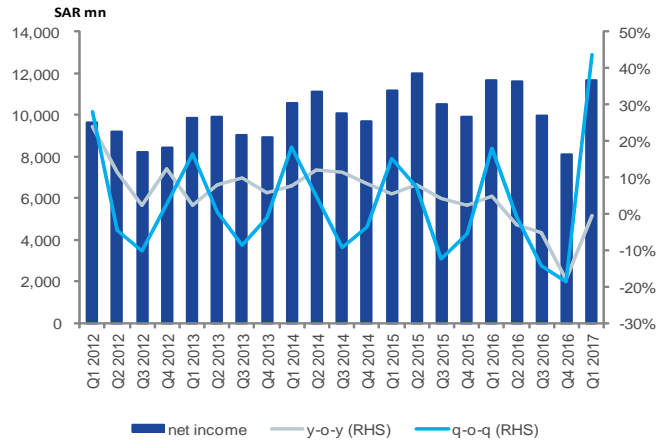


**Figure 11 Banking sector operating income trend**



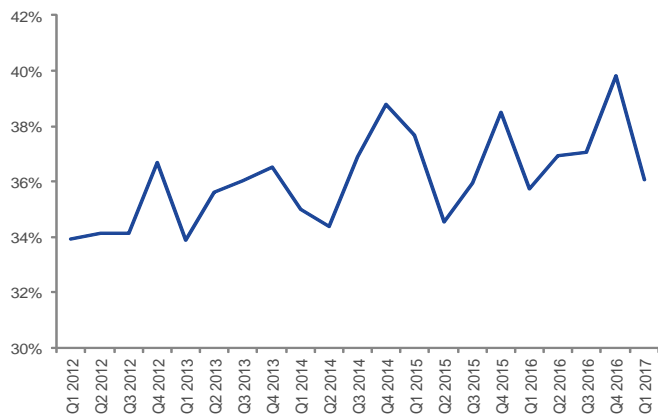
Source: Company data, Al Rajhi Capital

**Figure 12 Banking sector net profit**



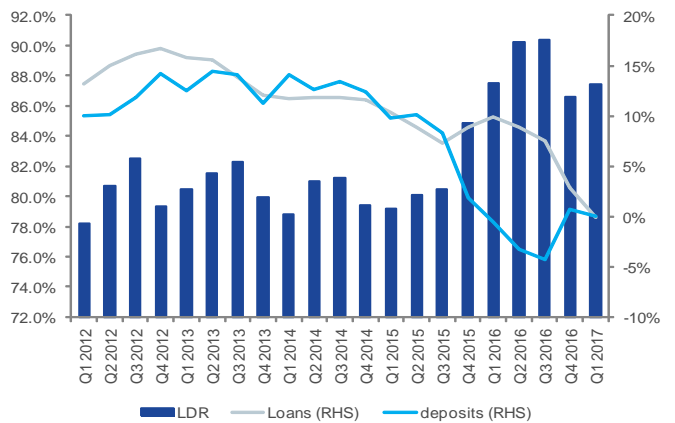
Source: Company data, Al Rajhi Capital

**Figure 13 Banking sector cost to income ratio (cost excluding provisions/income)**



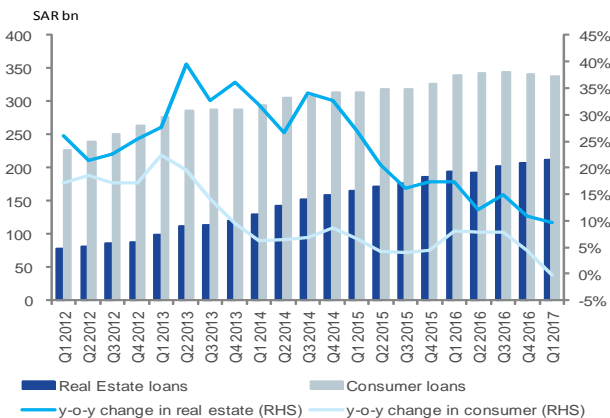
Source: Company data, Al Rajhi Capital

**Figure 14 Loan-to-deposit ratio vs. y-o-y change in loans and deposits**



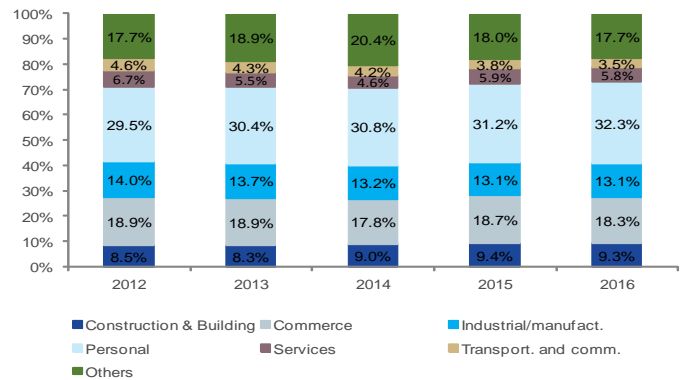
Source: SAMA, Company data, Al Rajhi Capital (\* Our calculation methodology is different from SAMA's which calculates the loan to deposit ratio as net loans (loans minus provisions and commissions) divided by deposits with banks plus long term debt (syndicated loans, bonds and sukks)

**Figure 15 Real Estate and Consumer Loans**



Source: SAMA, Al Rajhi Capital

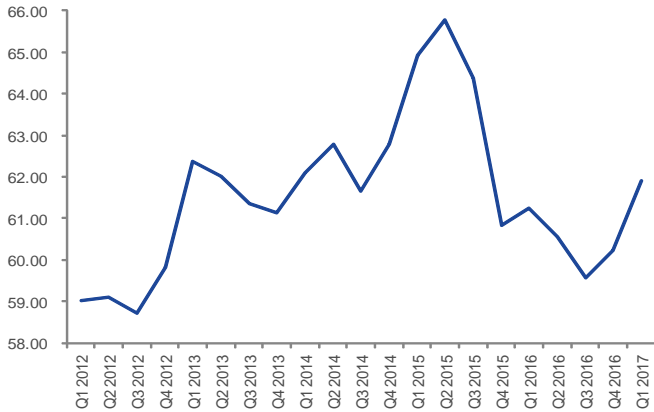
**Figure 16 Loans breakup by economic activity**



