

AL RAJHI BANK



EVENT FLASH

Lower provisions led to better than expected profits

Al Rajhi reported a 2.0% YoY increase in 1Q13 net income to SR2,052mn, 6.2% above our estimate. The bank's NSCI and total operating income were in-line with our estimates. However, lower than expected provision charges led to the YoY growth in net income.

- **Net special commission income:** 1Q13 came in at SR2,409mn in-line with the NCBC estimate of SR2,398mn. 1Q13 was an increase of 3.5% YoY (SR2,328mn in 1Q12).
- **Total op. income:** 1Q13 came in at SR3,526mn in-line with the NCBC estimate of SR3,517mn. 1Q13 was an increase of 2.9% YoY (SR3,427mn in 1Q12).
- **Net Income:** 1Q13 came in at SR2,052, 6.2% higher than the NCBC estimate of SR1,932mn. 1Q13 was an increase of 2% YoY (SR2,011mn in 1Q12).
- Al Rajhi reported a good set of results with net income growing 2% YoY and was 6.2% higher than our estimate. However, it was in-line with consensus expectations. We attribute the better than expected results to lower provisioning which declined 2% YoY, based on our calculations. Total operating income was in-line with our estimate.
- Despite the strong 18.3% YoY growth in Al Rajhi's financing portfolio, NSCI grew by only 3.5% YoY. We attribute this to a decline in margins. Based on the preliminary numbers, our calculations suggest that NIM's contracted by 55bps YoY. The contraction in margins is mainly due to significant competition among banks to gain market share in the retail segment.
- Notwithstanding the decline in Tadawul volumes, fee and other income grew 1.6% YoY in line with our estimates. We attribute the growth in fee and other income to the increase in banking fees which offset the decline in income from brokerage.
- We are currently Overweight on the stock with a PT of SR88.4. We believe in Al Rajhi's strong fundamentals, ability to grow its top-line and post good profits despite the higher cost of risk.

1Q13 Results Summary

SR mn	1Q13A	1Q12A	% YoY	1Q13E	% Var [^]
Net sp comm income	2,409	2,328	3.5	2,398	0.4
Fee and other income	1,117	1,100	1.6	1,118	(0.1)
Total operating income	3,526	3,427	2.9	3,517	0.3
Net income	2,052	2,011	2.0	1,932	6.2
Financing portfolio (bn)	180	152	18.3	178	1.1
Deposits (bn)	232	186	24.7	227	2.3
Investments (bn)	43	39	10.2	42	3.1
Assets (bn)	276	234	17.9	271	1.8
EPS (SR)	1.37	1.34	2.0	1.29	6.2

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

Please refer to the last page for important disclaimer

OVERWEIGHT

Target price (SR) 88.4

Current price (SR) 66.25

STOCK DETAILS

M52-week range H/L (SR)	79.3/63.5
Market cap (\$mn)	26,500
Shares outstanding (mn)	1,500
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	0.8	(6.7)	(15.1)
Rel. to market	(1.6)	(7.6)	(8.5)

Avg daily turnover (mn)	SR	US\$
3M	114.8	30.6
12M	101.5	27.1

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

VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	14.1	13.2	11.6
P/BV (x)	3.0	2.8	2.6
P/ABV (x)	2.9	2.7	2.5
Div Yield (%)	4.9	5.0	5.7

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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ARAB NATIONAL BANK



EVENT FLASH

Top-line growth driven by non-interest income

ANB's net income grew 3.5% YoY driven by growth in non-interest income. NSCI remained flat YoY despite the 13.8% YoY growth in net loans. NIMs contracted 25bps YoY, while non-interest income grew 16.5% YoY. Growth in total operating expenses kept net income growth moderate.

