

## SABB



## EVENT FLASH

## Lower provisions driving net income growth

SABB's net income grew 24% YoY and QoQ to SR815mn, above our expectations of SR788mn. Despite a QoQ decline in total operating income due to a drop in lending, the lower provision charges for 4Q12 enabled SABB to post strong bottom-line performance.

- **Net special commission income:** 4Q12 came in at SR821mn in-line with the NCBC estimate of SR836mn. 4Q12 was an increase of 12.4% YoY (SR730mn in 4Q11).
- **Total op. income:** 4Q12 came in at SR1,228mn vs. the NCBC estimate of SR1,278mn. 4Q12 was an increase of 9.5% YoY (SR1,122mn in 4Q11).
- **Net Income:** 4Q12 came in at SR815mn, 3.4% above the NCBC estimate of SR788mn. 4Q12 was an increase of 24.4% YoY (SR655mn in 4Q11).
- SABB reported a mixed set of results with the bottom-line slightly above our estimate. Total operating income grew by 9.5% YoY but came in 3.9% below our estimate. However lower provisions led to net income growing by 24.4% YoY in 4Q12 to SR815mn and 12.2% YoY to SR3,240mn for 2012. Net income for the quarter came in 3.4% above our estimate of SR788mn in 4Q12. The bank's management attributes the growth in 4Q12 to the increase in operating income.
- SABB reported a 24% QoQ growth in net income despite a 7.4% QoQ decline in total operating income. We attribute the QoQ growth in net profits to the estimated 75% QoQ decline in provisioning. Operating income was lower mostly due to the decline in lending (-1.7% QoQ).
- Based on the preliminary results, our calculations suggest that SABB's provision charges have declined significantly (-14% YoY and -76% QoQ) in line with most other banks that have reported their 4Q12 results. NIM contraction, however, was relatively muted (-9bps QoQ) compared to the peer average of 13bps which reflects SABB's increased focus in the retail segment.
- We are positive on the bank's strategy to grow on loan volumes and hence are currently Overweight on the stock with a PT of SR39.1.

## 4Q12 Results Summary

SR mn	4Q12A	4Q11A	% Y O Y	4Q12E	% VAR^
Net sp comm income	821	730	12.4	836	(1.8)
Non-interest income	407	391	4.0	442	(7.9)
Total operating income	1,228	1,122	9.5	1,278	(3.9)
Net income	815	655	24.4	788	3.4
Loans (bn)	96	85	13.3	100	(3.8)
Deposits (bn)	120	106	14.0	121	(0.4)
Investments (bn)	28	22	24.3	30	(7.9)
Assets (bn)	157	139	13.0	158	(0.7)
EPS (SR)	0.82	0.66	24.4	0.79	3.4

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts

Please refer to the last page for important disclaimer

## OVERWEIGHT

<b>Target price (SR)</b>	<b>39.1</b>
<b>Current price (SR)</b>	<b>31.0</b>

## STOCK DETAILS

M52-week range H/L (SR)	37.0/28.5
Market cap (\$mn)	8,267
Shares outstanding (mn)	1000
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	2.0	5.8	-
Rel. to market	(2.7)	(0.6)	(9.1)

Avg daily turnover (mn)	SR	US\$
3M	4.3	1.2
12M	5.3	1.4

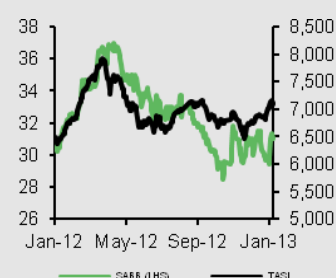
Reuters code	1060.SE
Bloomberg code	SABB AB
	<a href="http://www.sabb.com">www.sabb.com</a>

## VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	10.9	9.8	8.9
P/BV (x)	1.9	1.6	1.4
P/ABV (x)	1.8	1.6	1.4
Div Yield (%)	1.7	1.6	3.3

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



Source: Tadawul

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## ARAB NATIONAL BANK



## EVENT FLASH

## Weak top-line; higher profits on lower provisions

ANB's net income grew 15.5% YoY to SR425mn, due to a decrease in operating expenses and provisions. However, the growth was 14.5% below our estimates. Contraction in NIMs due to the increase in share of time deposits and competition in lending kept ANB's total operating income growth flat on a YoY basis. The YoY decline in provisions enabled net profit expansion.