Source: Company data, Al Rajhi Capital

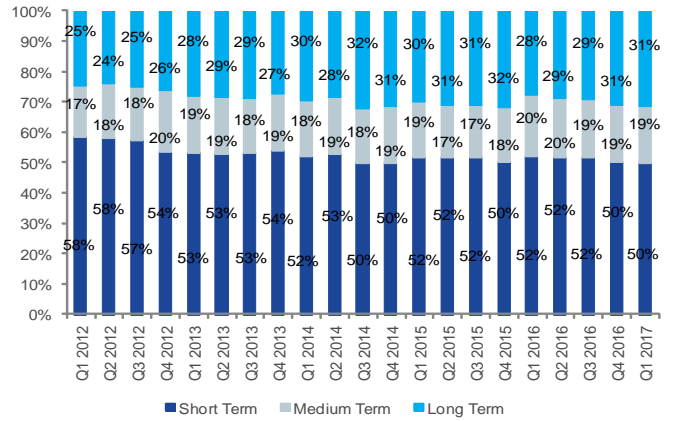


**Figure 17 Demand deposits % of total deposits**



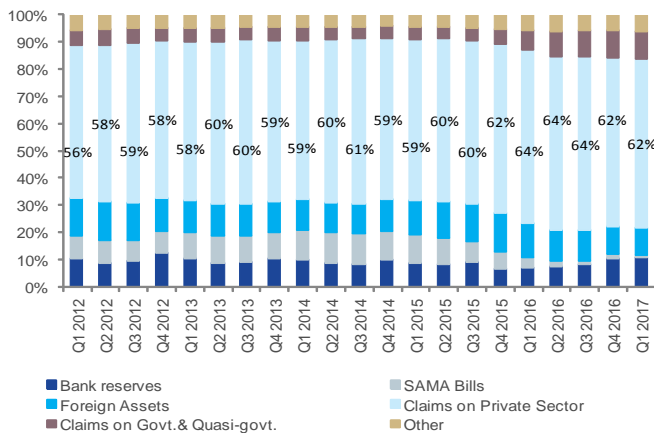
Source: SAMA, Al Rajhi Capital

**Figure 18 Loans breakup by maturity (%)**



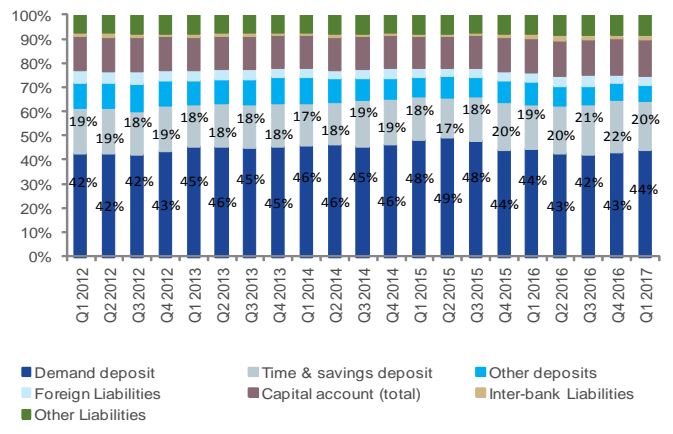
Source: SAMA, Al Rajhi Capital

**Figure 19 Consolidated assets of commercial bank assets**



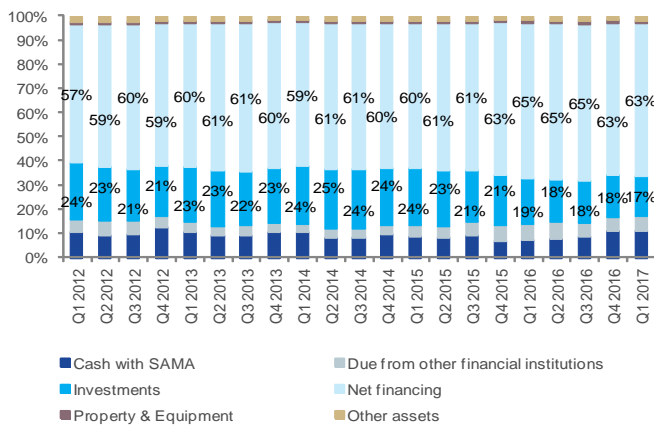
Source: Company data, Al Rajhi Capital

**Figure 20 Consolidated liabilities of commercial banks**



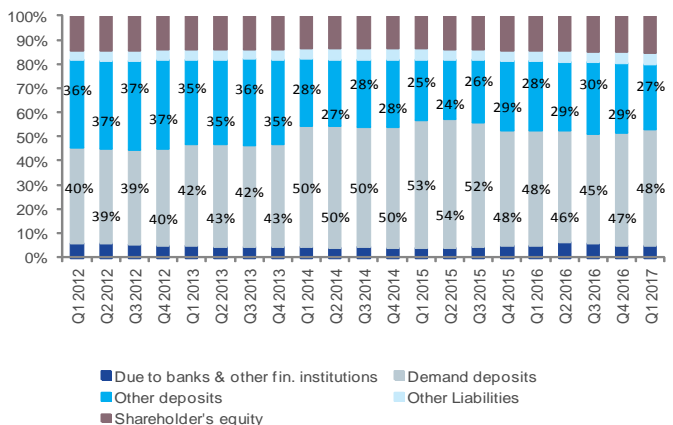
Source: SAMA, Al Rajhi Capital

**Figure 21 Break-up of bank's aggregate assets**



Source: SAMA, Al Rajhi Capital

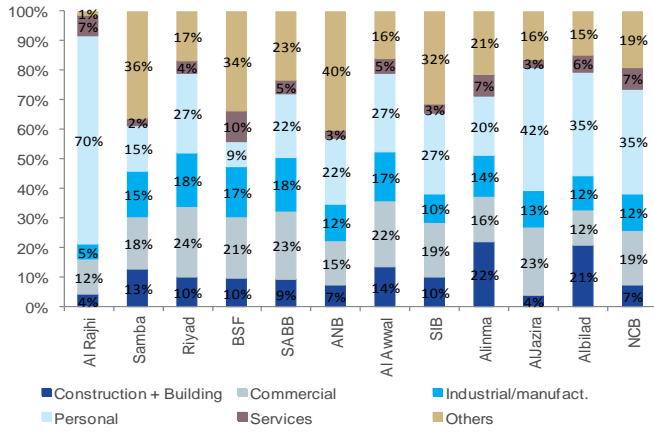
**Figure 22 Break-up of bank's aggregate liabilities**



Source: SAMA, Al Rajhi Capital

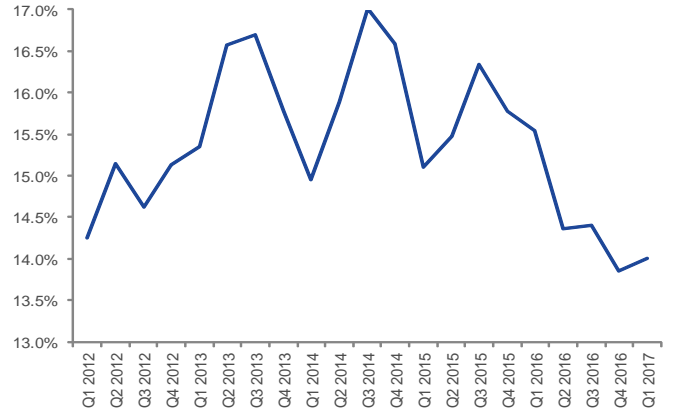


**Figure 23 Bank wise breakdown of loans by economic activity**



Source: Company data, Al Rajhi Capital

**Figure 24 Government deposits as a % of total liabilities**



Source: SAMA, Al Rajhi Capital



## Company-wise information

Figure 25 Net special Income

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	2,574	2,921	2,886	12.1%	-1.2%	18.5%	19.0%
Samba	1,252	1,325	1,359	8.5%	2.5%	9.0%	8.9%
Riyad	1,267	1,353	1,425	12.5%	5.3%	9.1%	9.4%
BSF	1,063	1,004	1,112	4.6%	10.8%	7.6%	7.3%
SABB	1,117	1,236	1,251	12.0%	1.2%	8.0%	8.2%
ANB	962	1,031	1,069	11.2%	3.7%	6.9%	7.0%
Al Awwal	597	638	646	8.3%	1.3%	4.3%	4.2%
SIB	413	378	463	12.2%	22.5%	3.0%	3.0%
Alinma	611	684	814	33.3%	19.1%	4.4%	5.4%
AlJazira	370	405	434	17.3%	7.2%	2.7%	2.9%
Albilad	334	365	392	17.6%	7.6%	2.4%	2.6%
NCB	3,335	3,365	3,360	0.8%	-0.1%	24.0%	22.1%
<b>Market</b>	<b>13,895</b>	<b>14,703</b>	<b>15,211</b>	<b>9.5%</b>	<b>3.5%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 26 Fees and Commission

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	830	580	661	-20.4%	14.0%	18.5%	16.3%
Samba	457	382	438	-4.2%	14.6%	10.2%	10.8%
Riyad	408	356	401	-1.8%	12.7%	9.1%	9.9%
BSF	365	324	338	-7.5%	4.3%	8.1%	8.3%
SABB	405	283	345	-14.8%	21.6%	9.0%	8.5%
ANB	302	219	272	-9.9%	24.3%	6.7%	6.7%
Al Awwal	208	177	182	-12.4%	3.0%	4.6%	4.5%
SIB	107	103	110	3.4%	6.6%	2.4%	2.7%
Alinma	112	191	143	28.0%	-25.1%	2.5%	3.5%
AlJazira	166	261	165	-0.6%	-36.7%	3.7%	4.1%
Albilad	208	201	201	-3.1%	0.3%	4.6%	5.0%
NCB	919	779	802	-12.7%	2.9%	20.5%	19.8%
<b>Total</b>	<b>4,487</b>	<b>3,856</b>	<b>4,059</b>	<b>-9.6%</b>	<b>5.2%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 27 Total operating income

