



EVENT FLASH

Better than expected results on loan growth and wider NIMs

Led by strong growth in total operating income, SABB's net income grew 9.8% YoY to SR1,005mn. Wider NIMs as well as expanded loan books enabled the expansion in NSCI. This, together with better than expected growth in fee and other income, enabled the bottom-line growth despite increased provisions.

- NCBC view:** SABB reported 11% better than expected results driven by a combination of strong fee income and widening NIMs. The reported net income was also 10% higher than the median consensus estimate. This is the second consecutive quarter the bank has reported better than expected results driven by wider margins and good loan growth.
- With results very strong in 1H13, we believe SABB has the highest potential for an upward revision in forecast among the banks under coverage. The positive results are sustainable in our view considering that the improvement in NIMs came with a strong loan growth rather than only through a change in the asset mix.
- Based on the preliminary numbers, SABB's NIMs widened 11bps YoY and 10bps QoQ. This together with 11.9% YoY increase in loan books and 10.8% YoY expansion in investments resulted in 13.6% growth in NSCI. SABB reported the second best growth in NSCI after SHB from the 9 banks under our coverage that have reported results so far.
- SABB's fee and other income grew slightly by 2.1% YoY enabling the 9.0% YoY growth in total operating income. Total operating expenses including provisions increased 5.5% YoY, but came-in 1.6% below our estimates. Our calculation suggests that the bank reported SR107mn as credit losses for the quarter vs. our estimate of SR104mn.
- We are positive on SABB's strategy to grow loan volumes and increase its NSCI as well as net income. Bottoming out of NIMs is a key positive for the bank. However, we remain Neutral on the stock as we believe its key positives are priced in.

2Q13 Results Summary

SR mn	2Q13A	2Q12A	% Y O Y	2Q13E	% VAR [^]
Net sp comm income	939	827	13.6	885	6.1
Fee and other income	563	551	2.1	527	6.9
Total operating income	1,502	1,378	9.0	1,411	6.4
Net income	1,005	915	9.8	906	10.9
Loans (bn)	106	95	11.9	104	1.7
Deposits (bn)	126	118	7.1	126	0.1
Investments (bn)	31	28	10.8	31	0.1
Assets (bn)	162	152	6.6	163	(1.0)
EPS (SR)	1.00	0.91	9.8	0.91	10.9

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

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NEUTRAL

Target price (SR) 43.0

Current price (SR) 39.0

STOCK DETAILS

M52-week range H/L (SR)	40.3/28.5
Market cap (\$mn)	10,400
Shares outstanding (mn)	1,000
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	0.5	9.9	19.6
Rel. to market	(0.4)	3.4	4.8

Avg daily turnover (mn)	SR	US\$
3M	7.4	2.0
12M	5.0	1.3

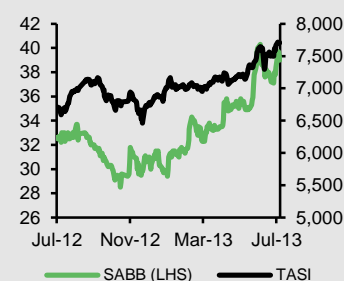
Reuters code	1060.SE
Bloomberg code	SABB AB
	www.sabb.com

VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	12.2	11.7	10.4
P/BV (x)	2.0	1.8	1.6
P/ABV (x)	2.0	1.7	1.5
Div Yield (%)	2.4	2.4	2.3

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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SAMBA FINANCIAL GROUP



EVENT FLASH

Widening NIMs and higher loans drive NSCI and net income

Samba posted a small growth of 1.5% YoY in 2Q13 net income. Led by strong loan growth and wider NIMs, the bank's NSCI grew better than expected at 6.5%. However, decline in fee and other income resulted in almost flat YoY growth in total operating income. A small decline in operating expense including provisions enabled the minor growth in net income for 2Q13.

- NCB review:** Samba reported results that were broadly in line with our estimates. The bank's net income increased 1.5% YoY to SR1,175mn vs. our estimate of SR1,134mn. Increased loans as well as widening NIMs enabled the expansion in the NSCI. Although this was partially negated by the decline in fee and other income, the bank reported marginally better than expected results.
- With results broadly in line with our estimates, we do not expect major changes to our 2013E numbers. However, the improvement in NIMs' was a positive surprise and suggests that the switch towards consumer financing has been successful. This bodes well for the banks bottom line in the coming quarters.
- Samba's NSCI increased 6.5% YoY driven by 16.4% YoY growth in net loans and 7.9% expansion in investments. Our calculation suggests that the bank's NIMs increased 8bps YoY and 10bps QoQ. The bank's deposit base increased 9.6% YoY, slower than the loan growth. This is in line with the bank's strategy to increase fund utilization and loan to customer deposit to 71% in 2Q13 from 67% in 2Q12.
- We estimate the bank's total operating expense including provisions decreased 1.0% YoY and remained 1.7% lower than our expectations. This enabled the bank to report a small growth despite the 8.8% YoY decline in fee income.
- We are currently Overweight on Samba with a PT of SR60.0. We are positive on the bank's strategy to grow lending and increase its loan-to-customer deposit ratio. This is likely to enable YoY growth in NSCI and lead the expansion in net income.

