Global Investment House

Global Research – Saudi Arabia

Result Update

Saudi Hollandi Bank – 1H/2009 Review

Market Data

Bloomberg Code:	AAAL AB
Reuters:	1040.SE
CMP (19 July 2009):	SR35.8
O/S (mn):	330.7
Market Cap (SRmn):	11,840.9
Market Cap (US$mn):	3,158.0
Price/EPS 2009e (x):	11.5
Price/BVPS 2009e (x):	2.0

Price Performance	1-Yr
High (SR):	52.0
Low (SR):	26.7
Average Volume (000):	65.1

Share Price Performance

*Source: Zawya & **Global** Research*

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- **Saudi Hollandi Bank (SHB)** posted subdued quarterly results recording net income decline of 72.4% (from SR326mn in 2Q08 to SR91mn in 2Q09) which led to semi-annual basis profitability decline of 38.4% (from SR609mn in 1H08 to SR375mn in 1H09). The bank's lower performance is mainly attributed to the pressures arising from operating expenses category that includes impairment charge for investments and credit losses.

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

Financial highlights

(all fig. in SR mn, unless stated)	2Q08	2Q09	*YoY*	1H08	1H09	*YoY*
Net special comm. income	360.5	381.9	*5.9%*	718.3	802.9	*11.8%*
Operating income	548.1	552.5	*0.8%*	1,066.0	1,114.0	*4.5%*
Net income	326.3	90.6	*-72.2%*	608.6	375.0	*-38.4%*
EPS (SR)	0.99	0.27	*-72.2%*	1.84	1.13	*-38.4%*
Assets (SR bn)	58.4	69.0	*18.2%*	58.4	69.0	*18.2%*

Source: Tadawul & Company reports

- Despite the overall dampened profitability results, SHB showed improvement in its core banking performance. The bank's net special commission income posting quarterly rise of 5.9% (from SR361mn in 2Q08 to SR382mn in 2Q09), showed semi-annual increase of 11.8% recording net special commission income of SR803mn in 1H09. The bank's top-line performance was moderately upheld by the non-interest income as the total operating income on quarterly basis showed a rise of 0.8%, and semi-annual growth of 4.5% (from SR1,066mn in 1H08 to SR1,114mn in 1H09).

- SHB's operating income performance was largely dented by the inflated operating expenses category, leading to significant decline in profitability levels. This indicates a possible increase in operating expenses (inclusive of impairment charge for investments & credit losses as per financial results).

Saudi Hollandi Bank quarterly performance

(SR mn)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
Net income	282.4	326.3	306.0	309.0	284.4	90.6

Source: Tadawul & Company reports

- The bank's customer deposit base showed encouraging (YoY) increase of 23.2% (from SR41.9bn in 1H08 to SR51.6bn in 1H09), while YTD growth of 20.0%. The net investments recording (YoY) increase of 19.4% (from SR13.4bn in 1H08 to SR16.0bn in 1H09) showed YTD decline of 13.0%.

- Overall the bank's total assets posted (YoY) increase of 17.9% (from SR58.5bn in 1H08 to SR69.0bn in 1H09) and YTD rise of 12.4%.

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