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	3,695	3,812	3,853	4.3%	1.1%	17.7%	17.9%
Samba	1,941	1,830	1,979	1.9%	8.1%	9.3%	9.2%
Riyad	1,987	1,833	1,993	0.3%	8.7%	9.5%	9.2%
BSF	1,645	1,541	1,697	3.1%	10.1%	7.9%	7.9%
SABB	1,796	1,664	1,824	1.6%	9.6%	8.6%	8.5%
ANB	1,447	1,350	1,481	2.3%	9.6%	6.9%	6.9%
Al Awwal	916	910	920	0.4%	1.1%	4.4%	4.3%
SIB	591	570	625	5.8%	9.7%	2.8%	2.9%
Alinma	734	957	1,005	36.8%	5.0%	3.5%	4.7%
AlJazira	773	590	630	-18.6%	6.7%	3.7%	2.9%
Albilad	627	683	694	10.8%	1.7%	3.0%	3.2%
NCB	4,694	4,600	4,860	3.5%	5.6%	22.5%	22.5%
<b>Total:</b>	<b>20,846</b>	<b>20,340</b>	<b>21,560</b>	<b>3.4%</b>	<b>6.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 28 All operating costs

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	1,678	1,765	1,632	-2.7%	-7.5%	18.3%	16.5%
Samba	681	740	748	9.8%	1.0%	7.4%	7.5%
Riyad	819	1,546	947	15.7%	-38.7%	8.9%	9.6%
BSF	569	1,168	594	4.4%	-49.2%	6.2%	6.0%
SABB	664	1,085	795	19.7%	-26.7%	7.2%	8.0%
ANB	704	792	718	2.0%	-9.3%	7.7%	7.2%
Al Awwal	403	1,161	600	48.8%	-48.3%	4.4%	6.1%
SIB	418	315	308	-26.3%	-2.2%	4.6%	3.1%
Alinma	341	566	580	70.3%	2.6%	3.7%	5.9%
AlJazira	394	440	416	5.7%	-5.4%	4.3%	4.2%
Albilad	452	460	468	3.4%	1.6%	4.9%	4.7%
NCB	2,046	2,225	2,111	3.2%	-5.1%	22.3%	21.3%
<b>Total</b>	<b>9,170</b>	<b>12,263</b>	<b>9,918</b>	<b>8.2%</b>	<b>-19.1%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 29 NIM (as a % of financing earning assets)

Bank	Change (bps)						
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	y-o-y	q-o-q
Al Rajhi	3.7%	3.9%	4.1%	4.2%	4.1%	42.2	(6.7)
Samba	2.4%	2.6%	2.9%	2.8%	2.9%	53.9	13.6
Riyad	2.5%	2.6%	2.6%	2.7%	3.0%	44.9	22.7
BSF	2.5%	2.4%	2.5%	2.2%	2.5%	(5.9)	23.7
SABB	2.6%	2.7%	2.9%	3.1%	3.2%	60.8	12.8
ANB	2.6%	2.9%	2.9%	2.8%	2.9%	37.0	12.8
Al Awwal	2.4%	2.4%	2.7%	2.6%	2.8%	39.6	15.7
SIB	1.9%	1.9%	2.1%	1.8%	2.2%	31.9	43.2
Alinma	3.0%	2.8%	2.9%	2.9%	3.4%	42.8	51.9
AlJazira	2.5%	2.5%	2.6%	2.7%	2.9%	41.3	22.1
Albilad	2.8%	2.8%	3.0%	3.1%	3.2%	37.1	13.4
NCB	3.3%	3.3%	3.5%	3.5%	3.5%	23.8	3.1
<b>Total:</b>	<b>2.8%</b>	<b>2.9%</b>	<b>3.1%</b>	<b>3.0%</b>	<b>3.2%</b>	<b>36.5</b>	<b>14.1</b>

Source: Company data, Al Rajhi Capital

Figure 30 Net income

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	2,017	2,047	2,221	10.1%	8.5%	17.3%	19.1%
Samba	1,260	1,090	1,231	-2.3%	13.0%	10.8%	10.6%
Riyad	1,174	293	1,047	-10.8%	257.0%	10.0%	9.0%
BSF	1,078	374	1,104	2.4%	195.2%	9.2%	9.5%
SABB	1,142	606	1,036	-9.3%	71.1%	9.8%	8.9%
ANB	749	562	768	2.5%	36.8%	6.4%	6.6%
Al Awwal	512	(249)	324	-36.7%	-229.9%	4.4%	2.8%
SIB	210	302	345	64.3%	14.2%	1.8%	3.0%
Alinma	391	390	421	7.7%	8.0%	3.3%	3.6%
AlJazira	381	152	216	-43.4%	41.7%	3.3%	1.9%
Albilad	175	223	224	28.3%	0.5%	1.5%	1.9%
NCB	2,601	2,317	2,703	3.9%	16.6%	22.2%	23.2%
<b>Total</b>	<b>11,689</b>	<b>8,107</b>	<b>11,640</b>	<b>-0.4%</b>	<b>43.6%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital





Figure 31 Net loans (SAR bn)

Bank						Market share	
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	216.4	225.0	229.4	6.0%	2.0%	15.2%	16.4%
Samba	132.4	125.2	124.3	-6.1%	-0.8%	9.3%	8.9%
Riyad	152.6	142.9	140.9	-7.6%	-1.4%	10.8%	10.1%
BSF	125.0	129.5	129.1	3.3%	-0.3%	8.8%	9.2%
SABB	130.6	121.0	119.5	-8.5%	-1.2%	9.2%	8.5%
ANB	116.0	115.5	116.0	0.0%	0.5%	8.2%	8.3%
Al Awwal	78.4	72.7	70.5	-10.1%	-3.1%	5.5%	5.0%
SIB	61.6	60.2	60.3	-2.2%	0.1%	4.3%	4.3%
Alinma	60.3	70.3	73.5	22.1%	4.6%	4.2%	5.3%
AlJazira	43.3	42.1	41.3	-4.6%	-1.8%	3.1%	3.0%
Albilad	37.3	36.2	38.7	3.7%	7.0%	2.6%	2.8%
NCB	265.3	253.6	254.2	-4.2%	0.2%	18.7%	18.2%
<b>Total</b>	<b>1,419.1</b>	<b>1,394.2</b>	<b>1,397.8</b>	<b>-1.5%</b>	<b>0.3%</b>	<b>100%</b>	<b>100%</b>

Source: Company data, Al Rajhi Capital

Figure 32 Interest earning assets (SAR bn)

Bank						Market share	
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	284.3	285.6	278.7	-2.0%	-2.4%	14.4%	14.6%
Samba	207.2	186.2	186.7	-9.9%	0.2%	10.5%	9.8%
Riyad	204.4	192.6	192.4	-5.9%	-0.1%	10.4%	10.1%
BSF	168.7	178.9	182.3	8.1%	1.9%	8.5%	9.6%
SABB	174.5	158.5	156.3	-10.4%	-1.4%	8.8%	8.2%
ANB	145.8	145.1	146.6	0.6%	1.0%	7.4%	7.7%
Al Awwal	101.1	95.0	90.3	-10.6%	-4.9%	5.1%	4.7%
SIB	88.4	84.0	83.2	-5.9%	-1.0%	4.5%	4.4%
Alinma	81.4	94.1	94.9	16.6%	0.8%	4.1%	5.0%
AlJazira	60.4	59.7	59.6	-1.2%	-0.1%	3.1%	3.1%
Albilad	49.1	47.2	51.2	4.2%	8.5%	2.5%	2.7%
NCB	408.3	384.3	382.4	-6.4%	-0.5%	20.7%	20.1%
<b>Total</b>	<b>1,973.7</b>	<b>1,911.3</b>	<b>1,904.6</b>	<b>-3.5%</b>	<b>-0.4%</b>	<b>100%</b>	<b>100%</b>

