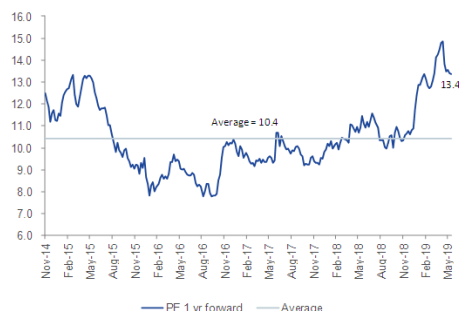




Key themes

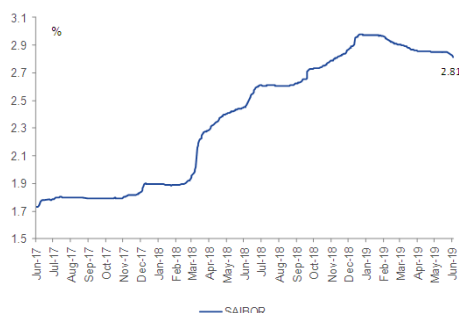
Post updating our models for Q1 financials, we present key takeaways.

Saudi Banks: Forward P/E above historical range



Source: Bloomberg

Declining 3-month SAIBOR rates (%)



Source: Bloomberg

Saudi Banks

Sentiments changing

Despite the recent correction in Saudi banks, valuation multiples are above historical levels and sentiments are now marginally less optimistic than before, post first tranche of MSCI inclusion. Previous on the ground feedback on banks suggested sustained rally to eventual historical highs. Now, with revisions in consensus estimates on Fed hikes from two to none and now more recently possibility of a cut, NIMs could be sequentially lower. However, we believe the effect is marginal and sentiments could reverse once active QFI flows increase exposures before the next tranches of inclusion. Lending volumes could also improve on lower rates. SAMA data for the month of April showed 8% y-o-y growth in profits (7% m-o-m decline) led by mortgages while corporate lending continued to be moderate. We expect to see continued increase in Govt. Sukuk investment by banks owing to the Sukuk program. Overall, while sentiments are slightly weaker than before we expect them to recover while earnings related pressure due to SAIBOR weakness if any, would take time.

Flows post MSCI event: Recent weekly data on market flows indicate that while passive QFIs may have bought in Saudi stocks above expectations, a large chunk of active QFIs exited in the week of MSCI inclusion. Hence, related euphoria has ebbed for now especially, with consensus inclining towards possibility of a US Fed rate cut as compared to no rate change previously (from 2 hikes prior to that). In the past, the key driver for Banks to rally was an increase in interest rates as a large part of deposits in the Kingdom are mostly interest-free. Not only asset yields, now with Govt. seeking higher returns, cost of deposits are also expected to slightly increase. Overall, there is a possibility that NIMs of the Saudi banks could come under slight pressure on a sequential basis in the medium term.

Mortgages leading the way: The focus of lending has entirely shifted to mortgages because of multiple factors: a) interest-subsidized mortgages lowering net instalments by around 25-30% as per our calc. b) increasing employment of Saudi nationals as bulk of the nationals are young with a median age of 30 yrs c) increase in women employment leading to higher home ownership indirectly/directly d) replacement demand for homes. However, the other side of the mortgages story is more neutral given that a) the average Saudi employee is a Govt. employee with an average salary of SAR12000pm while villa pricing starts at around SAR1mn b) historically limited propensity to save c) spending needs increase as family size grows d) increasing entertainment options e) existing personal / auto loans. On the whole, we believe that while growth could pick up in the current manner for the next 1-2 years, we believe it could eventually taper unless wage inflation picks up which is difficult in our view given the current level of oil prices. Also, retail mortgage is only 11% of the total for the sector.

Corporate lending and investments: We are yet to see signs of a strong improvement in corporate lending. NPL for the sector is still low but could gradually increase as seen in the past quarters. Some pockets of concern are in SMEs. Mortgages and credit card lending will continue to be drivers for balance sheet growth. On the other hand, with Govt.'s ongoing Sukuk program, investment book will continue to increase in a similar fashion as we have seen in the past few quarters.



Overall, possibly lower rates could improve affordability for loans especially mortgages which are already seeing structural demand in the Kingdom. Mortgages become more attractive for banks in a declining interest rate environment due to their fixed rate nature, providing stability to the overall NIMs. We favour retail heavy mortgage oriented banks over corporate banks on higher loan growth which also would have better NIMs (Al Rajhi, NCB and Riyad are on top of this list). Hence in case of momentum rally, these stocks could be preferable. On the other hand, one would also need to factor in for the valuation multiples along with growth metrics. In this context, i.e., including both the factors of fundamentals and valuations, metrics of ANB look strong ticking most of the boxes. *(Please note we do not cover non-Islamic stocks).*

Figure 1 Saudi banks valuation table

	CMP	P/E (x)		P/B (x)		RoE (%)		Div Yield (%)	EPS	
	(SAR)	2018	2019	2018	2019	2018	2019	2019	2018	2019
Al Rajhi	71.4	13.8	16.1	2.9	3.3	19.7	21.6	4.4	4.1	4.4
NCB	58.0	13.9	15.7	2.5	2.7	18.1	17.8	3.8	3.5	3.7
Samba	37.2	11.4	13.1	1.5	1.7	12.7	13.4	5.1	2.8	2.8
Riyad	27.4	12.6	15.2	1.6	2.1	12.5	12.0	3.3	1.6	1.8
SABB	40.0	9.9	12.5	1.5	1.8	15.0	14.9	4.9	3.3	3.2
BSF	41.7	11.4	13.8	1.2	1.6	10.6	12.1	4.3	2.7	3.0
ANB	25.3	9.6	10.6	1.2	1.4	13.0	12.4	4.4	2.2	2.4
Alinma	24.7	13.6	13.9	1.6	1.6	12.1	12.7	4.4	1.7	1.8
Alawwal	18.4	15.3	19.7	1.2	NA	8.2	8.1	2.2	1.0	0.9
Albilad	25.0	14.7	15.5	2.1	2.1	14.4	14.6	2.6	1.5	1.6
SIB	18.0	9.2	8.4	1.1	1.0	10.8	10.3	4.7	1.9	2.1
AlJazira	15.3	10.7	12.1	1.0	0.8	10.0	8.3	3.9	1.3	1.3
Sector		12.2	13.9	1.6	1.8	13.1	13.2	4.0		

Source: Bloomberg, Al Rajhi Capital. 2019 = Bloomberg est. EPS in SAR.

Q1 2019 result summary

Saudi banks reported solid net income growth of 12.7% y-o-y (15.4% q-o-q) in Q1-19. Main drivers for the growth were 1) Increase in SAIBOR (average up +98bps y-o-y) which drove NII by 10.5% y-o-y. 2) Significant decline in operating expenses (ex-provisions) by 7.0% y-o-y. 3) Modest rise in non-interest income by 6.0% y-o-y. This quarter saw provision rising ~30% y-o-y, however it was largely due to low base in Q1-18 which was the first quarter of IFRS-9 implementation so banks made lesser provision through income statement. Also, there was a significant jump in provisions for Samba which was also the primary reason for its lacklustre result.

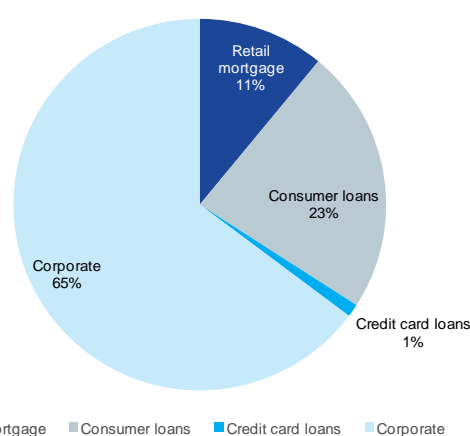
From a sequential perspective, NIM showed signs of stabilization as SAIBOR came under pressure (though still remains at an elevated level) and overall credit growth was weak that resulted in NII growth remaining broadly flat (+0.7% q-o-q). However, increase in non-interest income (+14.6% q-o-q) and decrease in provisions (+15.2% q-o-q) helped increase bottom-line by 15.4% q-o-q.