2Q13 Results Summary

SR mn	2Q13A	2Q12A	% Y O Y	2Q13E	% VAR [^]
Net sp comm income	1,149	1,079	6.5	1,114	3.1
Fee and other income	607	666	(8.8)	611	(0.6)
Total operating income	1,756	1,745	0.7	1,725	1.8
Net income	1,175	1,158	1.5	1,134	3.6
Loans (bn)	111	96	16.4	110	1.3
Deposits (bn)	156	142	9.6	155	0.4
Investments (bn)	61	57	7.9	62	(1.7)
Assets (bn)	205	200	3.0	206	(0.2)
EPS (SR)	1.31	1.29	1.5	1.26	3.6

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

OVERWEIGHT

Target price (SR) 60.0

Current price (SR) 51.0

STOCK DETAILS

M52-week range H/L (SR)	51./43.4
Market cap (\$mn)	12,240
Shares outstanding (mn)	900
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	2.8	12.1	13.1
Rel. to market	1.9	5.6	(1.7)

Avg daily turnover (mn)	SR	US\$
3M	18.6	4.9
12M	11.6	3.1

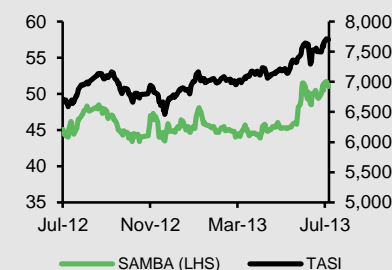
Reuters code	1090.SE
Bloomberg code	SAMBA AB
	www.samba.com.sa

VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	11.5	10.6	9.7
P/BV (x)	1.5	1.4	1.3
P/ABV (x)	1.5	1.3	1.2
Div Yield (%)	3.1	3.5	4.8

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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ARAB NATIONAL BANK



EVENT FLASH

Flat YoY net income, but better than expectations

ANB reported flat net income YoY to SR718mn, 13.7% above our estimate. Small growth in loans as well as the steep decline in NIMs limited NSCI growth. Fee and other income grew slightly, keeping total operating income almost flat YoY.

- **NCBC view:** ANB reported better than expected results, but its net income remained flat YoY at SR718mn. The bank's total operating income also remained flat, but was 5.6% better than our estimate, and hence was the major factor for better than expected result.
- ANB's net income came in 13.7% above our expectations mainly due to the 5.6% higher than expected total operating income. The bank's loan books grew 5.9% YoY, the lowest amongst 9 banks under our coverage that reported results. This together with a 26bps decline in NIMs resulted in a 0.7% YoY decline in NSCI. However, its NIMs expanded 19bps QoQ highlighting easing of NIM pressure. Fee and other income grew only 3.5% allowing 0.7% expansion in total operating income.
- ANB's total operating expenses including provisions increased 1.8% YoY; but came in 3.3% below our estimates. Our primary calculation suggests provisions for the credit losses increased 8.2% to SR91mn, vs our estimate of SR107mn.
- We are currently Neutral on the stock with PT of 32.7. Good asset quality and net income growth keep us positive on the stock; however we are concerned about the bank's lowest CAR of 14.77% at the end of 1Q13, which might limit its loan books expansion relative to the larger banks.

2Q13 Results Summary

SR mn	2Q13A	2Q12A	% Y O Y	2Q13E	% VAR [^]
Net sp comm income	837	843	(0.7)	801	4.5
Fee and other income	427	412	3.5	395	7.9
Total operating income	1,263	1,255	0.7	1,196	5.6
Net income	718	718	(0.0)	632	13.7
Loans (bn)	86	81	5.9	89	(4.1)
Deposits (bn)	103	95	8.7	112	(8.3)
Investments (bn)	29	24	19.8	23	25.8
Assets (bn)	136	120	13.1	138	(1.3)
EPS (SR)	0.84	0.84	(0.0)	0.74	13.7

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

Please refer to the last page for important disclaimer

NEUTRAL

Target price (SR) 32.7

Current price (SR) 31.5

STOCK DETAILS

M52-week range H/L (SR)	32.0/25.31
Market cap (\$mn)	7,1401
Shares outstanding (mn)	8501
Listed on exchanges	TADAWULI