Source: Company data, Al Rajhi Capital

Figure 33 Provisions (SAR mn)

Banks						Market share	
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	537	508	372	-30.7%	-26.7%	31.2%	17.4%
Samba	45	55	107	140.3%	95.4%	2.6%	5.0%
Riyad	105	761	203	93.7%	-73.3%	6.1%	9.5%
BSF	30	636	29	-4.7%	-95.4%	1.8%	1.4%
SABB	145	557	276	90.6%	-50.4%	8.4%	12.9%
ANB	125	220	177	41.8%	-19.6%	7.2%	8.2%
Al Awwal	101	745	291	187.2%	-61.0%	5.9%	13.6%
SIB	160	40	45	-71.9%	12.5%	9.3%	2.1%
Alinma	13	121	124	853.2%	2.4%	0.8%	5.8%
AlJazira	28	38	47	NM	22.6%	1.6%	2.2%
Albilad	87	44	50	-42.1%	14.5%	5.0%	2.3%
NCB	348	439	423	21.6%	-3.7%	20.2%	19.7%
<b>Total</b>	<b>1,724</b>	<b>4,164</b>	<b>2,145</b>	<b>24.4%</b>	<b>-48.5%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 34 Asset yield (Gross special income/interest earning assets)

Bank						Change (bps)	
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	y-o-y	q-o-q
Al Rajhi	3.8%	4.1%	4.4%	4.4%	4.3%	43.9	(10.4)
Samba	2.8%	3.1%	3.6%	3.8%	3.7%	83.1	(10.0)
Riyad	3.3%	3.5%	3.7%	3.9%	3.8%	49.8	(11.6)
BSF	3.2%	3.3%	3.5%	3.5%	3.6%	35.2	5.0
SABB	3.2%	3.5%	3.8%	3.9%	3.9%	72.2	(6.1)
ANB	3.4%	3.9%	4.0%	4.2%	4.1%	71.4	(6.6)
Al Awwal	3.6%	3.9%	4.4%	4.6%	4.3%	70.7	(30.8)
SIB	3.3%	3.5%	4.0%	4.0%	4.2%	89.9	18.1
Alinma	3.6%	3.7%	4.0%	4.2%	4.3%	65.1	10.9
AlJazira	3.5%	3.8%	4.0%	6.2%	4.1%	63.0	(213.9)
Albilad	3.3%	3.5%	3.8%	4.0%	3.9%	57.6	(6.1)
NCB	4.1%	4.2%	4.4%	4.9%	4.4%	35.0	(54.1)
<b>Market</b>	<b>3.5%</b>	<b>3.7%</b>	<b>4.0%</b>	<b>4.3%</b>	<b>4.1%</b>	<b>56.0</b>	<b>(22.1)</b>

Source: Company data, Al Rajhi Capital

Figure 35 Gross NPAs

Bank						Change (bps)	
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	y-o-y	q-o-q
Al Rajhi	1.6%	1.4%	1.4%	1.2%	1.0%	(63.9)	(22.8)
Samba	0.8%	0.9%	0.8%	0.8%	0.9%	2.4	0.3
Riyad	0.9%	0.9%	0.8%	0.8%	0.8%	(9.5)	0.5
BSF	0.9%	0.8%	0.8%	1.3%	1.4%	52.8	11.2
SABB	1.1%	1.2%	1.3%	1.3%	1.3%	17.2	(2.0)
ANB	1.0%	0.8%	0.9%	0.9%	1.4%	32.3	50.2
Al Awwal	1.1%	1.1%	1.2%	2.2%	2.4%	130.8	19.3
SIB	0.7%	0.8%	0.8%	1.7%	1.8%	105.2	2.6
Alinma	0.7%	0.7%	0.7%	0.8%	0.9%	20.4	14.1
AlJazira	0.9%	0.8%	1.1%	1.1%	1.2%	31.5	4.0
Albilad	1.4%	1.4%	1.5%	1.4%	1.0%	(40.9)	(40.4)
NCB	1.5%	1.4%	1.6%	1.5%	1.6%	11.2	6.1

Source: Company data, Al Rajhi Capital

Figure 36 NPL coverage ratio

Bank						Change (bps)	
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	y-o-y	q-o-q
Al Rajhi	163%	195%	201%	231%	256%	9,297	2,510
Samba	183%	165%	170%	174%	181%	(193)	735
Riyad	144%	152%	170%	223%	251%	10,678	2,834
BSF	213%	216%	220%	176%	163%	(4,980)	(1,328)
SABB	167%	166%	158%	175%	187%	2,087	1,285
ANB	234%	288%	259%	270%	176%	(5,795)	(9,384)
Al Awwal	167%	168%	156%	130%	135%	(3,200)	480
SIB	211%	212%	196%	93%	94%	(11,646)	108
Alinma	178%	175%	172%	173%	158%	(1,999)	(1,523)
AlJazira	173%	168%	151%	156%	165%	(773)	884
Albilad	176%	187%	185%	198%	245%	6,951	4,707
NCB	146%	145%	147%	151%	150%	415	(80)

Source: Company data, Al Rajhi Capital



Figure 37 Investments (SAR bn)

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	41.1	34.0	25.8	-37.1%	-24.1%	10.1%	7.0%
Samba	63.2	51.4	54.3	-14.2%	5.6%	15.5%	14.8%
Riyad	43.4	45.2	43.3	-0.2%	-4.1%	10.7%	11.8%
BSF	22.2	24.1	23.7	6.6%	-1.7%	5.5%	6.4%
SABB	28.7	29.3	23.8	-16.9%	-18.6%	7.1%	6.5%
ANB	23.8	25.5	25.1	5.3%	-1.9%	5.9%	6.8%
Al Awwal	22.4	21.3	15.7	-29.9%	-26.1%	5.5%	4.3%
SIB	19.0	21.4	21.3	12.2%	-0.6%	4.7%	5.8%
Alinma	6.4	6.2	6.3	-1.1%	2.8%	1.6%	1.7%
AlJazira	13.6	16.3	16.3	19.1%	-0.2%	3.4%	4.4%
Albilad	3.0	3.1	3.7	24.7%	21.5%	0.7%	1.0%
NCB	119.9	111.5	108.0	-9.9%	-3.2%	29.5%	29.4%
<b>Total</b>	<b>406.8</b>	<b>389.2</b>	<b>367.3</b>	<b>-9.7%</b>	<b>-5.6%</b>	<b>100%</b>	<b>100%</b>

Source: Company data, Al Rajhi Capital

Figure 38 Total assets (SAR bn)

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	323.3	339.7	337.2	4.3%	-0.7%	14.7%	15.2%
Samba	235.2	231.5	231.9	-1.4%	0.2%	10.7%	10.5%
Riyad	227.0	217.6	216.3	-4.7%	-0.6%	10.3%	9.8%
BSF	184.0	203.4	204.4	11.1%	0.5%	8.4%	9.2%
SABB	191.8	186.1	185.3	-3.4%	-0.4%	8.7%	8.4%
ANB	166.6	170.0	168.4	1.1%	-0.9%	7.6%	7.6%
Al Awwal	108.5	105.0	100.4	-7.5%	-4.4%	4.9%	4.5%
SIB	96.4	94.2	97.5	1.2%	3.5%	4.4%	4.4%
Alinma	91.6	104.7	105.3	14.9%	0.5%	4.2%	4.7%
AlJazira	65.6	66.3	65.1	-0.8%	-1.8%	3.0%	2.9%
Albilad	54.3	53.7	57.3	5.5%	6.6%	2.5%	2.6%
NCB	452.0	441.5	448.7	-0.7%	1.6%	20.6%	20.2%
<b>Total</b>	<b>2,196</b>	<b>2,214</b>	<b>2,218</b>	<b>1.0%</b>	<b>0.2%</b>	<b>100%</b>	<b>100%</b>