Retail loan growth healthy; corporate credit muted

Overall credit growth (though improving in recent quarters) in Q1 remained weak at 3.6% y-o-y (+1.2% q-o-q) as compared to the levels seen in 2015, when both corporate and retail loan growth were strong. While corporate credit growth (0.7% y-o-y) has shown considerable deceleration since then, retail loan growth (7.9% y-o-y) on the other has been quite resilient and has reached close to the 2015 levels. Given that the majority of the sector loan book comprises of corporate loans, it would be key for corporate segment to see pickup to boost future earnings growth and profitability. This becomes more important particularly due to possible decline in SAIBOR. Bank managements see NIM to remain at an elevated level as banks continue to benefit from repricing of the back book in short to medium term.

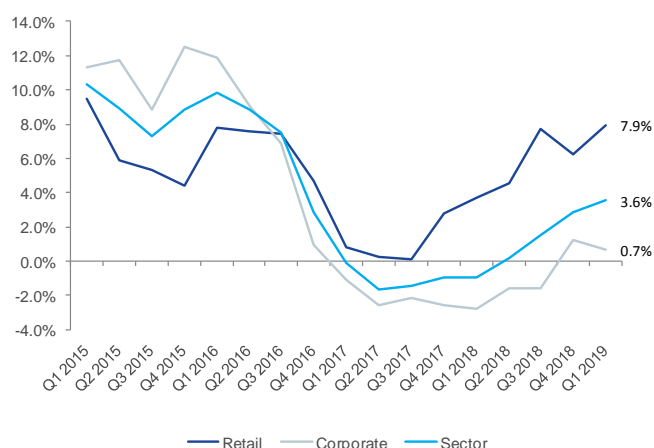
Figure 2 Loan breakdown by sector as of March 2019



Source: SAMA, Al Rajhi Capital

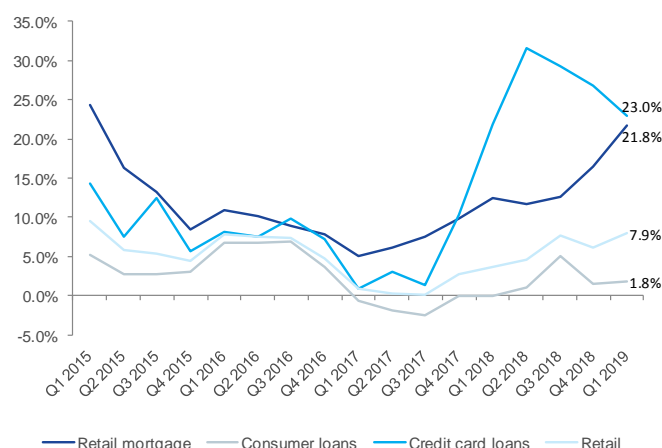
Due to absence of any visible signs of improvement in corporate lending and potential acceleration in 2H19 or later, retail lending and particularly mortgages continues to be focal point that is supporting overall credit growth for few quarters now.

Figure 3 Retail, corporate and sector loan growth (y-o-y)



Source: SAMA, Al Rajhi Capital

Figure 4 Mortgage, consumer and credit card loan growth (y-o-y)



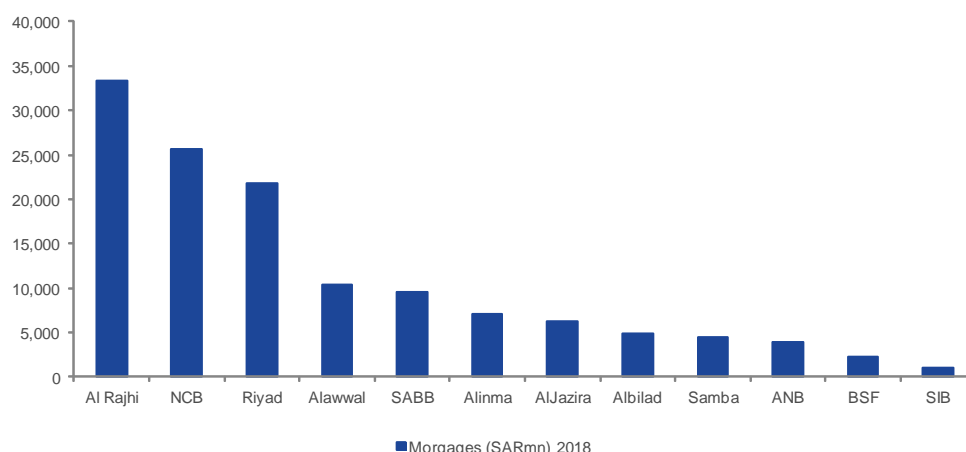
Source: SAMA, Al Rajhi Capital



Mortgages remain the area of structural growth

In retail lending, mortgages remain the key area of growth and most of the banks are focused on tapping this growth potential. While there is immense potential, there is also good competition picking up in this space among banks. We see that Al Rajhi, NCB and Riyad Bank have an early mover advantage as all three have considerable market share and have invested heavily in their mortgage platforms. Among banks, Al Rajhi has a well matured mortgage franchisee with a 27% market share in 2018, followed by NCB and Riyad.

Figure 5 Mortgages by bank (2018)



Source: Company data, Al Rajhi Capital

Factors behind mortgages growth

Mortgages have grown consistently at a double digit rate over the past few years. However, more recently this growth has accelerated mainly triggered by regulatory changes, leading to improved affordability for consumers and lower risk profile for the banks. Saudi Arabian mortgages market is also underpenetrated as compared to other countries, implying a significant potential for future growth. Further, mortgages are an attractive product with better yield, carries lower risk weight (~50%) that requires less capital to be set aside, implying a much better risk-adjusted return. Going forward, we expect mortgages growth to continue in the next 2 years, driven mainly by regulatory changes initiated by Saudi Government and favorable demographics.

- Increase in loan to value (LTV) ratio by SAMA to 90% from 85% in January 2018, resulting in improved affordability.
- Real Estate Development Fund's (REDF) help-to-buy scheme which involves subsidy in the form of co-payment of mortgage debt service costs and mortgage principal repayments by REDF. This scheme is popular among low/middle income class and first time buyers.
- Reduction in risk weights on mortgages from 100% to 50%.
- Increase in participation of Saudis and particularly women ensures larger market size.

In addition, the Saudi Real Estate Refinance Co (SRC) is committed to refinance 20% of Saudi Arabia's mortgage market over the next decade that is likely to boost the Kingdom's secondary mortgage market. As part of this plan, the company aims to issue up to SAR4bn of long-term sukuk this year. The refinancing of mortgages will inject liquidity in the banking system that will enable financial institutions to originate more mortgages. Further, SRC has reduced rates for its long term, fixed-rate (LTFR) mortgage that will enable SRC and the partner primary originators to pass on the benefits to end borrowers, making mortgages



more affordable. We believe that REDF's help-to-buy scheme to attract home ownership and initiatives by SRC to increase the depth of mortgages' market will come as a major step to boost the popularity of mortgages which is in-line with the government's Vision 2030 housing sector goal of increasing home ownership to 60 per cent by 2020 and 70 per cent by 2030.

NIM stabilized in Q1

While NIM remains elevated on a y-o-y basis for Saudi banks in Q1, there was a pressure on NIM on q-o-q basis as it was flat. We believe that the sequential pressure on NIM was due to 1) Marginal improvement in asset yield as SAIBOR came under pressure (Q1 end level was down by 11 bps from Q4 end, though average SAIBOR in Q1 was still higher). 2) Increase in funding costs seen for some banks due to behavioural shift in current accounts by some Government entities demanding higher yields. Notably, there was a decline in NIM for NCB and ANB, while Riyadh Bank NIM was flat. Among large banks, rise in funding cost was more visible at NCB, Riyadh, Samba and ANB.

