

SAUDI HOLLANDI BANK



EVENT FLASH

Decline in operating expenses drives profit

SHB reported strong net income growth of 35.5% YoY for 4Q12. Loan books continued to grow, while NIMs declined on a YoY and QoQ basis. NSCI driven by loan volume and increased non-interest income enhanced top-line growth. In addition operating expenses declined significantly contributing towards high net income growth.

- **Net special comm. income:** 4Q12 came in at SR345mn vs. the NCBC estimate of SR365mn. 4Q12 was an increase of 10.5% YoY (SR312mn in 4Q11).
- **Total operating income:** 4Q12 came in at SR550mn vs. the NCBC estimate of SR574mn. 4Q12 was an increase of 9.1% YoY (SR504mn in 4Q11).
- **Net Income:** 4Q12 came in at SR313mn vs. the NCBC estimate of SR301mn. 4Q12 was an increase of 35.5% YoY (SR231mn in 4Q11).
- SHB reported strong results for 4Q12 with net income increasing 35.5% YoY and 4.1% higher than our estimates. We attribute the YoY increase in net income to increased income from banking activities as well as lower operating expenses, including provisions. On a QoQ basis, however, net income fell 1.2% led by a 4.5% decline in NSCI, despite a 3.8% growth in loans. We attribute the decline in NSCI to a 21bps decline in NIM's.
- The bank's total operating income grew 9.1% YoY to SR550mn led by NSCI growth of 10.5% YoY. The growth in NSCI was driven by a 20.0% YoY growth in loans. Based on the preliminary numbers, our calculations suggest contraction in NIMs by 15bps YoY, reflecting the increasing competition in the corporate segment. Non-interest income grew 7.0% YoY leading to 9.1% YoY growth in top-line income.
- SHB's total operating expenses including provisions declined 13.2% YoY. Based on the primary data, we estimate the bank's provision charges decreased 20% YoY to SR31mn, lower than our estimate of SR58mn, supporting the 35.5% YoY growth in net income.
- We are currently Overweight on the stock with a PT of SR33.0. Growing loans, improving top-line income and sound asset quality supports our rating.

4Q12 Results Summary

SR mn	4Q12A	4Q11A	% Y O Y	4Q12E	% VAR [^]
Net sp comm income	345	312	10.5	365	(5.4)
Non-interest income	205	191	7.0	209	(2.0)
Total operating income	550	504	9.1	574	(4.2)
Net income	313	231	35.5	301	4.1
Loans (bn)	45	38	20.0	44	2.7
Deposits (bn)	54	45	19.7	53	2.3
Investments (bn)	11	12	(1.0)	12	(2.8)
Assets (bn)	69	58	19.9	68	2.2
EPS (SR)	0.79	0.58	35.5	0.76	4.1

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

OVERWEIGHT

Target price (SR) 33.0

Current price (SR) 28.1

STOCK DETAILS

M52-week range H/L (SR)	29.3/24.4
Market cap (\$mn)	2,974
Shares outstanding (mn)	397
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	4.9	6.8	14.2
Rel. to market	(1.0)	1.4	3.8

Avg daily turnover (mn)	SR	US\$
3M	2.1	0.6
12M	3.0	0.8

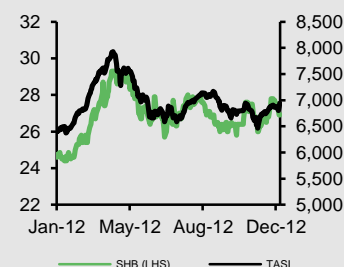
Reuters code	1040.SE
Bloomberg code	AAAL AB
	www.shb.com.sa

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	11.9	9.9	9.1
P/BV (x)	1.6	1.4	1.3
P/ABV (x)	1.5	1.4	1.2
Div Yield (%)	2.5	2.3	3.1

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Bloomberg

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THE SAUDI INVESTMENT BANK



EVENT FLASH

Strong net income growth driven by loan volumes

SAIB's net income grew significantly by 67% YoY to SR246mn, significantly higher than our estimate of SR186mn. We attribute this increase to lower than expected provisions. The bank's top-line growth and NSCI remained broadly in-line with our expectations, supported by strong non-interest income and loan growth.

- **Net special comm. income:** 4Q12 came in at SR324mn in-line with the NCBC estimate of SR324mn. 4Q12 was an increase of 12.9% YoY (SR287mn in 4Q11).
- **Total operating income:** 4Q12 came in at SR436mn vs. the NCBC estimate of SR419mn. 4Q12 was an increase of 14.3% YoY (SR382mn in 4Q11).
- **Net Income:** 4Q12 came in at SR246mn vs. the NCBC estimate of SR186mn. 4Q12 was an increase of 66.6% YoY (SR147mn in 4Q11).
- SAIB reported a strong set of results for 4Q12 with net income growing 67% YoY and 6.0% QoQ. Net income came in 31.7% higher than our estimate. We attribute this increase to lower-than-expected operating expenses which include provisions. However, NSCI and total operating income were broadly in-line with our estimates.
- Continued loan book expansion has supported the strong top-line performance. However, declining margins have kept operating income growth lower, which has been the case with the other corporate banks that have announced results (SHB and BSF). Nonetheless, strong fee income that was partly driven by the lending growth has offset the impact of contraction in margins and hence contributed to the 19% YoY growth in non-interest income.
- Our primary calculation suggests that total operating expenses including provisions declined 3.6% YoY. We attribute this decrease to lower provisions for 4Q12. Based on the preliminary results, our calculations suggest that the bank's provision charges amount to SR58mn for 4Q12 vs. our estimate of SR106mn.
- We believe SAIB is currently trading at its fair value and see limited upside potential. Hence, we are currently Neutral on the stock with a PT of SR18.4.