Source: Company data, Al Rajhi Capital

Figure 39 Total deposits (SAR bn)

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	266.4	272.6	271.3	1.8%	-0.5%	15.8%	16.3%
Samba	178.3	172.1	170.4	-4.4%	-1.0%	10.6%	10.3%
Riyad	165.8	156.7	154.2	-7.0%	-1.6%	9.9%	9.3%
BSF	141.8	158.5	158.5	11.7%	0.0%	8.4%	9.5%
SABB	151.9	140.6	141.6	-6.8%	0.7%	9.0%	8.5%
ANB	132.0	135.9	131.8	-0.1%	-3.0%	7.9%	7.9%
Al Awwal	85.5	85.4	80.3	-6.1%	-5.9%	5.1%	4.8%
SIB	70.7	65.6	64.4	-8.8%	-1.8%	4.2%	3.9%
Alinma	68.8	80.6	81.4	18.4%	1.0%	4.1%	4.9%
AlJazira	50.7	51.6	49.8	-1.7%	-3.5%	3.0%	3.0%
Albilad	43.9	40.2	43.5	-0.9%	8.2%	2.6%	2.6%
NCB	326.0	315.6	313.6	-3.8%	-0.6%	19.4%	18.9%
<b>Total</b>	<b>1,681.9</b>	<b>1,675.4</b>	<b>1,660.9</b>	<b>-1.2%</b>	<b>-0.9%</b>	<b>100%</b>	<b>100%</b>

Source: Company data, Al Rajhi Capital

Figure 40 Demand deposit % of total deposits

Bank	Change (bps)						
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	y-o-y	q-o-q
Al Rajhi	93%	92%	90%	90%	92%	(121)	145
Samba	63%	61%	59%	60%	63%	9	287
Riyad	44%	44%	43%	50%	53%	921	345
BSF	65%	62%	56%	56%	54%	(1,087)	(148)
SABB	56%	55%	55%	59%	59%	253	23
ANB	52%	51%	50%	48%	49%	(244)	151
Al Awwal	58%	58%	58%	60%	57%	(120)	(275)
SIB	31%	32%	32%	36%	37%	637	69
Alinma	55%	53%	51%	54%	56%	174	226
AlJazira	51%	49%	47%	49%	52%	107	261
Albilad	64%	63%	65%	67%	63%	(50)	(404)
NCB	71%	70%	70%	71%	75%	442	432
<b>Total:</b>	<b>64%</b>	<b>63%</b>	<b>62%</b>	<b>63%</b>	<b>65%</b>	<b>109</b>	<b>172</b>

Source: Company data, Al Rajhi Capital

Figure 41 Cost of deposits

Bank	Change (bps)						
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	y-o-y	q-o-q
Al Rajhi	0.19%	0.20%	0.24%	0.24%	0.20%	1	(4)
Samba	0.55%	0.64%	0.73%	1.09%	0.82%	27	(27)
Riyad	0.98%	1.07%	1.40%	1.50%	1.06%	8	(43)
BSF	0.86%	1.08%	1.22%	1.56%	1.29%	43	(27)
SABB	0.67%	0.88%	1.01%	1.01%	0.78%	10	(23)
ANB	0.95%	1.04%	1.31%	1.55%	1.30%	35	(24)
Al Awwal	1.36%	1.74%	2.00%	2.25%	1.68%	32	(57)
SIB	1.72%	2.03%	2.38%	2.86%	2.54%	82	(32)
Alinma	0.72%	1.11%	1.21%	1.45%	0.95%	24	(50)
AlJazira	1.16%	1.52%	1.71%	4.20%	1.41%	25	(279)
Albilad	0.58%	0.86%	0.93%	1.09%	0.86%	28	(23)
NCB	0.99%	1.05%	1.16%	1.82%	1.09%	11	(72)
<b>Total</b>	<b>0.81%</b>	<b>0.95%</b>	<b>1.10%</b>	<b>1.44%</b>	<b>1.01%</b>	<b>20</b>	<b>(43)</b>

Source: Company data, Al Rajhi Capital

Figure 42 Loan to deposit ratio (net loans by customer deposits)

Bank	Change (bps)						
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	y-o-y	q-o-q
Al Rajhi	81.2%	82.9%	82.9%	82.5%	84.6%	334	203
Samba	74.2%	76.0%	74.6%	72.8%	72.9%	(130)	14
Riyad	92.0%	94.3%	94.9%	91.2%	91.4%	(65)	18
BSF	88.1%	93.4%	90.9%	81.7%	81.5%	(666)	(24)
SABB	86.0%	87.2%	87.4%	86.0%	84.4%	(156)	(161)
ANB	87.9%	91.3%	90.2%	85.0%	88.0%	13	303
Al Awwal	91.6%	90.1%	91.8%	85.2%	87.8%	(383)	256
SIB	87.2%	90.0%	92.2%	91.8%	93.6%	640	178
Alinma	87.6%	89.6%	89.6%	87.2%	90.3%	270	307
AlJazira	85.5%	86.6%	85.8%	81.6%	83.0%	(256)	138
Albilad	85.0%	87.7%	87.9%	89.9%	88.9%	390	(103)
NCB	81.4%	84.1%	83.5%	80.3%	81.0%	(34)	70
<b>Total:</b>	<b>85.6%</b>	<b>87.8%</b>	<b>87.6%</b>	<b>84.6%</b>	<b>85.6%</b>	<b>(4)</b>	<b>100</b>

Source: Company data, Al Rajhi Capital (\* Our calculation methodology is different from SAMA's which calculates the loan to deposit ratio as net loans (loans minus provisions and commissions) divided by deposits with banks plus long term debt (syndicated loans, bonds and sukuk) subordinated debt and others.



## Segmental breakup

Figure 43 Net income breakup

Bank	Retail	Corporate	Treasury	Investment services & brokerage	Others
Al Rajhi	54%	26%	17%	4%	0%
Samba	20%	43%	29%	8%	0%
Riyad	39%	53%	28%	4%	-25%
BSF	5%	59%	34%	2%	0%
SABB	21%	46%	32%	0%	1%
ANB	21%	45%	29%	2%	4%
Al Awwal	35%	42%	23%	1%	0%
SIB	25%	58%	27%	2%	-11%
Alinma	30%	45%	18%	7%	0%
AlJazira	22%	24%	64%	5%	-15%
Albilad	24%	42%	12%	3%	19%
NCB	33%	26%	35%	3%	3%

Source: Company data, Al Rajhi Capital

Figure 44 Total assets breakup

Bank	Retail	Corporate	Treasury	Investment services & brokerage	Others
Al Rajhi	53%	19%	27%	0.7%	0%
Samba	15%	46%	39%	0.0%	0%
Riyad	18%	47%	33%	0.0%	1.4%
BSF	8%	57%	34%	0.5%	0%
SABB	17%	50%	33%	0.0%	0%
ANB	22%	49%	27%	1.0%	1.2%
Al Awwal	21%	49%	29%	0.7%	0%
SIB	29%	37%	31%	0.3%	3%
Alinma	16%	58%	25%	0.5%	0%
AlJazira	29%	34%	35%	1.9%	0.3%
Albilad	29%	43%	26%	0.7%	1.8%
NCB	23%	32%	35%	0.3%	8.8%

Source: Company data, Al Rajhi Capital

Figure 45 Retail operating income

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	2,687	2,594	2,748	2.3%	5.9%	30.5%	30.1%
Samba	591	811	713	20.6%	-12.1%	6.7%	7.8%
Riyad	647	495	642	-0.7%	29.8%	7.3%	7.0%
BSF	389	356	382	-1.8%	7.2%	4.4%	4.2%
SABB	567	588	629	10.9%	7.0%	6.4%	6.9%
ANB	577	746	586	1.6%	-21.4%	6.5%	6.4%
Al Awwal	341	384	377	10.7%	-1.7%	3.9%	4.1%
SIB	235	184	85	-63.6%	-53.6%	2.7%	0.9%
Alinma	272	288	381	40.3%	32.4%	3.1%	4.2%
AlJazira	251	238	266	5.9%	11.9%	2.9%	2.9%
Albilad	325	324	376	15.6%	NM	3.7%	4.1%
NCB	1,924	1,770	1,938	0.7%	9.5%	21.9%	21.2%
<b>Total</b>	<b>8,806</b>	<b>8,778</b>	<b>9,125</b>	<b>3.6%</b>	<b>4.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 46 Retail net operating income