Figure 6 NIM

Bank	1Q19	1Q18	Y-o-Y	4Q18	Q-o-Q
Bank Albilad	3.67%	3.38%	29	3.70%	-3
Alinma Bank	3.59%	3.50%	9	3.58%	1
Bank AlJazira	2.93%	2.99%	-6	2.97%	-3
Riyad Bank	3.39%	3.14%	25	3.39%	0
Al Rajhi Bank	5.12%	4.87%	26	5.00%	12
NCB	3.53%	3.55%	-2	3.73%	-20
Samba	3.29%	2.99%	30	3.21%	9
SIB	2.71%	2.70%	2	2.56%	15
ANB	3.61%	3.24%	37	3.65%	-4
SABB	3.80%	3.39%	42	3.69%	12
BSF	3.04%	3.05%	-1	2.98%	6
Alawwal Bank	3.63%	3.31%	32	3.82%	-18
Sector	3.68%	3.49%	19	3.68%	0

Source: Company data, Al Rajhi Capital

We believe NCB's funding cost rose due to shift in current accounts to time deposits and Turkish operations, while Riyadh paid higher interest rates to attract deposits. This may be to fund its healthy loan growth and to stay within the SAMA's threshold of LDR ratio of 90%. We expect NIM for the sector to slightly come down in the subsequent quarters as US Fed looks to cut rates. Further, cost of funds may rise as Government funds are likely to move out of current accounts in search of yield.

Figure 7 Asset Yield

Bank	1Q19	1Q18	Y-o-Y	4Q18	Q-o-Q
Bank Albilad	4.73%	4.15%	57	4.71%	2
Alinma Bank	4.72%	4.35%	38	4.80%	-8
Bank AlJazira	4.50%	4.07%	43	4.42%	8
Riyad Bank	4.56%	3.86%	70	4.40%	16
Al Rajhi Bank	5.31%	5.03%	28	5.19%	12
NCB	4.82%	4.39%	43	4.92%	-10
Samba	4.27%	3.63%	64	4.04%	23
SIB	4.60%	4.02%	59	4.44%	16
ANB	5.12%	4.15%	97	5.03%	9
SABB	4.59%	3.95%	64	4.46%	13
BSF	4.41%	3.90%	51	4.37%	3
Alawwal Bank	4.98%	4.44%	54	5.26%	-28
Sector	4.76%	4.22%	54	4.71%	5

Source: Company data, Al Rajhi Capital

Figure 8 Cost of funds

Bank	1Q19	1Q18	Y-o-Y	4Q18	Q-o-Q
Bank Albilad	1.16%	0.88%	28	1.10%	6
Alinma Bank	1.30%	0.96%	34	1.38%	-8
Bank AlJazira	1.73%	1.12%	60	1.60%	13
Riyad Bank	1.37%	0.86%	51	1.21%	16
Al Rajhi Bank	0.19%	0.17%	3	0.19%	0
NCB	1.39%	0.89%	49	1.26%	12
Samba	1.10%	0.69%	40	0.93%	17
SIB	2.10%	1.47%	64	2.08%	2
ANB	1.66%	0.97%	68	1.47%	18
SABB	0.93%	0.61%	32	0.91%	2
BSF	1.52%	0.93%	59	1.54%	-2
Alawwal Bank	1.53%	1.16%	37	1.63%	-10
Sector	1.19%	0.79%	41	1.12%	7

Source: Company data, Al Rajhi Capital

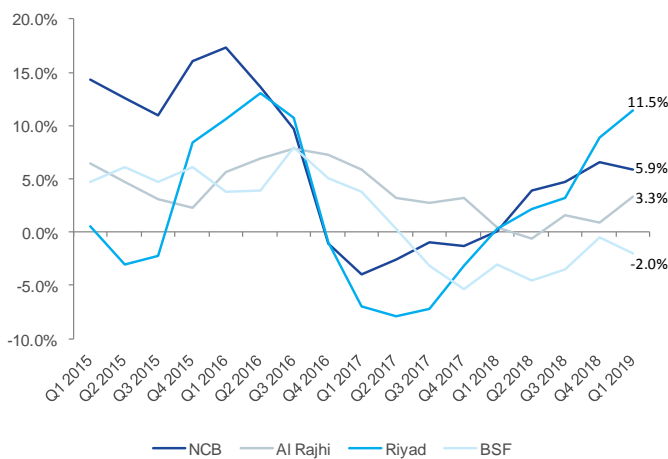


Tepid lending growth and deposit outflows

During the quarter, gross loans for the 12 Saudi banks grew at slow rate of 1.1% q-o-q. Riyadh Bank was an exception as it grew its loan book at solid pace of 4.8% q-o-q (11.5% y-o-y) which was driven by its focus on retail lending and particularly mortgages. Alinma (2.4% q-o-q) and Albilad (1.5% q-o-q) also continued to grow their loan books at a healthy rate. However, others (particularly BSF, SABB and NCB) struggled with a weak loan to negative loan growth. ANB reported contraction in its lending book of 0.6 % q-o-q, following positive growth in the three previous quarters. NCB reported net financing growth of 1.3% q-o-q vs guidance of 4-6% growth, implying much more growth to be seen in rest of the quarters.

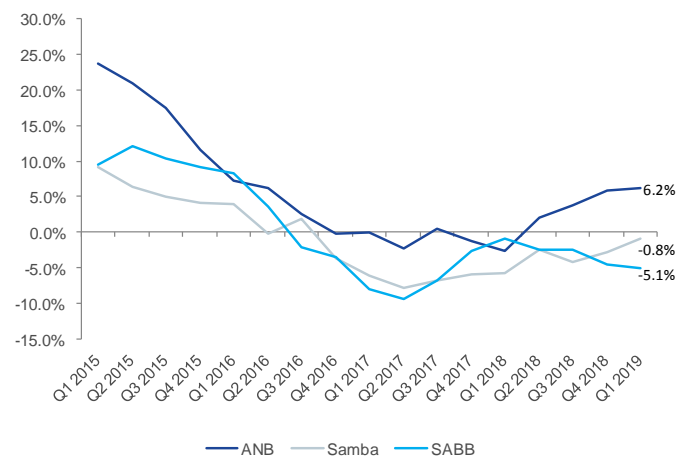
Customer deposits for the 12 banks declined 1.5% q-o-q as most of the banks reported weak to negative deposit growth. Notably, only Riyadh (+2.2% q-o-q) and Alinma (+2.4% q-o-q) was able to attract some deposits during the quarter. On the other hand, ANB (-9.1% q-o-q), SABB (-2.5% q-o-q) and BSF (-2.4% q-o-q) saw significant deposit outflows with most of the decline coming from time deposits as interest rates continue to be elevated. Some managements expressed that the weakness is due to completion of some main Govt projects where there were cash advances. On the other hand, investments rose at a solid pace of 8.2% q-o-q during the quarter which reflected weak lending opportunity. Among large banks, the most notable increase came from Samba (+14.4% q-o-q), reflecting bank's investments in Government bonds. BSF (18.7%), SABB (13.9%) and ANB (11.1%) also saw significant increase due slow credit growth.