- **Net special comm. income:** 1Q13 came in at SR775mn, vs. the NCBC estimate of SR832mn. 1Q13 was in-line with the SR773mn reported in 1Q12.
- **Total operating income:** 1Q13 came in at SR1,268mn, 5.6% above the NCBC estimate of SR1,201mn. 1Q13 was an increase of 6.0% YoY (SR1,196mn in 1Q12).
- **Net Income:** 1Q13 came in at SR679mn vs. the NCBC estimate of SR607mn. 1Q13 was an increase of 3.5% YoY (SR656mn in 1Q12).
- ANB recorded a moderate growth of 3.5% YoY in net income led by a 16.5% growth in non-interest income. Net income was 12% higher than our estimate and 7.3% higher than consensus. The variance in estimates is mainly due to better than expected non-interest income.
- ANB's NSCI remained flat YoY despite the 13.8% YoY growth in net loans. This is mainly due to the decline in investments (down 33% YoY) and lower NIMs (down 25bps YoY). We believe the decline in NIMs was mainly due to (1) the increase in the proportion of time deposits which have put pressure on cost of funds and (2) the decline in investments which reduced the yields on interest earnings assets. However, the 16.5% YoY growth in non-interest income offset the flat NSCI and enabled the 6% YoY expansion in total operating income.
- ANB's total operating expenses increased 9.1% YoY, in-line with our estimates. Our primary calculation suggests provisions declined 64% YoY to SR108mn, vs our estimate of SR132mn.
- We are currently Overweight on the stock with PT of 32.3. Good asset quality and net income growth supports our positive outlook.

1Q13 Results Summary

SR mn	1Q13A	1Q12A	% Y O Y	1Q13E	% VAR^
Net sp comm income	775	773	0.3	832	(6.8)
Non-interest income	493	423	16.5	369	33.6
Total operating income	1,268	1,196	6.0	1,201	5.6
Net income	679	656	3.5	607	11.8
Loans (bn)	86	76	13.8	88	(2.8)
Deposits (bn)	109	91	20.3	110	(0.6)
Investments (bn)	22	32	(33.0)	25	(12.5)
Assets (bn)	134	125	6.6	139	(3.6)
EPS (SR)	0.80	0.77	3.5	0.71	11.8

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

OVERWEIGHT

Target price (SR) 32.3

Current price (SR) 27.9

STOCK DETAILS

M52-week range H/L (SR)	31.3/25.31
Market cap (\$mn)	6,3241
Shares outstanding (mn)	8501
Listed on exchanges	TADAWULI

Price perform (%)	1M	3M	12M
Absolute	1.8	2.2	(11.4)
Rel. to market	(0.5)	1.3	(4.8)

Avg daily turnover (mn)	SR	US\$
3M	4.8	1.3
12M	4.1	1.1

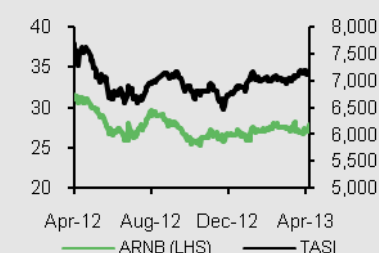
Reuters code	1080.SE I
Bloomberg code	ARBN AB I
	www.anb.com.sa

VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	11.2	10.2	9.0
P/BV (x)	1.4	1.3	1.2
P/ABV (x)	1.3	1.2	1.1
Div Yield (%)	3.6	3.4	4.6

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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SABB



EVENT FLASH

Strong top-line driving net income growth

SABB's net income grew 11% YoY and 16.3% QoQ to SR948mn, 20% above our expectation. Expanded loan books, improved NIMs and strong fee and other income contributed towards the growth in net income. The net income growth came in despite the increase in total operating expenses.

- **Net special commission income:** 1Q13 came in at SR885mn higher than the NCBC estimate of SR841mn. 1Q13 was an increase of 14.2% YoY (SR775mn in 1Q12).
- **Total op. income:** 1Q13 came in at SR1,438mn vs. the NCBC estimate of SR1,253mn. 1Q13 was an increase of 16.4% YoY (SR1,235mn in 1Q12).
- **Net Income:** 1Q13 came in at SR948mn, 20% above the NCBC estimate of SR789mn. 1Q13 was an increase of 11% YoY (SR854mn in 1Q12).
- SABB reported a strong set of results led by a strong 11% YoY growth in loans and a slight improvement in NIM's (+5bps YoY). NIMs improvement was not recorded by other Saudi banks that have reported results so far. The reported net income was 20% higher than our estimate due to the strong growth in non-interest income (+20% YoY). Loan growth was 11% YoY in 1Q13 driving the 14% increase in net interest income. As a result, SABB's total operating income grew 16.4% YoY.
- We attribute the recent improvement in NIM's to the increasing share of retail loans which has a relatively higher yield compared to the corporate loan book.
- We are positive on SABB's strategy to grow loan volumes and increase its NSCI as well as net income despite tight margins and higher provisions. Hence we remain Overweight on the stock with a PT of SR41.0.