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	1389	1073	1189	-14.4%	10.8%	39.8%	33.0%
Samba	161	309	250	54.8%	-19.3%	4.6%	6.9%
Riyad	387	213	414	6.8%	94.7%	11.1%	11.5%
BSF	104	43	57	-44.8%	34.6%	3.0%	1.6%
SABB	196	88	216	10.1%	145.6%	5.6%	6.0%
ANB	87	295	160	84.3%	-45.9%	2.5%	4.4%
Al Awwal	121	37	112	-6.7%	201.4%	3.5%	3.1%
SIB	19	-7	85	338.3%	NA	0.6%	2.4%
Alinma	77	48	125	63.0%	158.8%	2.2%	3.5%
AlJazira	54	22	47	-12.9%	113.1%	1.6%	1.3%
Albilad	12	23	54	344.7%	140.3%	0.4%	1.5%
NCB	882	670	894	1.4%	33.4%	25.3%	24.8%
<b>Total</b>	<b>3,490</b>	<b>2,815</b>	<b>3,605</b>	<b>3.3%</b>	<b>28.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 47 Total retail segment assets

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	170,225	177,178	179,090	5.2%	1.1%	31.2%	32.7%
Samba	38,874	35,982	35,686	-8.2%	-0.8%	7.1%	6.5%
Riyad	39,842	39,437	39,681	-0.4%	0.6%	7.3%	7.3%
BSF	16,388	16,500	16,801	2.5%	1.8%	3.0%	3.1%
SABB	34,141	31,751	30,698	-10.1%	-3.3%	6.2%	5.6%
ANB	41,363	38,646	37,310	-9.8%	-3.5%	7.6%	6.8%
Al Awwal	19,385	21,469	20,947	8.1%	-2.4%	3.5%	3.8%
SIB	27,837	28,418	28,490	2.3%	0.3%	5.1%	5.2%
Alinma	16,329	17,590	17,273	5.8%	-1.8%	3.0%	3.2%
AlJazira	20,851	20,167	19,206	-7.9%	-4.8%	3.8%	3.5%
Albilad	16,972	18,343	16,356	-3.6%	-10.8%	3.1%	3.0%
NCB	104,251	104,491	105,446	1.1%	0.9%	19.1%	19.3%
<b>Total</b>	<b>546,456</b>	<b>549,974</b>	<b>546,982</b>	<b>0.1%</b>	<b>-0.5%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 48 Retail segment yield (net operating income/assets)

Bank	Change bps						
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	y-o-y	q-o-q
Al Rajhi	3.3%	3.5%	3.0%	2.4%	2.7%	(59.5)	25.5
Samba	1.7%	2.4%	3.2%	3.3%	2.8%	112.9	(53.9)
Riyad	3.9%	3.8%	2.3%	2.2%	4.2%	28.5	201.8
BSF	2.6%	2.0%	1.7%	1.0%	1.4%	(118.7)	36.1
SABB	2.3%	2.7%	2.7%	1.1%	2.8%	43.0	169.0
ANB	0.9%	0.9%	0.2%	3.0%	1.7%	82.1	(130.7)
Al Awwal	2.6%	2.5%	2.1%	0.7%	2.1%	(50.5)	142.1
SIB	0.3%	1.7%	1.4%	-0.1%	1.2%	91.1	129.4
Alinma	1.9%	1.5%	1.5%	1.1%	2.9%	94.2	178.0
AlJazira	1.1%	0.9%	0.4%	0.4%	1.0%	(11.3)	52.2
Albilad	0.3%	0.5%	0.8%	0.5%	1.3%	95.6	75.7
NCB	3.5%	3.8%	2.2%	2.5%	3.4%	(4.9)	88.1
<b>Total</b>	<b>2.6%</b>	<b>2.8%</b>	<b>2.2%</b>	<b>2.0%</b>	<b>2.6%</b>	<b>3.8</b>	<b>59.7</b>

Source: Company data, Al Rajhi Capital



Figure 49 Corporate operating income

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	387	552	587	51.5%	6.3%	6.1%	8.3%
Samba	691	636	731	5.7%	14.9%	10.8%	10.3%
Riyad	785	774	895	14.0%	15.6%	12.3%	12.6%
BSF	788	749	809	2.6%	8.0%	12.3%	11.4%
SABB	810	769	821	1.4%	6.7%	12.7%	11.6%
ANB	486	451	574	18.1%	27.5%	7.6%	8.1%
Al Awwal	562	464	442	-21.3%	-4.7%	8.8%	6.2%
SIB	154	302	200	29.3%	-33.9%	2.4%	2.8%
Alinma	317	397	425	34.0%	7.0%	5.0%	6.0%
AlJazira	120	129	143	19.1%	11.4%	1.9%	2.0%
Albilad	200	204	208	4.1%	2.1%	3.1%	2.9%
NCB	1,097	1,063	1,244	13.3%	17.0%	17.1%	17.6%
<b>Total</b>	<b>6,399</b>	<b>6,489</b>	<b>7,078</b>	<b>10.6%</b>	<b>9.1%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 50 Corporate net operating income

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	74	341	568	NM	66.6%	1.8%	18.0%
Samba	530	449	526	-0.8%	17.1%	12.6%	23.6%
Riyad	624	(74)	557	NM	NM	14.8%	-3.9%
BSF	609	(18)	654	NM	NM	14.4%	-0.9%
SABB	553	228	479	-13.4%	110.2%	13.1%	12.0%
ANB	300	208	342	14.1%	64.4%	7.1%	11.0%
Al Awwal	407	(286)	135	NM	NM	9.7%	-15.0%
SIB	39	235	200	408.4%	-15.1%	0.9%	12.4%
Alinma	233	175	189	-19.0%	7.5%	5.5%	9.2%
AlJazira	9	26	52	NA	100.2%	0.2%	1.4%
Albilad	116	84	96	-17.3%	14.0%	2.8%	4.4%
NCB	724	532	709	-2.0%	33.2%	17.2%	28.0%
<b>Total</b>	<b>4,219</b>	<b>1,901</b>	<b>4,506</b>	<b>6.8%</b>	<b>137.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 51 Total corporate segment assets

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	58,089	61,797	64,600	11.2%	4.5%	6.3%	7.2%
Samba	109,245	105,514	105,925	-3.0%	0.4%	11.9%	11.7%
Riyad	113,137	103,814	101,460	-10.3%	-2.3%	12.4%	11.2%
BSF	112,382	116,505	116,665	3.8%	0.1%	12.3%	12.9%
SABB	100,813	93,094	92,694	-8.1%	NM	11.0%	10.3%
ANB	80,467	81,689	82,745	2.8%	1.3%	8.8%	9.2%
Al Awwal	58,985	51,274	49,534	-16.0%	-3.4%	6.4%	5.5%
SIB	38,161	36,013	35,753	-6.3%	-0.7%	4.2%	4.0%
Alinma	48,051	57,567	61,019	27.0%	6.0%	5.3%	6.8%
AlJazira	23,287	22,682	21,946	-5.8%	-3.2%	2.5%	2.4%
Albilad	24,576	22,537	24,517	-0.2%	8.8%	2.7%	2.7%
NCB	147,625	142,830	145,282	-1.6%	1.7%	16.1%	16.1%
<b>Total</b>	<b>914,819</b>	<b>895,315</b>	<b>902,140</b>	<b>-1.4%</b>	<b>0.8%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 52 Corporate segment yield (operating income/assets)