Figure 9 NCB, Al Rajhi, Riyadh and BSF loan growth (y-o-y)



Source: Company data, Al Rajhi Capital

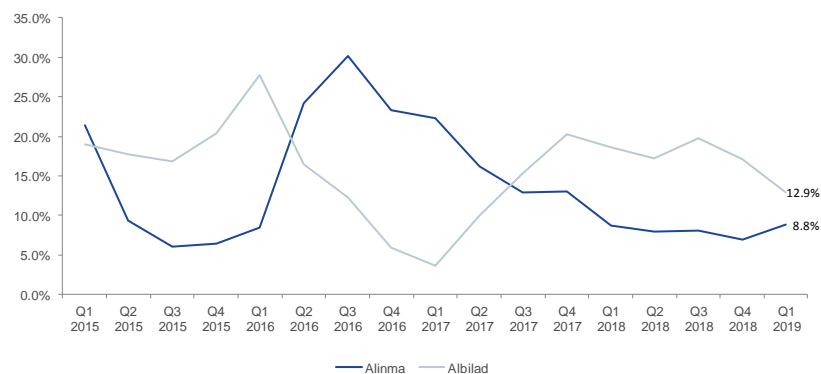
Figure 10 ANB, Samba and SABB (y-o-y)



Source: Company data, Al Rajhi Capital

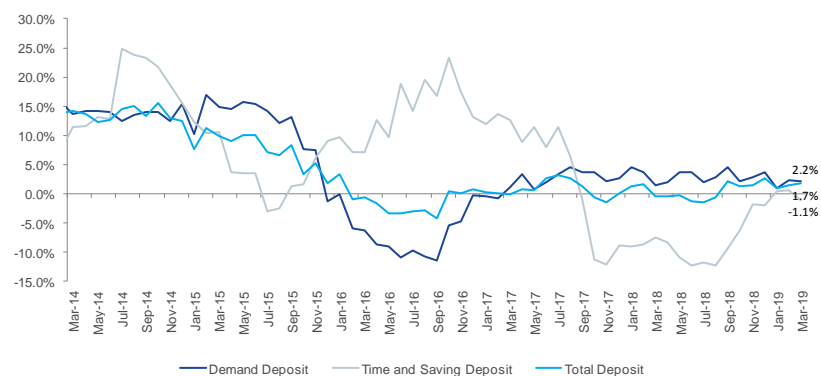


Figure 11 Alinma and Albilad loan book growing well (y-o-y)



Source: Company data, Al Rajhi Capital

Figure 12 Demand, Time and Saving and Total Deposit growth (y-o-y)

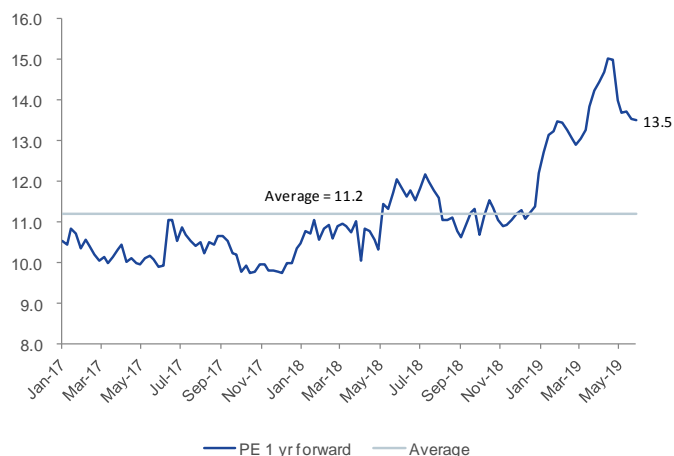


Source: Company data, Al Rajhi Capital



Valuation charts

Figure 13 Tadawul Banks Index PE 1 yr forward



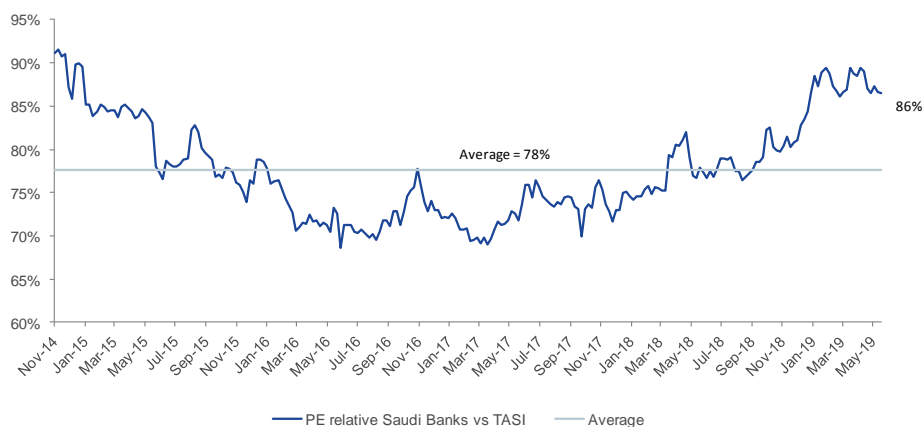
Source: Bloomberg, Al Rajhi Capital

Figure 14 Tadawul Banks Index PB 1 yr forward



Source: Bloomberg, Al Rajhi Capital

Figure 15 Saudi Banks PE vs TASI 1 yr forward



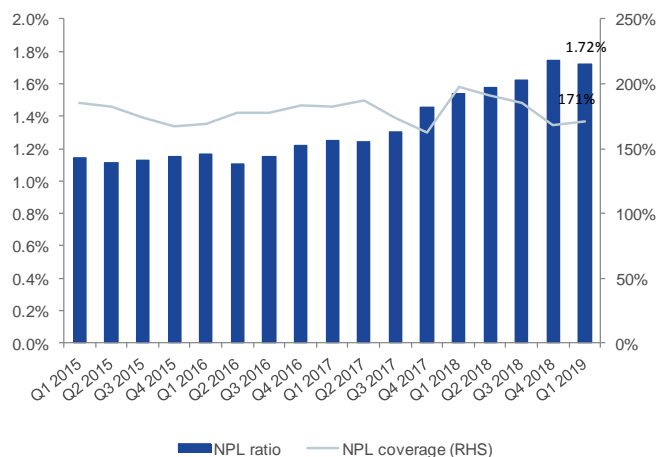
Source: Company data, Al Rajhi Capital, Average of ARB, NCB, Samba, Riyad, SABB and BSF



Asset quality in four charts

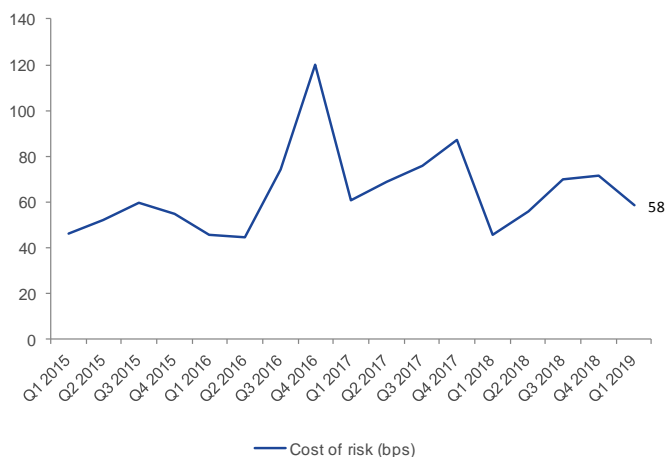
Saudi banks asset quality showed slight improvement in Q1 with NPL ratio (ex. SIB) declining to 1.72% (Q4: 1.74%), though still remained at an elevated level. Cost of risk (ex. SIB) also declined significantly to 58bps from 72bps in Q4 as the banks made fewer fresh provisions.

Figure 16 NPL ratio



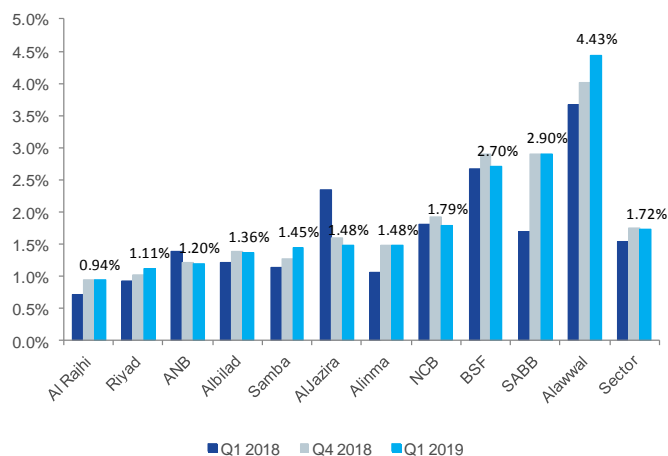
Source: Company data, Al Rajhi Capital, NPL ratio calculation excludes SIB