Price perform (%)	1M	3M	12M
Absolute	2.3	10.5	20.2
Rel. to market	1.4	4.1	5.4

Avg daily turnover (mn)	SR	US\$
3M	6.6	1.8
12M	4.8	1.3

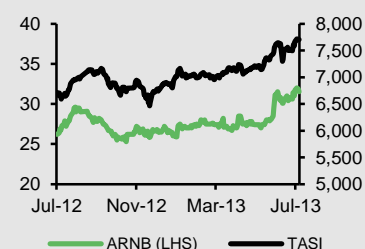
Reuters code	1080.SEI
Bloomberg code	ARBN AB I
	www.anb.com.sa

VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	12.6	12.3	10.9
P/BV (x)	1.6	1.5	1.4
P/ABV (x)	1.5	1.4	1.3
Div Yield (%)	3.2	3.1	3.8

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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AL RAJHI BANK



EVENT FLASH

Results relatively weak; NIMs under pressure

Al Rajhi reported limited growth in net income of only 1.5% YoY to SR2,123mn, 5% below our estimate, although in-line with consensus. The bank's NSCI expanded moderately (+4.5%) despite the strong loan book expansion - we attribute this to tighter NIMs. This, coupled with the decline in fee and other income, resulted in a limited growth in total operating and net income.

- **NCBC view:** Led by the 4.5% YoY growth in NSCI, Al Rajhi's net income grew 1.5% YoY to SR2,123mn. This was nearly 5% below our estimate but broadly in-line with consensus. Fee income declined YoY while growth in total operating expenses including provisions resulted in the limited growth in net income. Al Rajhi's limited treasury-related activities meant that it did not benefit from the improvement in financial instruments in the global markets.
- On a QoQ basis, Al Rajhi's NIMs declined only 6bps. We believe most of the Saudi banks' NIMs are bottoming out and recording very limited declines QoQ. Their ability to maintain margins going forward will likely result in an upward revision in estimates and therefore re-rating of valuations. For Al Rajhi, however, we continue to expect contraction in NIMs.
- Al Rajhi's NSCI increased 4.5% YoY to SR2,394mn, 1.7% below our estimate. The growth in NSCI was led by the 17% YoY growth in net loans. Our primary calculation suggests that the bank's NIMs declined 39bps YoY.
- Al Rajhi's fee and other income declined 1.5% YoY, resulting in only 2.5% expansion in total operating income. The fee and other income component was relatively weak in comparison to the other banks and this is due to AlRajhi's limited Treasury department. As a result, the bank did not benefit from the recent performance of global financial instruments.
- From the preliminary data, we estimate the operating expenses grew 3.5% YoY and provision charges 6.2% YoY to SR402mn.
- We are currently Overweight on the stock with a PT of SR93.4. We believe in Al Rajhi's strong fundamentals, ability to grow top-line and post good profits despite the higher cost of risk.

2Q13 Results Summary

SR mn	2Q13A	2Q12A	% Y O Y	2Q13E	% VAR [^]
Net sp comm income	2,394	2,290	4.5	2,434	(1.7)
Fee and other income	1,120	1,137	(1.5)	1,168	(4.1)
Total operating income	3,514	3,427	2.5	3,602	(2.4)
Net income	2,123	2,093	1.4	2,230	(4.8)
Financing portfolio (bn)	185	158	16.9	187	(1.0)
Deposits (bn)	224	191	16.9	236	(5.4)
Investments (bn)	40	34	18.6	42	(4.0)
Assets (bn)	273	238	14.7	283	(3.4)
EPS (SR)	1.42	1.40	1.4	1.49	(4.8)

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

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OVERWEIGHT

Target price (SR) 93.4

Current price (SR) 76.5

STOCK DETAILS

M52-week range H/L (SR)	76.5/63.5
Market cap (\$mn)	30,600
Shares outstanding (mn)	1,500
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	5.9	14.6	4.8
Rel. to market	5.0	8.1	(10.0)

Avg daily turnover (mn)	SR	US\$
3M	131.3	35.0
12M	112.5	30.0

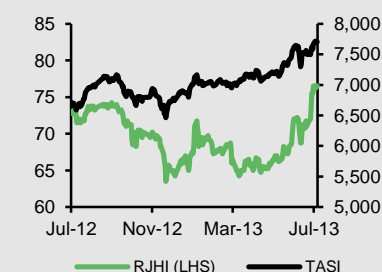
Reuters code	1120.SE
Bloomberg code	RJHI AB
	www.alrajhibank.com.sa

VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	16.3	15.4	14.2
P/BV (x)	3.5	3.3	3.0
P/ABV (x)	3.4	3.1	2.9
Div Yield (%)	4.2	4.3	4.7

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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

NC: Not covered. NCBC does not cover this company

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