Bank	Change (bps)						
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	y-o-y	q-o-q
Al Rajhi	0.5%	0.1%	2.1%	2.2%	3.6%	307.3	142.4
Samba	2.0%	2.0%	2.2%	1.7%	2.0%	2.2	30.6
Riyad	2.3%	2.1%	1.3%	-0.3%	2.2%	(10.7)	244.4
BSF	2.2%	2.1%	2.1%	-0.1%	2.2%	5.5	230.3
SABB	2.2%	2.4%	2.0%	1.0%	2.1%	(17.7)	110.3
ANB	1.5%	1.7%	1.4%	1.0%	1.7%	18.9	64.0
Al Awwal	2.8%	2.6%	1.7%	-2.1%	1.1%	(169.3)	319.9
SIB	0.4%	2.2%	2.5%	2.5%	2.2%	181.4	(28.8)
Alinma	2.0%	1.9%	1.8%	1.2%	1.3%	(72.2)	4.0
AlJazira	0.2%	0.4%	0.5%	0.4%	0.9%	76.9	47.8
Albilad	2.0%	1.3%	1.9%	1.5%	1.6%	(32.8)	16.0
NCB	2.0%	1.8%	2.0%	1.5%	2.0%	(2.2)	51.7
<b>Total</b>	<b>1.9%</b>	<b>1.9%</b>	<b>1.8%</b>	<b>0.8%</b>	<b>2.0%</b>	<b>13.3</b>	<b>117.4</b>

Source: Company data, Al Rajhi Capital

Figure 53 Treasury operating income (SAR mn)

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	448	552	396	-11.5%	-28.2%	12.2%	10.3%
Samba	453	342	383	-15.5%	11.9%	12.4%	10.0%
Riyad	174	209	289	66.0%	38.3%	4.8%	7.5%
BSF	391	380	443	13.5%	16.6%	10.7%	11.6%
SABB	418	307	374	-10.7%	21.6%	11.4%	9.7%
ANB	240	1	247	2.7%	NM	6.6%	6.4%
Al Awwal	(4)	45	88	NA	92.8%	-0.1%	2.3%
SIB	230	130	92	-60.2%	-29.7%	6.3%	2.4%
Alinma	105	199	148	40.0%	-25.9%	2.9%	3.8%
AlJazira	167	196	204	22.3%	3.8%	4.6%	5.3%
Albilad	58	67	46	-19.8%	-31.4%	1.6%	1.2%
NCB	976	1,107	1,126	15.4%	1.7%	26.7%	29.4%
<b>Total</b>	<b>3,656</b>	<b>3,537</b>	<b>3,835</b>	<b>4.9%</b>	<b>8.4%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 54 Treasury net operating income

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	431	540	376	-12.7%	-30.4%	13.1%	11.3%
Samba	420	308	352	-16.2%	14.5%	12.8%	10.6%
Riyad	163	196	294	79.8%	49.5%	5.0%	8.8%
BSF	348	321	374	7.5%	16.4%	10.6%	11.2%
SABB	382	264	334	-12.6%	26.3%	11.6%	10.0%
ANB	258	(25)	221	NM	NM	7.9%	6.6%
Al Awwal	(23)	(5)	74	NM	NM	-0.7%	2.2%
SIB	164	106	92	-44.3%	NM	5.0%	2.8%
Alinma	59	130	78	32.6%	NM	1.8%	2.3%
AlJazira	125	118	137	9.7%	15.9%	3.8%	4.1%
Albilad	45	52	27	-39.0%	-46.9%	1.4%	0.8%
NCB	908	944	966	6.5%	2.4%	27.7%	29.1%
<b>Total</b>	<b>3,279</b>	<b>2,950</b>	<b>3,325</b>	<b>1.4%</b>	<b>12.7%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital



Figure 55 Treasury total assets

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	92,173	98,504	91,227	-1.0%	-7.4%	13.9%	12.9%
Samba	87,008	89,903	90,232	3.7%	0.4%	13.1%	12.7%
Riyad	70,804	71,022	72,060	1.8%	1.5%	10.7%	10.2%
BSF	54,062	69,346	69,788	29.1%	0.6%	8.1%	9.8%
SABB	56,137	60,568	61,222	9.1%	1.1%	8.5%	8.6%
ANB	40,556	45,777	44,661	10.1%	-2.4%	6.1%	6.3%
Al Awwal	29,588	31,693	29,147	-1.5%	-8.0%	4.5%	4.1%
SIB	27,943	26,788	30,368	8.7%	13.4%	4.2%	4.3%
Alinma	26,889	29,125	26,478	-1.5%	-9.1%	4.1%	3.7%
AlJazira	20,840	22,521	22,520	8.1%	0.0%	3.1%	3.2%
Albilad	11,028	11,481	14,965	35.7%	30.3%	1.7%	2.1%
NCB	146,859	152,048	157,120	7.0%	3.3%	22.1%	22.1%
<b>Total</b>	<b>663,887</b>	<b>708,775</b>	<b>709,788</b>	<b>6.9%</b>	<b>0.1%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Al Rajhi Capital

Figure 56 Treasury segment yield (Net operating income/assets)

Bank	Change (bps)							
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	
Al Rajhi	1.9%	1.8%	1.2%	2.3%	1.6%	(30.8)	(75.3)	
Samba	1.9%	2.0%	1.6%	1.4%	1.6%	(33.6)	21.1	
Riyad	0.9%	1.6%	1.4%	1.1%	1.6%	74.3	50.5	
BSF	2.5%	2.2%	2.1%	2.1%	2.1%	(38.5)	9.9	
SABB	2.7%	2.2%	1.9%	1.8%	2.2%	(50.1)	36.3	
ANB	2.4%	3.2%	3.3%	-0.2%	2.0%	(47.1)	218.1	
Al Awwal	-0.3%	0.4%	-1.1%	-0.1%	1.0%	127.7	103.9	
SIB	2.4%	0.7%	-0.7%	1.5%	1.3%	(114.5)	(25.2)	
Alinma	0.9%	1.2%	-0.5%	1.8%	1.1%	25.7	(69.0)	
AlJazira	2.4%	2.3%	2.3%	2.1%	2.4%	(1.1)	30.2	
Albilad	1.7%	1.7%	1.6%	1.7%	0.8%	(83.5)	(86.4)	
NCB	2.4%	1.9%	1.6%	2.6%	2.5%	9.0	(14.3)	
<b>Total</b>	<b>2.0%</b>	<b>1.9%</b>	<b>1.4%</b>	<b>1.7%</b>	<b>1.9%</b>	<b>(7.5)</b>	<b>14.2</b>	

Source: Company data, Al Rajhi Capital

Figure 57 Investment & Brokerage operating income

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	173	114	121	-29.6%	6.5%	20.5%	16.1%
Samba	188	58	152	-18.9%	160.7%	22.3%	20.2%
Riyad	72	67	73	2.3%	9.3%	8.5%	9.7%
BSF	64	69	63	-1.8%	-8.9%	7.6%	8.3%
SABB	0	0	0	NA	NA	NA	NA
ANB	35	47	38	9.5%	-18.7%	4.1%	5.1%
Al Awwal	17	17	13	-24.5%	-24.8%	2.0%	1.7%
SIB	22	26	6	-72.8%	-77.1%	2.6%	0.8%
Alinma	40	61	51	27.7%	-15.9%	4.8%	6.8%
AlJazira	54	51	47	-12.2%	-8.3%	6.4%	6.3%
Albilad	20	35	24	19.5%	-32.2%	2.4%	3.2%
NCB	160	160	164	2.6%	2.5%	18.9%	21.8%
<b>Total</b>	<b>843</b>	<b>706</b>	<b>752</b>	<b>-10.7%</b>	<b>6.6%</b>	<b>100.0%</b>	<b>100.0%</b>