Figure 17 Sector cost of risk



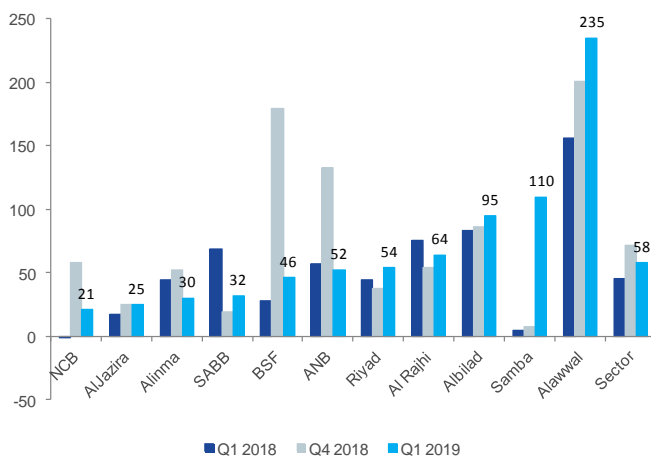
Source: Company data, Al Rajhi Capital, CoR calculation excludes SIB

Figure 18 NPL ratio by bank



Source: Company data, Al Rajhi Capital, NPL ratio calculation excludes SIB

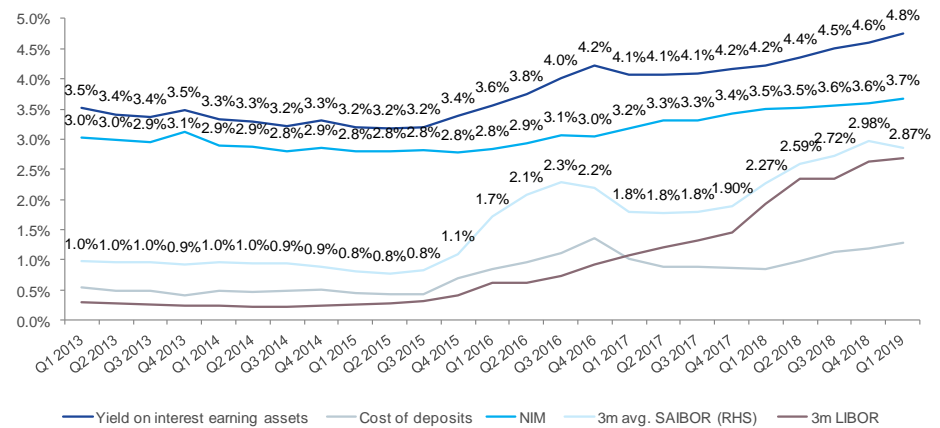
Figure 19 Cost of risk by bank



Source: Company data, Al Rajhi Capital, CoR calculation excludes SIB



Figure 20 Movement of asset yield, cost of deposit, net interest margin and interest rates



Source: Company data, Al Rajhi Capital, Bloomberg

Figure 21 NPL ratio

Bank	1Q18	4Q18	1Q19	y-o-y (bps)	q-o-q (bps)
Al Rajhi	0.72%	0.95%	0.94%	22	-1
Samba	1.14%	1.28%	1.45%	31	17
Riyad	0.92%	1.02%	1.11%	19	10
BSF	2.67%	2.91%	2.70%	3	-21
SABB	1.70%	2.89%	2.90%	120	1
ANB	1.38%	1.21%	1.20%	-18	-1
Alawwal	3.67%	4.02%	4.43%	76	41
SIB	1.24%	NA	NA	NM	NM
Alinma	1.07%	1.48%	1.48%	41	0
AlJazira	2.34%	1.59%	1.48%	-86	-11
Albilad	1.21%	1.39%	1.36%	15	-3
NCB	1.81%	1.92%	1.79%	-2	-13
Total	1.53%	1.74%	1.72%	19	-2

Source: Company data, Al Rajhi Capital, SIB NPL is not available for the past two quarters

Figure 22 Net Special Income

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	3,441	3,812	3,944	14.6%	3.5%
Samba	1,433	1,588	1,646	14.9%	3.7%
Riyad	1,523	1,758	1,809	18.8%	2.9%
BSF	1,256	1,247	1,273	1.4%	2.1%
SABB	1,323	1,451	1,487	12.4%	2.5%
ANB	1,194	1,363	1,365	14.3%	0.1%
Alawwal	670	724	670	0.0%	-7.4%
SIB	564	554	586	3.9%	5.9%
Alinma	896	972	993	10.8%	2.2%
AlJazira	458	488	489	6.9%	0.2%
Albilad	488	596	597	22.3%	0.1%
NCB	3,419	3,741	3,562	4.2%	-4.8%
Total	16,665	18,294	18,421	10.5%	0.7%

Source: Company data, Al Rajhi Capital

Figure 23 Non-interest income

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	701	694	695	-0.9%	0.1%
Samba	506	440	549	8.5%	24.8%
Riyad	607	626	771	27.0%	23.2%
BSF	488	446	450	-7.8%	0.9%
SABB	439	380	483	10.0%	27.1%
ANB	339	308	268	-20.8%	-13.0%
Alawwal	190	216	229	20.7%	6.2%
SIB	122	101	121	-0.8%	19.9%
Alinma	214	320	297	38.8%	-7.2%
AlJazira	188	195	207	9.7%	6.2%
Albilad	303	306	324	7.1%	6.1%
NCB	1,361	1,015	1,391	2.2%	37.0%
Total	5,458	5,047	5,786	6.0%	14.6%

Source: Company data, Al Rajhi Capital

Figure 24 Total operating income

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	4,142	4,506	4,639	12.0%	3.0%
Samba	1,939	2,028	2,195	13.2%	8.2%
Riyad	2,130	2,384	2,580	21.1%	8.2%
BSF	1,744	1,693	1,723	-1.2%	1.8%
SABB	1,762	1,831	1,970	11.8%	7.6%
ANB	1,533	1,672	1,633	6.5%	-2.3%
Alawwal	860	940	900	4.6%	-4.3%
SIB	686	655	708	3.1%	8.1%
Alinma	1,110	1,292	1,290	16.2%	-0.2%
AlJazira	646	683	696	7.7%	1.9%
Albilad	791	902	921	16.5%	2.1%
NCB	4,779	4,756	4,953	3.6%	4.1%
Total	22,123	23,341	24,207	9.4%	3.7%

Source: Company data, Al Rajhi Capital



Figure 25 Net Income

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	2,382	2,772	2,885	21.1%	4.1%
Samba	1,305	1,406	1,208	-7.4%	-14.1%
Riyad	1,137	1,352	1,645	44.7%	21.7%
BSF	1,112	269	1,126	1.3%	318.6%
SABB	1,039	1,211	1,286	23.8%	6.2%
ANB	817	685	920	12.7%	34.4%
Alawwal	286	310	220	-23.3%	-29.1%
SIB	361	374	360	-0.4%	-3.9%
Alinma	582	661	709	21.8%	7.3%
AlJazira	245	247	263	7.3%	6.8%
Albilad	256	292	317	23.6%	8.6%
NCB	2,987	2,647	3,165	6.0%	19.5%
Total	12,509	12,225	14,103	12.7%	15.4%

Source: Company data, Al Rajhi Capital

Figure 26 Loans & advances, net

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	228,230	233,338	236,419	3.6%	1.3%
Samba	116,039	113,709	115,054	-0.8%	1.2%
Riyad	141,222	151,025	158,242	12.1%	4.8%
BSF	123,883	120,632	121,274	-2.1%	0.5%
SABB	116,495	110,326	110,357	-5.3%	0.0%
ANB	113,062	121,038	120,193	6.3%	-0.7%
Alawwal	60,760	57,767	55,787	-8.2%	-3.4%
SIB	57,896	59,413	58,176	0.5%	-2.1%
Alinma	79,013	83,889	85,877	8.7%	2.4%
AlJazira	39,138	40,897	42,128	7.6%	3.0%
Albilad	45,616	50,593	51,409	12.7%	1.6%
NCB	252,777	265,317	268,657	6.3%	1.3%
Total	1,374,129	1,407,943	1,423,573	3.6%	1.1%