- **Total operating income:** 4Q12 came in at SR1,118mn, 3.9% below the NCBC estimate of SR1,163mn. 4Q12 was a decrease of 0.5% YoY (SR1,123mn in 4Q11).
- **Net Income:** 4Q12 came in at SR425mn vs. the NCBC estimate of SR497mn. 4Q12 was an increase of 15.5% YoY (SR368mn in 4Q11).
- ANB reported strong growth in net income for 4Q12, despite flat NSCI and total operating income. Net profits grew 15.5% YoY to SR425mn, but came in 14.5% below our estimate of SR497mn. We attribute the YoY growth in net income to lower operating expenses including provisions, although net income is lower than our estimate due to provisions coming in higher than we expected. The bank's YoY net income growth for 2012 was also strong at 9.2%.
- ANB's total operating expenses including provisions declined 7.5% YoY, enabling it to counter the flat operating income. We believe provisions for the credit losses decreased 13.7% YoY but increased 68.5% QoQ to SR256mn, 26% higher than our estimate of SR204mn.
- Despite the 18.5% YoY growth in lending, the bank's NSCI remained flat YoY in 4Q12 suggesting NIM contraction of about 30bps – the highest reported by banks in Saudi for 4Q12. We believe 22.5% YoY growth in deposits is mainly driven by time deposits which is increasing the bank's cost of funds. At the same time, competition for lending is curbing ANB's yields on assets, leading to margin pressure.
- We are currently Overweight on the stock with PT of SR34.0. An attractive valuation and a high dividend yield are key positives on the stock.

## 4Q12 Results Summary

SR mn	4Q12A	4Q11A	% Y O Y	4Q12E	% VAR^
Net sp comm income	799	799	(0.0)	848	(5.8)
Non-interest income	319	324	(1.5)	315	1.3
Total operating income	1,118	1,123	(0.5)	1,163	(3.9)
Net income	425	368	15.5	497	(14.5)
Loans (bn)	86	73	18.5	85	1.5
Deposits (bn)	108	88	22.5	99	8.4
Investments (bn)	24	26	(6.7)	27	(11.2)
Assets (bn)	137	118	16.2	128	6.7
EPS (SR)	0.50	0.43	15.5	0.58	(14.5)

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts

## OVERWEIGHT

<b>Target price (SR)</b>	<b>34.0</b>
<b>Current price (SR)</b>	<b>27.2</b>

## STOCK DETAILS

M52-week range H/L (SR)	33.7/25.3
Market cap (\$mn)	6,165
Shares outstanding (mn)	850
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	2.6	5.8	(0.7)
Rel. to market	(2.1)	(0.6)	(9.9)

Avg daily turnover (mn)	SR	US\$
3M	4.3	1.2
12M	4.2	1.1

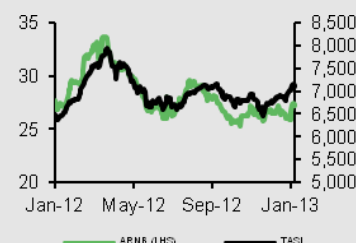
Reuters code	1080.SE
Bloomberg code	ARBN AB
	<a href="http://www.anb.com.sa">www.anb.com.sa</a>

## VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	12.0	10.7	10.0
P/BV (x)	1.5	1.4	1.3
P/ABV (x)	1.4	1.3	1.2
Div Yield (%)	4.4	4.5	4.8

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



Source: Tadawul

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# RIYAD BANK



## EVENT FLASH

## Results in line with expectations; margins stable

RIBL's 4Q12 results came broadly in-line with our estimates with net profits increasing 4.1% YoY to SR810mn. The bank's ability to maintain NIMs enabled it to grow its NSCI moderately, while increase in cost efficiency supported growth in profits. The focus on returns supports our Overweight rating on the stock.

- **Net sp. comm. income:** 4Q12 came in at SR1,101mn vs. the NCBC estimate of SR1,088mn. 4Q12 was an increase of 1.7% YoY (SR1,083mn in 4Q11).
- **Total operating income:** 4Q12 came in at SR1,670mn vs. the NCBC estimate of SR1,640mn. 4Q12 was an increase of 3.9% YoY (SR1,607mn in 4Q11).
- **Net Income:** 4Q12 came in at SR810mn vs. the NCBC estimate of SR799mn. 4Q12 was an increase of 4.1% YoY (SR778mn in 4Q11).
- RIBL's 4Q12 results came in line with our expectation, although slightly below consensus. Net income grew moderately by 4.1% YoY to SR810mn vs our estimate of SR799mn and SR833mn consensus. We attribute the growth in earnings to the 1.7% YoY growth in net interest income and the 9.3% YoY decline in operating expense. We note that given the NIM's were flat on a YoY basis, the NSCI growth was driven by a loan growth of 4.0% YoY.
- Our preference for Riyadh Bank is due to its focus on maintaining margins which they have achieved for 4Q12 on a YoY basis, based on our calculations using the preliminary results. This compares favourably to most other banks which have seen relatively steep margin contraction, particularly the corporate banks. On a QoQ basis, however, margins contracted by 10bps although the decline was broadly in-line with its peers.
- Although the top-line and bottom-line growth were relatively lower than the sector, consistent management strategy, greater clarity on earnings and the high dividend yield makes us positive on the stock. We are currently Overweight on the stock with a PT of SR33.1 and have it amongst our top picks in the Saudi banking sector.