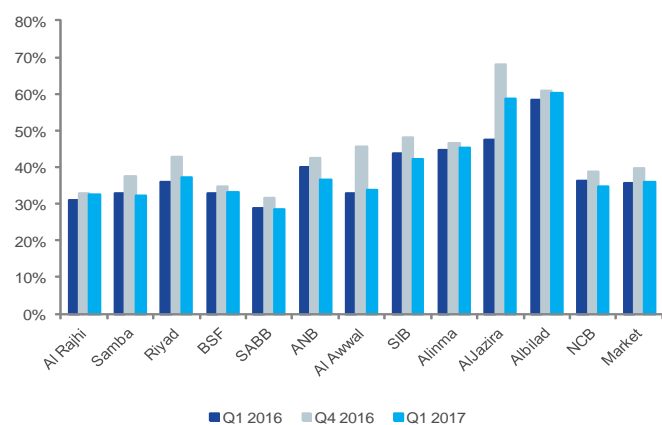
Source: Company data, Al Rajhi Capital

Figure 58 Investment & Brokerage assets

Bank	Market share						
	Q1 2016	Q4 2016	Q1 2017	y-o-y	q-o-q	Q1 2016	Q1 2017
Al Rajhi	2,811	2,233	2,314	-17.7%	3.6%	27.2%	21.8%
Samba	119	90	93	-22.3%	3.2%	1.2%	0.9%
Riyad	89	82	86	-3.0%	4.3%	0.9%	0.8%
BSF	1,184	1,077	1,104	-6.7%	2.5%	11.5%	10.4%
SABB	704	642	649	-7.7%	1.1%	6.8%	6.1%
ANB	1,761	1,720	1,719	-2.4%	-0.1%	17.0%	16.2%
Al Awwal	550	554	741	34.7%	33.6%	5.3%	7.0%
SIB	394	341	331	-16.0%	-2.8%	3.8%	3.1%
Alinma	343	449	486	41.8%	8.3%	3.3%	4.6%
AlJazira	453	815	1,261	178.3%	54.8%	4.4%	11.9%
Albilad	444	227	426	-4.1%	87.3%	4.3%	4.0%
NCB	1,484	1,314	1,394	-6.0%	6.1%	14.4%	13.1%
<b>Total</b>	<b>10,336</b>	<b>9,544</b>	<b>10,604</b>	<b>2.6%</b>	<b>11.1%</b>	<b>100.0%</b>	<b>100.0%</b>

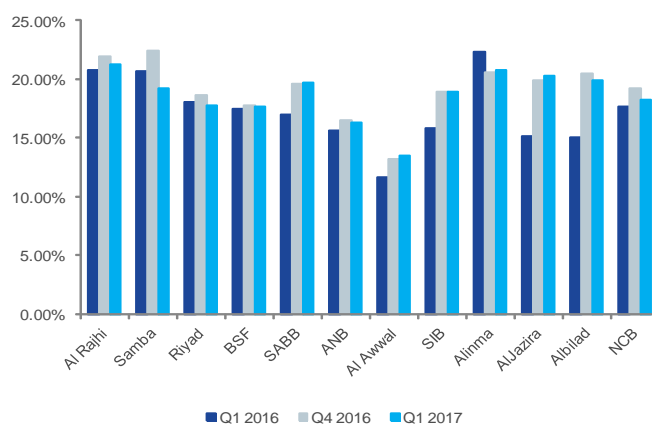
Source: Company data, Al Rajhi Capital

Figure 59 Efficiency ratio (costs excluding provisions/total operating income)



Source: Company data, Al Rajhi Capital

Figure 60 Capital adequacy (tier I + tier II)



Source: Company data, Al Rajhi Capital

## IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Al Rajhi Capital (Al Rajhi), a company authorized to engage in securities activities in Saudi Arabia. Al Rajhi is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Rosenblatt Securities Inc, 40 Wall Street 59th Floor, New York NY 10005, a registered broker dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Al Rajhi. Rosenblatt Securities Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Rosenblatt Securities Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

### Ownership and Material Conflicts of Interest

Rosenblatt Securities Inc. or its affiliates does not 'beneficially own,' as determined in accordance with Section 13(d) of the Exchange Act, 1% or more of any of the equity securities mentioned in the report. Rosenblatt Securities Inc, its affiliates and/or their respective officers, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Rosenblatt Securities Inc. is not aware of any material conflict of interest as of the date of this publication.

### Compensation and Investment Banking Activities

Rosenblatt Securities Inc. or any affiliate has not managed or co-managed a public offering of securities for the subject company in the past 12 months, nor received compensation for investment banking services from the subject company in the past 12 months, neither does it or any affiliate expect to receive, or intends to seek compensation for investment banking services from the subject company in the next 3 months.

### Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither Al Rajhi nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

Al Rajhi may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of Al Rajhi.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by Al Rajhi with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of Al Rajhi and Al Rajhi accepts no liability whatsoever for the actions of third parties in this respect. This research document has been prepared by Al Rajhi Capital Company ("Al Rajhi Capital") of Riyadh, Saudi Arabia. It has been prepared for the general use of Al Rajhi Capital's clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Al Rajhi Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by Al Rajhi Capital. The information contained was obtained from various public sources believed to be reliable but we do not guarantee its accuracy. Al Rajhi Capital makes no representations or warranties (express or implied) regarding the data and information provided and Al Rajhi Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. Al Rajhi Capital or its officers or one or more of its affiliates (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. Al Rajhi Capital or its affiliates may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. Al Rajhi Capital, together with its affiliates and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document.

This research document and any recommendations contained are subject to change without prior notice. Al Rajhi Capital assumes no responsibility to update the information in this research document. Neither the whole nor any part of this research document may be altered, duplicated, transmitted or distributed in any form or by any means. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or which would subject Al Rajhi Capital or any of its affiliates to any registration or licensing requirement within such jurisdiction.

## Disclaimer and additional disclosures for Equity Research

### Disclaimer

This research document has been prepared by Al Rajhi Capital Company ("Al Rajhi Capital") of Riyadh, Saudi Arabia. It has been prepared for the general use of Al Rajhi Capital's clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Al Rajhi Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by Al Rajhi Capital. The information contained was obtained from various public sources believed to be reliable but we do not guarantee its accuracy. Al Rajhi Capital makes no representations or warranties (express or implied) regarding the data and information provided and Al Rajhi Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. Al Rajhi Capital or its officers or one or more of its affiliates (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. Al Rajhi Capital or its affiliates may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. Al Rajhi Capital, together with its affiliates and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document.

This research document and any recommendations contained are subject to change without prior notice. Al Rajhi Capital assumes no responsibility to update the information in this research document. Neither the whole nor any part of this research document may be altered, duplicated, transmitted or distributed in any form or by any means. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or which would subject Al Rajhi Capital or any of its affiliates to any registration or licensing requirement within such jurisdiction.

**Special disclaimers for this report:** We do not support investing in non-Shariah stocks. This report should not be considered as an investment recommendation report. Out of the 12 listed banks in the Saudi banking sector— only 4 are Islamic (Al Rajhi, Al Jazira, Al Inma and Al Bilad) while the remaining 8 are non-Islamic.

### Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"Overweight": Our target price is more than 10% above the current share price, and we expect the share price to reach the target on a 12 month time horizon.

"Neutral": We expect the share price to settle at a level between 10% below the current share price and 10% above the current share price on a 12 month time horizon.

"Underweight": Our target price is more than 10% below the current share price, and we expect the share price to reach the target on a 12 month time horizon.

"Target price": We estimate target value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

### Contact us

**Mazen Al-Sudairi,**  
Head of Research  
Tel : +966 1 211 9449  
Email: [alsudairim@alrajhi-capital.com](mailto:alsudairim@alrajhi-capital.com)

**Al Rajhi Capital**  
Research Department  
Head Office, King Fahad Road  
P.O. Box 5561, Riyadh 11432  
Kingdom of Saudi Arabia  
Email: [research@alrajhi-capital.com](mailto:research@alrajhi-capital.com)

**Al Rajhi Capital is licensed by the Saudi Arabian Capital Market Authority, License No. 37/07068.**