Source: Company data, Al Rajhi Capital

Figure 27 Interest earning assets

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	285,022	307,209	308,514	8.2%	0.4%
Samba	190,626	197,681	201,981	6.0%	2.2%
Riyad	192,847	210,047	216,558	12.3%	3.1%
BSF	163,658	164,942	170,223	4.0%	3.2%
SABB	155,160	156,938	155,896	0.5%	-0.7%
ANB	146,660	150,029	152,496	4.0%	1.6%
Alawwal	79,529	74,952	72,562	-8.8%	-3.2%
SIB	82,475	86,968	85,912	4.2%	-1.2%
Alinma	100,670	110,581	110,766	10.0%	0.2%
AlJazira	61,860	66,247	67,192	8.6%	1.4%
Albilad	59,214	65,393	64,890	9.6%	-0.8%
NCB	384,640	399,372	407,981	6.1%	2.2%
Total	1,902,362	1,990,358	2,014,971	5.9%	1.2%

Source: Company data, Al Rajhi Capital

Figure 28 Total assets

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	348,430	364,279	363,340	4.3%	-0.3%
Samba	228,911	229,938	231,111	1.0%	0.5%
Riyad	213,670	229,900	239,517	12.1%	4.2%
BSF	184,018	190,201	189,990	3.2%	-0.1%
SABB	182,622	174,564	173,667	-4.9%	-0.5%
ANB	168,396	178,291	168,617	0.1%	-5.4%
Alawwal	88,803	82,028	79,613	-10.3%	-2.9%
SIB	91,531	96,070	94,832	3.6%	-1.3%
Alinma	113,945	121,538	121,794	6.9%	0.2%
AlJazira	67,976	73,003	73,926	8.8%	1.3%
Albilad	65,778	73,636	72,902	10.8%	-1.0%
NCB	438,896	453,390	466,348	6.3%	2.9%
Total	2,192,976	2,266,837	2,275,656	3.8%	0.4%

Source: Company data, Al Rajhi Capital

Figure 29 Shareholder's equity

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	50,440	48,554	51,260	1.6%	5.6%
Samba	43,564	42,309	42,738	-1.9%	1.0%
Riyad	36,169	36,774	37,645	4.1%	2.4%
BSF	31,694	30,812	32,198	1.6%	4.5%
SABB	31,772	32,341	33,868	6.6%	4.7%
ANB	25,139	26,492	26,478	5.3%	-0.1%
Alawwal	13,227	13,860	14,031	6.1%	1.2%
SIB	14,721	13,439	13,914	-5.5%	3.5%
Alinma	20,179	21,298	20,459	1.4%	-3.9%
AlJazira	8,470	11,244	11,495	35.7%	2.2%
Albilad	7,721	7,833	8,271	7.1%	5.6%
NCB	63,684	64,737	67,939	6.7%	4.9%
Total	346,780	349,694	360,294	3.9%	3.0%

Source: Company data, Al Rajhi Capital

Figure 30 Customer deposits

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	283,936	293,909	293,504	3.4%	-0.1%
Samba	172,327	170,170	170,167	-1.3%	0.0%
Riyad	151,921	169,822	173,491	14.2%	2.2%
BSF	141,944	148,368	144,820	2.0%	-2.4%
SABB	135,392	130,507	127,238	-6.0%	-2.5%
ANB	130,027	140,909	128,045	-1.5%	-9.1%
Alawwal	70,502	64,573	61,848	-12.3%	-4.2%
SIB	61,032	63,690	63,824	4.6%	0.2%
Alinma	89,340	90,128	92,261	3.3%	2.4%
AlJazira	50,595	51,804	51,432	1.7%	-0.7%
Albilad	50,774	57,176	57,591	13.4%	0.7%
NCB	309,001	318,699	309,661	0.2%	-2.8%
Total	1,646,790	1,699,754	1,673,883	1.6%	-1.5%

Source: Company data, Al Rajhi Capital

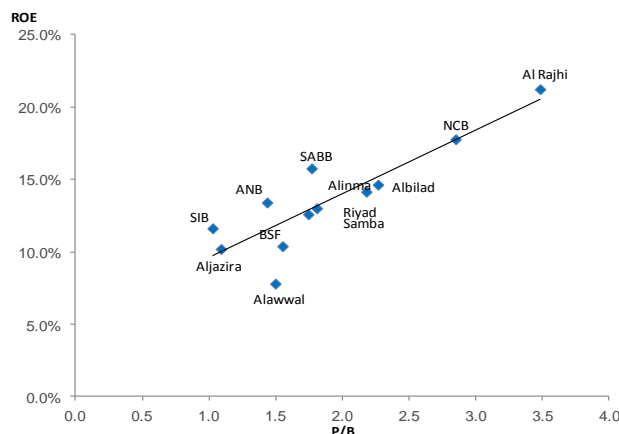


Figure 31 Loan to Deposit

Bank	1Q18	4Q18	1Q19	y-o-y (bps)	q-o-q (bps)
Al Rajhi	80.4%	79.4%	80.6%	17	116
Samba	67.3%	66.8%	67.6%	28	79
Riyad	93.0%	88.9%	91.2%	-175	228
BSF	87.3%	81.3%	83.7%	-353	244
SABB	86.0%	84.5%	86.7%	69	220
ANB	87.0%	85.9%	93.9%	691	797
Alawwal	86.2%	89.5%	90.2%	402	74
SIB	94.9%	93.3%	91.2%	-371	-213
Alinma	88.4%	93.1%	93.1%	464	0
AlJazira	77.4%	78.9%	81.9%	455	296
Albilad	89.8%	88.5%	89.3%	-57	78
NCB	81.8%	83.3%	86.8%	495	351
Total	83.4%	82.8%	85.0%	160	221

Source: Company data, Al Rajhi Capital

Figure 32 ROE vs. P/B



Source: Company data, Al Rajhi Capital, Bloomberg

Figure 33 Return on Average Risk Weighted Assets

Bank	1Q18	4Q18	1Q19	y-o-y (bps)	q-o-q (bps)
Al Rajhi	3.8%	4.4%	4.5%	66	12
Samba	2.4%	2.8%	2.4%	-6	-39
Riyad	2.1%	2.4%	2.9%	79	46
BSF	2.4%	0.6%	2.5%	9	191
SABB	2.4%	2.8%	3.0%	65	16
ANB	2.1%	1.7%	2.3%	20	60
Alawwal	1.4%	1.6%	1.2%	-22	-45
SIB	1.8%	1.8%	1.7%	-7	-6
Alinma	2.3%	2.4%	2.5%	28	11
AlJazira	1.8%	1.9%	2.0%	19	11
Albilad	1.8%	1.9%	2.1%	27	15
NCB	3.3%	2.9%	3.4%	12	51
Total	2.6%	2.5%	2.9%	30	37

Source: Company data, Al Rajhi Capital

Figure 34 Cost to income ratio

Bank	1Q18	4Q18	1Q19	y-o-y (bps)	q-o-q (bps)
Al Rajhi	31.6%	31.1%	29.4%	-220	-174
Samba	32.1%	29.6%	30.3%	-172	70
Riyad	39.8%	37.8%	32.6%	-714	-520
BSF	31.2%	50.6%	26.2%	-501	-2439
SABB	29.9%	33.9%	30.9%	106	-295
ANB	35.4%	35.2%	34.2%	-124	-104
Alawwal	37.5%	33.8%	36.0%	-158	218
SIB	38.7%	47.5%	41.7%	299	-582
Alinma	39.9%	40.2%	39.8%	-13	-37
AlJazira	59.8%	61.9%	58.9%	-89	-293
Albilad	55.6%	55.3%	52.1%	-350	-318
NCB	36.7%	35.3%	32.7%	-399	-258
Total	36.2%	37.4%	33.6%	-258	-378

Source: Company data, Al Rajhi Capital

Figure 35 Capital Adequacy Ratio (CAR)

Bank	1Q18	4Q18	1Q19	y-o-y (bps)	q-o-q (bps)
Al Rajhi	21.5%	20.2%	20.9%	-68	68
Samba	22.4%	22.7%	22.4%	-4	-30
Riyad	18.8%	18.1%	18.1%	-72	5
BSF	19.4%	19.8%	20.1%	79	38
SABB	21.5%	21.3%	21.5%	5	24
ANB	16.8%	18.1%	18.2%	135	14
Alawwal	17.4%	19.5%	20.3%	291	83
SIB	21.9%	19.4%	20.4%	-155	100
Alinma	21.3%	21.1%	19.7%	-165	-136
AlJazira	21.4%	27.5%	27.1%	569	-36
Albilad	18.2%	17.3%	18.3%	12	96
NCB	20.4%	20.6%	19.3%	-110	-134