4Q12 Results Summary

SR mn	4Q12A	4Q11A	% Y O Y	4Q12E	% VAR
Net Sp Comm Income	324	287	12.9	324	0.1
Non-Interest Income	112	95	18.5	96	17.4
Total Operating Income	436	382	14.3	419	4.1
Net Income	246	147	66.6	186	31.7
Loans	34	27	25.6	32	4.9
Deposits	40	37	9.9	40	1.8
Investments	11	9	22.7	11	2.3
Assets	59	52	13.7	56	4.8
EPS (SR)	0.45	0.27	66.6	0.34	31.7

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

NEUTRAL

Target price (SR) 18.4

Current price (SR) 20.0

STOCK DETAILS

M52-week range H/L (SR)	21.0/15.6
Market cap (\$mn)	2,933
Shares outstanding (mn)	550
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	9.3	24.6	23.5
Rel. to market	3.4	19.2	13.0

Avg daily turnover (mn)	SR	US\$
3M	3.3	0.9
12M	4.6	1.2

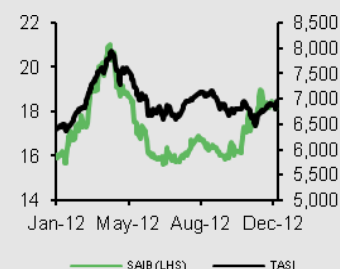
Reuters code	1030.SE
Bloomberg code	SIBC AB
	www.saib.com.sa

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	15.9	13.2	12.8
P/BV (x)	1.3	1.3	1.2
P/ABV (x)	1.3	1.2	1.1
Div Yield (%)	2.8	3.3	3.4

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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BANK ALBILAD



EVENT FLASH

Lower Op-Ex (provisions) supports net income

Albilad's net income grew significantly by 46% YoY in 4Q12, due to increased top-line income and lower operating expenses. Growth in loans and widening NIMs supported its top-line growth while lower provisions improved bottom-line performance. We believe low provisions played a significant role in the YoY net income gain.

- **Total operating income:** 4Q12 came in at SR438mn vs. the NCBC estimate of SR448mn. 4Q12 was an increase of 11.6% YoY (SR393mn in 4Q11).
- **Net Income:** 4Q12 came in at SR157mn vs. the NCBC estimate of SR117mn. 4Q12 was an increase of 46.4% YoY (SR107mn in 4Q11).
- Albilad posted a strong set of results with net income growing 46.4% YoY; this was 34% higher than our estimates despite total operating income 2% below our estimates. We attribute the increase in net income to lower operating expenses including provisions.
- Albilad's top-line performance was broadly in-line with our estimates growing at 11.8% YoY (1.0% QoQ) to SR438mn. Net income, however, was 34% above our estimates. We believe this was mainly due to lower-than-expected provisions; based on the preliminary results we estimate that Albilad booked provisions of SR52mn (-48% YoY and -40% QoQ) which was about 50% below our expectations. Lower-than-expected provisions contributed to a 1.5% YoY decline in total operating expense.
- Albilad continued to expand its loans and investments with 32.5% and 61.5% YoY growth. In addition, the bank's NIMs also widened 14bps YoY and 11bps QoQ reflecting its increased retail penetration. Consequently, the bank's NSCI grew 23.3% YoY. Non-interest income increased just 1.4% YoY, 10.4% below our estimates.
- Although Albilad is expanding rapidly, we are Underweight on the stock mostly due to its premium valuations; it currently trades on 2.5x P/BV vs. peer average of 1.6x with ROE of 15% vs. peer average of 13.8%. The stock is already up 15.5% YTD in addition to the significant 43% gain in 2012. We believe there are other Saudi banking sector stocks that are more attractively valued.

4Q12 Results Summary

SR mn	4Q12A	4Q11A	% YOY	4Q12E	% VAR [^]
Net sp comm income	225	183	23.3	210	7.1
Non-interest income	213	210	1.4	237	(10.4)
Total operating income	438	393	11.6	448	(2.2)
Net income	157	107	46.4	117	33.9
Loans (bn)	18	14	32.5	18	2.6
Deposits (bn)	24	23	3.1	24	(2.3)
Investments (bn)	2	1	61.5	1	11.4
Assets (bn)	30	28	7.4	30	(0.7)
EPS	0.52	0.36	46.4	0.39	33.9

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

UNDERWEIGHT

Target price (SR) 21.2

Current price (SR) 32.7

STOCK DETAILS

M52-week range H/L (SR)	32.7/21.0
Market cap (\$mn)	2,616
Shares outstanding (mn)	300
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	26.3	14.7	55.7
Rel. to market	20.4	9.3	45.2

Avg daily turnover (mn)	SR	US\$
3M	23.7	6.3
12M	26.7	7.1

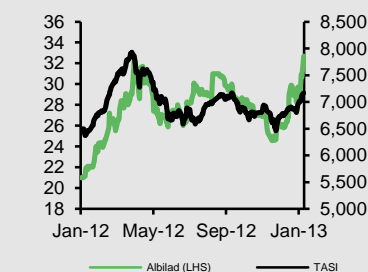
Reuters code	1140.SE
Bloomberg code	ALBI AB
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VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	30.7	19.0	17.1
P/BV (x)	2.9	2.5	2.2
P/ABV (x)	2.7	2.3	2.0
Div Yield (%)	-	-	1.0

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Bloomberg

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- OVERWEIGHT:** Target price represents expected returns in excess of 15% in the next 12 months
- 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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NC: Not covered. NCBC does not cover this company

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