1Q13 Results Summary

SR mn	1Q13A	1Q12A	% YOY	1Q13E	% VAR [^]
Net sp comm income	885	775	14.2	841	5.3
Fee and other income	553	460	20.2	413	34.0
Total operating income	1,438	1,235	16.4	1,253	14.7
Net income	948	854	11.0	789	20.2
Loans (bn)	101	91	11.0	99	2.2
Deposits (bn)	122	112	9.4	125	(2.5)
Investments (bn)	32	24	37.3	28	15.1
Assets (bn)	159	144	10.2	162	(1.7)
EPS (SR)	0.95	0.85	11.0	0.79	20.2

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

OVERWEIGHT

Target price (SR) 41.0

Current price (SR) 34.1

STOCK DETAILS

M52-week range H/L (SR)	37.0/28.5
Market cap (\$mn)	9,093
Shares outstanding (mn)	1000
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	5.6	10.0	(6.6)
Rel. to market	3.3	9.1	0.0

Avg daily turnover (mn)	SR	US\$
3M	4.1	1.1
12M	4.5	1.2

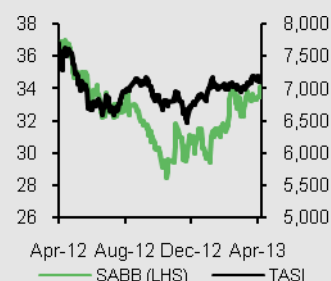
Reuters code	1060.SE
Bloomberg code	SABB AB
	www.sabb.com

VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	10.7	10.2	9.1
P/BV (x)	1.8	1.6	1.4
P/ABV (x)	1.7	1.5	1.3
Div Yield (%)	2.7	2.7	2.7

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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SAUDI HOLLANDI BANK



EVENT FLASH

Lower provision and high fee income supports growth

SHB's net income grew 19.4% YoY and 10.5% QoQ to SR346mn. NSCI income growth remained strong driven by investment and loan book expansion. In addition, YoY growth in fee and other income and lower provisioning contributed to net profit growth.

- **Net special comm. income:** 1Q13 came in at SR352mn inline with the NCBC estimate of SR356mn. 1Q13 was an increase of 9.3% YoY (SR322mn in 1Q12).
- **Total operating income:** 1Q13 came in at SR584mn vs. the NCBC estimate of SR558mn. 1Q13 was an increase of 8.1% YoY (SR540mn in 1Q12).
- **Net Income:** 1Q13 came in at SR346mn vs. the NCBC estimate of SR287mn. 1Q13 was an increase of 19.4% YoY (SR290mn in 1Q12).
- SHB reported a strong set of results with net income increasing 19.4% YoY and 10.5% QoQ to SR346mn. This was mostly due to the strong fee and other income growth and lower provisioning. The bank's NSCI was in-line with our estimates; however, similar to most other banks, the better than expected growth in fee and other income enabled the 21% variance in net income. It was also 10% higher than the consensus estimate.
- SHB saw a strong balance sheet growth in 1Q13 with the total assets, loans and deposits increasing by around 20%-22%. However, despite the strong loan growth, NSCI was up only 9.3% YoY; our calculation suggests that NIMs declined significantly by 20bps YoY due to the increasing competition for corporate lending opportunities.
- The bank's fee and other income grew 6.4% YoY and was 15.2% above our estimates. This, together with NSCI growth, enabled the 8.1% YoY growth in total operating income. In addition, the bank's total operating expenses including provisions declined 4.9% YoY, and came in 12% below our estimates. Our primary calculation suggests that the bank recorded a 55% YoY decline in provision charges to SR17mn.
- We are currently Overweight on the stock with a PT of SR35.4. Although we expect margins to remain under pressure in 2013E, the bank's strategy to focus on SMEs for loan growth is expected to drive profits.

1Q13 Results Summary

SR mn	1Q13A	1Q12A	% YOY	1Q13E	% VAR [^]
Net sp comm income	352	322	9.3	356	(1.2)
Fee and other income	232	218	6.4	201	15.2
Total operating income	584	540	8.1	558	4.7
Net income	346	290	19.4	287	20.6
Loans (bn)	49	40	22.7	47	3.9
Deposits (bn)	57	47	19.7	56	1.9
Investments (bn)	15	12	26.9	12	27.4
Assets (bn)	73	60	21.6	70	3.9
EPS (SR)	0.87	0.73	19.4	0.72	20.6

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

OVERWEIGHT

Target price (SR) 35.4

Current price (SR) 29.2

STOCK DETAILS

M52-week range H/L (SR)	29.3/25.7
Market cap (\$mn)	3,091
Shares outstanding (mn)	397
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	2.5	4.3	1.4
Rel. to market	0.1	3.4	8.0