Source: Company data, Al Rajhi Capital

Figure 36 Net income (Corporate segment)

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	150	631	541	259.6%	-14.4%
Samba	539	629	456	-15.5%	-27.6%
Riyad	380	594	656	72.9%	10.5%
BSF	535	NA	579	8.2%	NM
SABB	538	619	656	22.0%	6.0%
ANB	359	8	317	-11.7%	NM
Alawwal	80	49	35	-55.9%	-27.5%
SIB	148	275	234	58.3%	-15.0%
Alinma	242	122	293	20.9%	140.0%
AlJazira	31	5	13	-57.4%	183.8%
Albilad	70	129	101	44.4%	-21.1%
NCB	650	965	790	21.6%	-18.1%
Total	3,722	4,025	4,671	25.5%	16.1%

Source: Company data, Al Rajhi Capital



Figure 37 Net income (Retail segment)

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	1,588	1,696	1,647	3.7%	-2.9%
Samba	242	488	231	-4.5%	-52.7%
Riyad	296	210	212	-28.4%	1.0%
BSF	120	144	157	30.4%	9.0%
SABB	244	318	385	57.7%	21.0%
ANB	158	405	265	67.4%	-34.4%
Alawwal	121	157	112	-6.7%	-28.6%
SIB	130	67	59	-54.4%	-11.5%
Alinma	129	239	148	14.7%	-38.0%
AlJazira	74	89	131	75.5%	46.3%
Albilad	100	87	135	34.2%	55.3%
NCB	1,166	1,209	1,229	5.4%	1.7%
Total	4,369	5,110	4,712	7.8%	-7.8%

Source: Company data, Al Rajhi Capital

Figure 38 Total Assets (Corporate segment)

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	59,852	62,102	64,683	8.1%	4.2%
Samba	97,866	96,225	98,151	0.3%	2.0%
Riyad	102,769	110,425	115,849	12.7%	4.9%
BSF	109,390	102,523	102,604	-6.2%	0.1%
SABB	92,904	87,698	88,067	-5.2%	0.4%
ANB	82,757	86,120	84,067	1.6%	-2.4%
Alawwal	41,421	39,720	38,319	-7.5%	-3.5%
SIB	34,620	35,870	35,118	1.4%	-2.1%
Alinma	64,346	69,716	69,855	8.6%	0.2%
AlJazira	18,581	18,738	18,865	1.5%	0.7%
Albilad	26,997	26,625	26,734	-1.0%	0.4%
NCB	127,191	138,203	133,847	5.2%	-3.2%
Total	858,694	873,966	876,159	2.0%	0.3%

Source: Company data, Al Rajhi Capital

Figure 39 Total Assets (Retail segment)

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	183,832	187,898	191,018	3.9%	1.7%
Samba	33,266	32,316	32,801	-1.4%	1.5%
Riyad	54,583	56,877	58,572	7.3%	3.0%
BSF	17,960	19,764	20,643	14.9%	4.4%
SABB	26,499	25,872	26,094	-1.5%	0.9%
ANB	34,787	38,205	39,392	13.2%	3.1%
Alawwal	19,340	18,048	17,468	-9.7%	-3.2%
SIB	26,662	23,677	23,405	-12.2%	-1.2%
Alinma	14,578	18,548	15,595	7.0%	-15.9%
AlJazira	20,160	21,659	23,455	16.3%	8.3%
Albilad	20,924	27,513	30,841	47.4%	12.1%
NCB	125,975	125,908	137,774	9.4%	9.4%
Total	578,566	596,283	617,057	6.7%	3.5%

Source: Company data, Al Rajhi Capital

Figure 40 DPS (SAR)

Bank	2016	2017	2018	H1 2018	H2 2018
Al Rajhi	1.46	2.60	2.76	1.30	1.46
Samba	0.95	1.50	1.80	0.80	1.00
Riyad	0.65	0.73	0.77	0.37	0.40
BSF	1.05	1.40	1.70	0.90	0.80
SABB	0.77	1.49	2.21	1.00	1.21
ANB	0.60	0.80	1.00	0.43	0.57
Alawwal	0.25	-	-	-	-
SIB	0.47	0.60	-	-	-
Alinma	0.50	0.80	1.00	-	1.00
AlJazira	0.38	0.32	0.50	-	0.50
Albilad	0.40	0.56	-	-	-
NCB	1.07	1.13	2.10	1.00	1.10

Source: Company data, Al Rajhi Capital

Figure 41 EPS

Bank	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	0.95	1.11	1.15	21.1%	4.1%
Samba	0.65	0.70	0.60	-7.3%	-14.1%
Riyad	0.38	0.45	0.55	44.7%	21.7%
BSF	0.93	0.22	0.94	1.3%	320.9%
SABB	0.69	0.81	0.86	23.8%	6.2%
ANB	0.54	0.46	0.61	12.7%	34.4%
Alawwal	0.25	0.27	0.19	-23.3%	-29.2%
SIB	0.48	0.50	0.52	7.7%	3.9%
Alinma	0.39	0.44	0.48	21.8%	7.2%
AlJazira	0.43	0.33	0.32	-25.7%	-1.7%
Albilad	0.34	0.39	0.42	23.6%	8.6%
NCB	1.00	0.89	1.06	5.8%	19.4%

Source: Company data, Al Rajhi Capital

Figure 42 Coverage ratio

Bank	1Q18	4Q18	1Q19	y-o-y (pps)	q-o-q (pps)
Al Rajhi	483%	342%	346%	-137	4
Samba	212%	175%	167%	-44	-8
Riyad	230%	151%	144%	-87	-7
BSF	122%	112%	124%	2	12
SABB	234%	143%	144%	-90	2
ANB	169%	179%	188%	19	9
Alawwal	142%	157%	158%	16	1
SIB	233%	NA	NA	NM	NM
Alinma	243%	180%	180%	-62	0
AlJazira	101%	140%	150%	49	9
Albilad	246%	235%	235%	-12	-1
NCB	165%	142%	145%	-19	4
Total	199%	158%	160%	-39	2

Source: Company data, Al Rajhi Capital, SIB coverage ratio is not disclosed for the quarter



Figure 43 Time and savings deposits as a % of total deposits

Bank	1Q18	4Q18	1Q19	y-o-y (pps)	q-o-q (pps)
Al Rajhi	5.6%	6.4%	3.8%	(1.8)	(2.6)
Samba	39.2%	41.2%	42.0%	2.8	0.7
Riyad	40.1%	39.3%	42.1%	2.0	2.8
BSF	41.4%	51.4%	47.7%	6.3	(3.7)
SABB	37.3%	36.3%	34.9%	(2.4)	(1.4)
ANB	46.1%	48.3%	46.5%	0.4	(1.8)
Alawwal	55.7%	54.8%	50.2%	(5.5)	(4.6)
SIB	57.3%	60.6%	53.2%	(4.1)	(7.3)
Alinma	48.5%	39.6%	40.5%	(8.0)	0.9
AlJazira	44.5%	46.1%	44.3%	(0.2)	(1.9)
Albilad	38.2%	46.9%	43.3%	5.1	(3.5)
NCB	19.6%	15.6%	19.7%	0.0	4.0
Total	32.4%	32.8%	32.2%	(0.2)	(0.6)

Source: Company data, Al Rajhi Capital

Figure 44 Provisions charged during the quarter

(SARmn)	1Q18	4Q18	1Q19	y-o-y	q-o-q
Al Rajhi	450	330	389	-13.5%	18.0%
Samba	12	21	321	2532.2%	1441.2%
Riyad	160	142	211	32.4%	49.0%
BSF	90	567	144	60.6%	-74.6%
SABB	207	56	91	-56.2%	63.3%
ANB	165	411	162	-2.2%	-60.7%
Alawwal	255	313	357	40.2%	14.0%
SIB	89	4	77	-12.8%	1936.9%
Alinma	89	112	65	-26.9%	-41.5%
AlJazira	17	26	26	52.1%	1.7%
Albilad	95	112	125	31.2%	11.5%
NCB	(2)	398	144	NM	-63.8%
Total	1,627	2,491	2,113	29.9%	-15.2%

