Global Research – Saudi Arabia

Result Flash

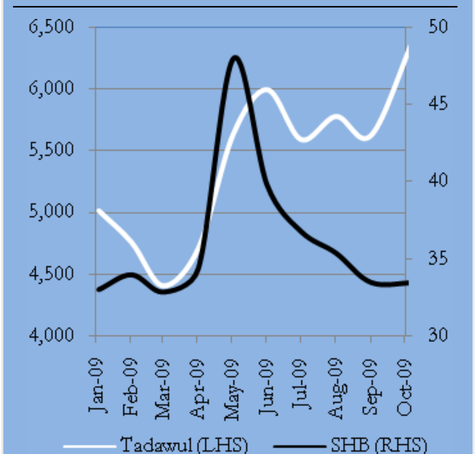
Saudi Hollandi Bank – 9M/2009 Review

Market Data

Bloomberg Code:	AAAL AB
Reuters:	1040.SE
CMP (14 Oct 2009):	SR33.5
O/S (mn):	330.7
Market Cap (SRmn):	11,078.5
Market Cap (US$mn):	2,954.3
Price/EPS 2009e (x):	10.8
Price/BVPS 2009e (x):	1.9

Price Performance	**1-Yr**
High (SR):	48.0
Low (SR):	26.7
Average Volume:	65,408

Share Price Performance



Source: Zawya

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- **Saudi Hollandi Bank (SHB)** recorded subdued quarterly performance with quarterly results showing net income decline of 50.9% (from SR306mn in 3Q08 to SR150mn in 3Q09), leading to nine-monthly profitability drop of 42.6% (from SR915mn in 9M08 to SR525mn in 9M09). Although the SHB's core banking results showed positive growth, the lower non-commission income and higher operating expenses (which includes impairment charge for investments and credit losses) led to pressure on bottom line results.

- As we await the detailed financial results for more elaborate analysis, we have not yet revised our current estimates and expect the bank to post net income decrease of 17.1% in FY09.

(all figs. in SR mn, unless stated)	**3Q08**	**3Q09**	***YoY***	**9M08**	**9M09**	***YoY***
Net special comm. income	359	376	*4.7%*	1,077	1,179	*9.5%*
Operating income	527	516	*-2.0%*	1,593	1,631	*2.4%*
Net income	306	150	*-50.9%*	915	525	*-42.6%*
EPS (SR)	0.93	0.45	*-50.9%*	2.77	1.59	*-42.6%*
Loans (SR bn)	39	39	*0.1%*	39	39	*0.1%*
Deposits (SR bn)	45	47	*6.3%*	45	47	*6.3%*
Assets (SR bn)	61	63	*2.9%*	61	63	*2.9%*

Source: Tadawul & Company reports

- The bank recording improved core banking performance showed net special commission income quarterly rise of 4.7% (from SR359mn in 3Q08 to SR376mn in 3Q09), which led to nine-monthly net special commission income increase of 9.5% (from SR1,077mn in 9M08 to SR1,179mn in 9M09). The top-line performance was not highly supported by the non-interest income as the total operating income on quarterly basis posted a decline of 2.0% (from SR527mn in 3Q08 to SR516mn in 3Q09), while on nine-monthly basis showed an increase of 2.4% (from SR1,593mn in 9M08 to SR1,631mn in 9M09).

- The bank's operating income performance was significantly dampened by higher operating expenses, leading to net income decline of 42.6% (from SR915mn in 9M08 to SR525mn in 9M09).

- The customer deposit base showed an (YoY) increase of 6.3% (from SR45bn in 9M08 to SR47bn in 9M09), while the bank's loan book showed marginal growth recorded at SR39bn in 9M09. Overall the bank's total assets posted (YoY) increase of 2.9% (from SR61bn in 9M08 to SR63bn in 9M09) and YTD rise of 2.5%.

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