

**SABB CP: 40.1 FV: 43.8 Rating: HOLD**

**Net income below our estimates by 9% as well as consensus by 12%. Provisions spike hits earnings.**

- **Net income below our estimate:** Q3-12 net income of SAR 846mn was below our estimates of 929mn, and consensus of 949mn. We estimate that the considerable increase in provisioning costs is behind this miss.
- **Unexpected provisions hike:** we estimate that provision costs increased by almost 124% Q-o-Q to SAR 236mn. The increase in provisions came unexpected since SABB managed to increase its NPL coverage ratio to 153% during Q2-13, while its NPL stood at 1.49%. However, we believe that the jump in provisioning costs is a one-off, and we expect earnings to recover in Q4-13.
- **Non-interest income in line with estimates:** non interest income of SAR 524 mn almost came in line with our estimate of SAR 520 mn. During the last quarters, the bank has delivered strong brokerage income. The recent decline in Tadawul volumes partially explains the decrease of 7% Q-o-Q in non-interest income.
- **Slightly disappointing lending growth:** Following several quarter of strong growth, SABB's loan growth increased by a significant 1.7% Q-o-Q, and 10.3% Y-o-Y in Q3-13, below our estimates, while deposits came in above our estimates by 1%, growing by 3.2% Q-o-Q, easing SABB's loans to deposits ratio to 83% in Q3-13 from 84% in the previous quarter.
- **Stable margins:** we estimate that SABB's margins were stable on a Q-o-Q basis. This is encouraging in view of a strong deposit collection in Q3-13.
- **Rating adjusted:** The stock is trading at fair multiples with a PE13e of 10.9x and PB13E of 1.8x, while offering an ROE13e of 16.5%. With a FV of SAR 43.8, we adjust our rating from Accumulate to Hold.

SAR mn	Q3-12 A	Q2-13 A	Q3-13 A	Q3-13 E	Q-o-Q	Y-o-Y	Vs ASIB Est
<b>Income Statement</b>							
Net Interest Income	842	939	950	947	1%	13%	0%
Non-Interest Income	484	561	524	520	-7%	8%	1%
Total Banking Income	1,325	1,500	1,474	1,467	-2%	11%	0%
Operating Expenses	398	418	417	417	0%	5%	0%
Pre-Provisions Profits	927	1,082	1,057	1,050	-2%	14%	1%
Provisions	288	105	236	146	125%	-18%	62%
Minority	17	29	25	25	-14%	47%	NA
<b>Net Profit</b>	<b>656</b>	<b>1,005</b>	<b>846</b>	<b>929</b>	<b>-16%</b>	<b>42%</b>	<b>-9%</b>
<b>Balance Sheet</b>							
Loans	97,801	105,999	107,835	108,500	1.7%	10%	-1%
Investments	29,337	30,843	31,008	31,500	0.5%	6%	-2%
Total Assets	156,236	161,935	166,279	163,554	2.7%	6%	2%
Total Deposits	119,698	125,888	129,915	128,406	3.2%	9%	1%

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