Avg daily turnover (mn)	SR	US\$
3M	3.2	0.9
12M	2.6	0.7

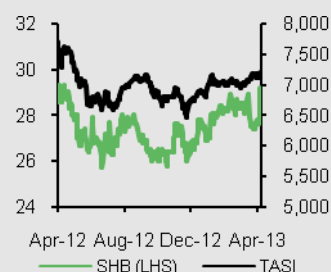
Reuters code	1040.SE
Bloomberg code	AAAL AB
	www.shb.com.sa

VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	9.7	8.7	7.8
P/BV (x)	1.5	1.3	1.2
P/ABV (x)	1.4	1.3	1.1
Div Yield (%)	3.1	3.0	4.4

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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BANK ALBILAD



EVENT FLASH

Net income in-line with our expectations

Albilad's net income grew 3.0% YoY driven by increased NSCI. Expanded financing portfolio and higher NIMs supported its NSCI growth, while fee and other income remained flat YoY. Nonetheless lower provisions on a YoY enabled net income growth.

- **Net special comm. income:** 1Q13 came in at SR222mn, 6.3% below the NCBC's estimate of SR237mn. 1Q13 was an increase of 14.5% YoY (SR194mn in 1Q12).
- **Total operating income:** 1Q13 came in at SR450mn, 2.8% below the NCBC estimate of SR463mn. 1Q13 was an increase of 7.2% YoY (SR420mn in 1Q12).
- **Net Income:** 1Q13 came in at SR142.5mn, in-line with the NCBC estimate of SR142mn. 1Q13 was down 72% YoY. Adjusting for the land sale, net income was up 3.0% YoY from SR138mn in 1Q12.
- Albilad's net income grew moderately at 3.0% (adjusting for 1Q12's gain on sale of property). The results were in-line with our estimates of SR142mn but were 12% lower than consensus.
- The bank's NSCI increased 14.5% YoY but came in 6.3% below our estimates. The growth in NSCI was driven by a 24.1% YoY growth in financing portfolio. Our primary calculations suggest that the bank's NIMs declined 13bps QoQ but increased 15bps YoY. Fee and other income remained flat YoY. Consequently, total operating income grew 7.2% YoY, but was 2.8% below our estimates.
- The bank's total operating expenses including provisions grew 9.3% YoY, but came-in 4.2% below our estimates, enabling the 3.0% YoY growth in net income. Our primary calculation suggests a 23.8% YoY decrease in provisions to SR76mn.
- Although AlBilad is rapidly expanding, we are underweight on the stock on premium valuations and concerns about the bank's asset quality. The stock has already appreciated by 16% YTD and currently trades at a high 2013E P/B multiple of 1.9x. We believe there are other more attractively valued Saudi banking sector stocks.

1Q13 Results Summary

SR mn	1Q13A	1Q12A	% Y O Y	1Q13E	% VAR^
Net sp comm income	222	194	14.5	237	(6.3)
Fee and other income	228	226	0.9	226	0.8
Total operating income	450	420	7.2	463	(2.8)
Net income	143	138	3.0	142	0.2
Loans (bn)	19	15	24.1	19	(1.6)
Deposits (bn)	25	23	10.4	24	3.4
Investments (bn)	2	1	203.8	2	53.3
Assets (bn)	31	29	9.8	31	2.1
EPS (SR)	0.48	0.46	3.0	0.47	0.2

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

UNDERWEIGHT

Target price (SR) 17.5

Current price (SR) 24.7

STOCK DETAILS

M52-week range H/L (SR)	34.1/24.6
Market cap (\$mn)	2,624
Shares outstanding (mn)	300
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	-	6.8	1.9
Rel. to market	(2.3)	5.9	8.5

Avg daily turnover (mn)	SR	US\$
3M	21.2	5.7
12M	23.7	6.3

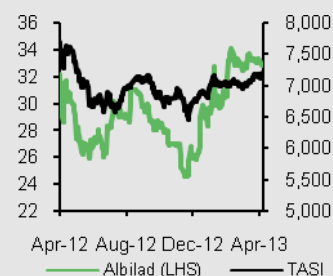
Reuters code	1140.SE
Bloomberg code	ALBI AB
	www.bankalbilad.com

VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	17.7	14.7	11.7
P/BV (x)	2.3	1.9	1.7
P/ABV (x)	2.1	1.8	1.5
Div Yield (%)	-	-	-

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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