Source: Company data, Al Rajhi Capital,

Figure 45 Payout ratio

Bank	2016	2017	2018	H1 2018	H2 2018
Al Rajhi	45%	71%	67%	66%	68%
Samba	38%	60%	65%	59%	71%
Riyad	58%	55%	49%	50%	48%
BSF	36%	48%	62%	53%	76%
SABB	30%	57%	67%	61%	74%
ANB	32%	40%	45%	37%	54%
Alawwal	21%	0%	0%	0%	0%
SIB	33%	32%	0%	0%	0%
Alinma	50%	59%	59%	0%	113%
AlJazira	23%	21%	38%	0%	75%
Albilad	37%	45%	0%	0%	0%
NCB	34%	35%	59%	54%	64%

Source: Company data, Al Rajhi Capital



Figure 46 P/B, P/E and ROE of GCC banks

	Market cap (USD mn)	P/B			P/E			ROE		
		2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E
KSA										
Bank Albilad	4,999	2.1	2.1	2.0	14.7	15.5	14.2	14.4	14.6	13.9
ALINMA	9,863	1.6	1.6	1.5	13.6	13.9	13.1	12.1	12.7	12.4
Arab National Bank	10,119	1.2	1.4	1.3	9.6	10.6	9.8	13.0	12.4	12.4
Bank Al Jazira	3,341	1.0	0.8	0.8	10.7	12.1	10.6	10.0	8.3	8.9
Banque Saudi Fransi	13,386	1.2	1.6	1.5	11.4	13.8	12.3	10.6	12.1	12.5
NCB	46,395	2.5	2.7	2.6	13.9	15.7	14.6	18.1	17.8	17.6
Riyad Bank	21,878	1.6	2.1	2.0	12.6	15.2	14.6	12.5	12.0	13.4
Al Rajhi	47,595	2.9	3.3	3.1	13.8	16.1	15.1	19.7	21.6	21.3
Saudi British Bank	15,978	1.5	1.8	1.7	9.9	12.5	12.1	15.0	14.9	14.6
SAMBA	19,838	1.5	1.7	1.6	11.4	13.1	12.3	12.7	13.4	13.8
Saudi Investment Bank	3,592	1.1	1.0	0.9	9.2	8.4	8.0	10.8	10.3	10.8
Market cap weighted average		2.1	2.3	2.2	12.6	14.5	13.6	15.6	16.1	16.1
UAE										
Emirates NBD	17,250	0.9	1.0	0.9	5.2	5.8	5.9	18.1	16.6	15.4
Abu Dhabi Commercial Bank	16,479	1.5	1.3	1.2	9.1	9.9	9.1	16.3	13.5	13.2
Dubai Islamic Bank	9,186	1.4	1.3	1.2	6.9	7.6	7.5	20.7	18.5	18.3
Commercial Bank of Dubai	2,976	1.2	1.0	1.0	9.8	8.9	8.5	12.7	14.5	15.5
Abu Dhabi Islamic Bank	4,499	1.1	1.3	1.2	6.1	7.7	7.8	18.2	17.8	16.8
Union National Bank	4,120	0.8	0.9	0.8	11.7	10.6	9.6	6.5	10.0	NA
Mashreqbank	3,603	0.7	0.6	0.6	6.7	5.7	5.3	10.2	NA	NA
National Bank of Ras Al-Khaima	2,168	1.0	1.1	1.0	7.8	8.0	7.5	12.2	15.0	15.5
National Bank of Umm Al-Qaiwai	1,182	1.2	NA	NA	13.5	NA	NA	9.5	NA	NA
National Bank of Fujairah	2,171	1.7	NA	NA	14.5	NA	NA	12.8	NA	NA
Emirates Islamic Bank	14,785	7.5	NA	NA	58.8	NA	NA	12.7	NA	NA
Sharjah Islamic Bank	879	0.6	NA	NA	6.8	NA	NA	9.4	NA	NA
Invest bank	2,156	5.3	3.8	3.7	NA	NA	124.5	-89.6	NA	NA
Commercial Bank International	289	0.8	NA	NA	6.7	NA	NA	9.9	NA	NA
United Arab Bank	696	1.0	1.0	0.9	30.0	17.7	15.5	3.3	NA	NA
Bank of Sharjah	529	NA	0.5	0.5	6.1	15.4	13.2	NA	NA	NA
Ajman Bank	526	0.8	NA	NA	9.3	NA	NA	7.4	NA	NA
Market cap weighted average		2.4	NA	NA	16.8	NA	NA	12.4	10.5	9.7
Qatar										
Qatar National Bank	48,254	2.7	2.5	2.2	13.5	13.1	12.1	19.6	18.9	18.0
Masraf Al Rayan	7,734	2.4	2.0	1.9	14.7	13.5	13.3	16.1	15.9	16.6
Qatar Islamic Bank	11,375	2.3	2.5	2.3	14.1	15.6	15.1	16.6	17.9	17.8
The Commercial Bank	5,314	1.0	2.0	1.9	11.2	26.5	22.7	8.6	10.4	11.1
Doha Bank	1,951	0.8	0.8	0.8	11.3	10.6	9.2	6.2	7.8	9.2
Qatar International Islamic Bank	3,043	1.7	1.8	1.8	12.1	12.2	11.7	14.2	15.7	16.8
Ahli Bank	1,835	1.1	1.2	1.1	8.9	9.9	9.0	12.3	12.1	12.4
Al Khalij Commercial Bank	1,152	0.7	7.2	6.8	7.5	75.5	73.1	9.3	10.7	11.1
Market cap weighted average		2.3	2.4	2.2	13.3	15.1	14.1	17.3	17.2	16.9
Kuwait										
Boubyan Bank	5,509	3.3	3.2	2.8	26.2	26.4	25.3	13.0	15.4	15.7
Gulf Bank	3,051	1.2	0.4	0.3	12.6	4.0	3.2	9.2	10.7	11.9
Burgan Bank	2,817	0.9	1.1	1.0	9.0	10.9	9.6	10.1	10.7	11.4
Ahli United Bank KSCP/Kuwait	1,935	1.2	NA	NA	11.0	NA	NA	11.4	NA	NA
Commercial Bank of Kuwait	3,289	1.2	0.2	0.2	14.1	2.5	2.3	9.2	9.0	9.7
Al Ahli Bank of Kuwait	1,665	0.8	NA	NA	11.3	NA	NA	7.3	NA	NA
Kuwait International Bank	923	0.9	0.9	0.9	11.8	14.5	14.5	7.8	NA	NA
Warba Bank	1,239	1.6	NA	NA	29.7	NA	NA	5.3	NA	NA
Market cap weighted average		1.7	1.2	1.0	16.8	10.3	9.6	10.1	NA	NA
Bahrain										
Ahli United Bank	7,450	1.4	1.8	1.7	8.3	10.4	10.4	17.1	NA	NA
Arab Banking Corp	1,384	0.3	NA	NA	5.9	NA	NA	5.2	NA	NA
National Bank of Bahrain	2,620	1.8	1.9	1.7	12.2	11.6	9.6	15.2	15.2	16.8
Al Baraka Banking Group	410	0.3	NA	NA	3.8	NA	NA	7.9	NA	NA
BBK	1,527	1.2	1.1	1.1	8.1	7.8	7.7	14.6	15.5	14.4
Ithmaar Holding	194	2.1	NA	NA	NA	NA	NA	-10.2	NA	NA
Al Salam Bank-Bahrain	500	0.7	NA	NA	11.5	NA	NA	6.1	NA	NA
Market cap weighted average		1.3	1.4	1.3	8.6	8.5	8.1	14.3	NA	NA
Regional average (market cap weighted)										
		2.14	1.94	1.81	13.71	12.39	12.29	14.95	14.34	14.16

Source: Bloomberg, Al Rajhi Capital



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