### 4Q12 Results Summary

SR mn	4Q12A	4Q11A	% Y O Y	4Q12E	% VAR^
Net sp comm income	1,101	1,083	1.7	1,088	1.2
Non-interest income	569	524	8.6	552	3.0
Total operating income	1,670	1,607	3.9	1,640	1.8
Net income	810	778	4.1	799	1.4
Loans (bn)	117	113	4.0	116	1.3
Deposits (bn)	146	140	4.6	136	7.3
Investments (bn)	36	37	(1.0)	35	4.2
Assets (bn)	190	181	5.1	178	7.0
EPS (SR)	0.54	0.52	4.1	0.53	1.4

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts

## OVERWEIGHT

<b>Target price (SR)</b>	<b>33.1</b>
<b>Current price (SR)</b>	<b>23.2</b>

### STOCK DETAILS

M52-week range H/L (SR)	26.9/22.7
Market cap (\$mn)	9,280
Shares outstanding (mn)	1,500
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	1.8	1.5	(1.3)
Rel. to market	(2.9)	(4.9)	(10.4)

Avg daily turnover (mn)	SR	US\$
3M	7.2	1.9
12M	19.9	5.3

Reuters code	1010.SE
Bloomberg code	RIBL AB
	<a href="http://www.riyadbank.com">www.riyadbank.com</a>

### VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	11.6	10.3	10.1
P/BV (x)	1.2	1.2	1.1
P/ABV (x)	1.2	1.2	1.1
Div Yield (%)	5.6	6.7	7.4

Source: NCBC Research estimates

### SHARE PRICE PERFORMANCE



Source: Tadawul

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## BANK ALJAZIRA



## EVENT FLASH

## Weak results support Neutral rating

BJAZ's net income declined 11.2% YoY to SR98mn, and was significantly below our estimate of SR126mn. Decline in non-interest income due to lower Tadawul trading resulted in slower top-line growth. This, coupled with increased provisions, led to the decline in profits.

- **Net sp. comm. income:** 4Q12 came in at SR247mn vs. the NCBC estimate of SR260mn. 4Q12 was an increase of 25.7% YoY (SR197mn in 4Q11).
- **Total operating income:** 4Q12 came in at SR372mn vs. the NCBC estimate of SR426mn. 4Q12 was an increase of 12.8% YoY (SR330mn in 4Q11).
- **Net Income:** 4Q12 came in at SR98mn vs. the NCBC estimate of SR126mn. 4Q12 was a decrease of 11.2% YoY (SR110mn in 4Q11).
- BJAZ's net income declined in 4Q12 after growing significantly YoY for seven quarters. The bank reported an 11% YoY decrease in net income to SR98mn, lower than our estimate of SR126mn and consensus of SR132mn. We attribute this weaker than expected growth to lower than expected non-interest income and growth in operating expenses. We believe the decline in non-interest income was due to the 4.2% YoY decline in Tadawul value traded for 4Q12. The reliance of BJAZ on a highly cyclical source of income (more than a third of operating income) is a key reason for our Neutral on the stock..
- Nonetheless, the bank's total operating income increased 12.8% YoY to SR372mn, due to the increasing loan portfolio and increased NSCI. BJAZ's loans grew 28% YoY and 5.6% QoQ. Consequently, the bank's NSCI grew 25.7% YoY in 4Q12.
- Total operating expenses including provisions grew 25% YoY. According to our calculation, BJAZ recorded provisions of SR59mn in 4Q12 vs. only SR8mn in 4Q11. The increase in provisions is attributable to low NPL coverage ratio (128% vs. sector avg. 146%)
- We are currently Neutral on BJAZ with a PT of SR21.1. Although, the bank is rapidly growing its loan and net income, we remained concerned on its low ROE, weak asset quality and high dependence on brokerage.

## 4Q12 Results Summary

SR mn	4Q12A	4Q11A	% Y O Y	4Q12E	% VAR <sup>^</sup>
Net sp comm income	247	197	25.7	260	(5.0)
Non-interest income	125	133	(6.2)	166	(24.9)
Total operating income	372	330	12.8	426	(12.8)
Net income	98	110	(11.2)	126	(22.5)
Loans (bn)	30	23	28.3	29	3.7
Deposits (bn)	41	31	30.5	41	0.4
Investments (bn)	9	5	68.6	9	(0.8)
Assets (bn)	51	39	31.0	49	3.4
EPS (SR)	0.33	0.37	(11.2)	0.42	(22.5)

Source: Company, NCBC Research <sup>^</sup> % Var indicates variance from NCBC forecasts

## NEUTRAL

**Target price (SR)** 21.1

**Current price (SR)** 28.1

## STOCK DETAILS

M52-week range H/L (SR)	31.9/17.5
Market cap (\$mn)	2,248
Shares outstanding (mn)	300
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	12.0	13.5	60.1
Rel. to market	7.3	7.1	51.0

Avg daily turnover (mn)	SR	US\$
3M	37.0	9.9
12M	25.6	6.8

Reuters code	1020.SE
Bloomberg code	BJAZ AB
	<a href="http://www.baj.com.sa">www.baj.com.sa</a>

## VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	28.8	16.5	15.3
P/BV (x)	1.8	1.7	1.6
P/ABV (x)	1.8	1.6	1.5
Div Yield (%)	1.8	2.3	2.5

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



Source: Tadawul

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NEUTRAL:	Target price represents expected returns between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

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CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company

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