

AL RAJHI BANK



EVENT FLASH

Good set of results, in-line with our expectations

Al Rajhi reported a 13.6% increase in 2Q12 net income to SR2,093mn, in-line with our estimate but 5% higher than consensus. The bank's loan book reported one of the highest YoY increase from amongst peers. However, narrowing margins limited its NSCI growth. Nonetheless, strong non-interest income supported its top-line growth.

- **Net special commission income:** 2Q12 came in at SR2,344mn, 3.6% below the NCBC estimate of SR2,431mn. 2Q12 was an increase of 3.1% YoY (SR2,174mn in 2Q11).
- **Total op. income:** 2Q12 came in at SR3,427mn vs. the NCBC estimate of SR3,400mn. 2Q12 was an increase of 12.3% YoY (SR3,051mn in 2Q11).
- **Net Income:** 2Q12 came in at SR2,093, in-line with the NCBC estimate of SR2,082mn. 2Q12 was an increase of 13.6% YoY (SR1,843mn in 2Q11).
- Al Rajhi reported a strong set of results in 2Q12 with net income growing 13.6% YoY to SR2,093mn, in-line with our estimate. This growth was largely due to top-line growth of 12.3% YoY. Operating income was driven by a combination of strong 23% YoY growth in lending and higher non-interest income of 23.6% YoY.
- Al Rajhi NSCI grew 3.1% YoY driven by strong growth in net financing that grew 23.4% YoY. Although the bank's NIM declined 40bps YoY, strong volumes in financing enabled growth in NSCI. In addition, Al Rajhi's non-interest income recorded a significant growth of 23.6% YoY. We attribute this to increased banking services and fee income from the Tadawul. Consequently, the bank's total operating income grew 12.3% YoY, in line with our expectations.
- Total operating expenses grew 10.3% YoY. We estimate Al Rajhi reported an 11% YoY increase in provisions to SR385mn, roughly in-line with our expectations.
- We are currently Overweight on the stock with a PT of SR89.2. We believe its strong franchise, ability to generate high returns and operational efficiency make it an attractive investment.

2Q12 Results Summary

SR mn	2Q12A	2Q11A	% YoY	2Q12E	% Var [^]
Net sp comm income	2,344	2,273	3.1	2,431	(3.6)
Non-interest income	1,083	778	39.3	969	11.8
Total operating income	3,427	3,051	12.3	3,400	0.8
Net income	2,093	1,843	13.6	2,082	0.5
Loans (bn)	158	128	23.4	156	1.5
Deposits (bn)	186	166	11.8	192	(3.0)
Investments (bn)	34	43	(20.9)	40	(14.6)
Assets (bn)	238	215	10.9	241	(1.1)
EPS (SR)	1.40	1.23	13.6	1.39	0.5

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

Please refer to the last page for important disclaimer

OVERWEIGHT

Target price (SR) 89.2

Current price (SR) 73.0

STOCK DETAILS

M52-week range H/L (SR)	82.8/67.3
Market cap (\$mn)	29,200
Shares outstanding (mn)	1,500
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(1.0)	(4.3)	(3.0)
Rel. to market	(0.5)	6.8	(5.0)

Avg daily turnover (mn)	SR	US\$
3M	89.7	23.9
12M	86.5	23.1

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

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	16.5	14.3	12.0
P/BV (x)	3.8	3.5	3.2
P/ABV (x)	3.6	3.3	3.1
Div Yield (%)	5.1	5.5	7.0

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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ARAB NATIONAL BANK



EVENT FLASH

Strong top-line driving better than expected profits

ANB posted a 3.1% YoY growth in net income for 2Q12 to SR718mn, 18.6% above our estimate of SR605mn and 7.2% higher than consensus. 2Q12 reported overall growth in all line items. Expanded loan books negated decline in NIMs and enabled good NSCI growth. In addition, strong growth in non-interest income supported total operating income.

- **Net special comm. income:** 2Q12 came in at SR843mn, vs. the NCBC estimate of SR773mn. 2Q12 was an increase of 4.7% YoY (SR805mn in 2Q11).
- **Total operating income:** 2Q12 came in at SR1,255mn, 14.5% above the NCBC estimate of SR1,096mn. 2Q12 was an increase of 8.4% YoY (SR1,158mn in 2Q11).
- **Net Income:** 2Q12 came in at SR718mn, 18.6% above the NCBC estimate of SR605mn. 2Q12 was an increase of 3.1% YoY (SR697mn in 2Q11).
- ANB posted a moderate growth in net income for 2Q12, up 3.1% YoY. However, it is significantly higher (18.6% higher) than our estimate of SR605mn. We attribute net earnings growth to strong growth in ANB's credit portfolio, although this is coming at the cost of margins.
- ANB's loan book grew 16.9% YoY and 6.8% QoQ. Strong growth in loan volume negated the YoY decline in NIMs of 22bps YoY. Consequently, ANB's NSCI increased 4.7% YoY. On a QoQ basis, NIMs grew by 16bps enabling NSCI expansion of 9.1% QoQ. Expansion in NSCI and NIM on QoQ basis is partly attributable to slower growth in customer deposits than loan books.
- In addition, ANB's non-interest income increased 16.8% YoY. Consequently, total operating income increased 8.4% YoY to SR1,255mn, 14.5% higher than our estimate of SR1,096mn. Total operating expenses also grew 16.4% YoY and stood 9.4% higher than our estimates.
- We are currently Overweight on the stock with PT of SR32.5. Expanding loans, improving NSCI and non-interest income are the key positives of the bank. However, narrowing NIMs on YoY basis are a concern.

2Q12 Results Summary

SR mn	2Q12A	2Q11A	% Y O Y	2Q12E	% VAR [^]
Net sp comm income	843	805	4.7	773	9.0
Non-interest income	412	353	16.8	323	27.6
Total operating income	1,255	1,158	8.4	1,096	14.5
Net income	718	697	3.1	605	18.6
Loans (bn)	81	69	16.9	77	4.7
Deposits (bn)	95	85	12.2	93	2.5
Investments (bn)	24	23	5.5	29	(17.8)
Assets (bn)	120	109	10.4	126	(4.4)
EPS (SR)	0.84	0.82	3.1	0.71	18.6

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

OVERWEIGHT

Target price (SR) 32.5

Current price (SR) 26.2

STOCK DETAILS

M52-week range H/L (SR)	33.7/26.01
Market cap (\$mn)	5,9391
Shares outstanding (mn)	8501
Listed on exchanges	TADAWULI

Price perform (%)	1M	3M	12M
Absolute	(3.0)	(16.0)	(11.5)
Rel. to market	(2.4)	(4.9)	(13.5)

Avg daily turnover (mn)	SR	US\$
3M	4.2	1.1
12M	4.1	1.1

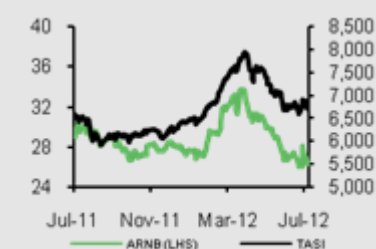
Reuters code	1080.SE I
Bloomberg code	ARBN AB I
	www.anb.com.sa

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	11.6	10.8	9.5
P/BV (x)	1.4	1.3	1.2
P/ABV (x)	1.4	1.3	1.2
Div Yield (%)	5.7	5.7	6.5

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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SABB



EVENT FLASH

Net earnings driven by strong lending growth

SABB reported a 7.4% YoY growth in net income to SR915mn, 18% above our estimate and 11% higher than consensus. Expanded NSCI and lower operating expenses enabled the bottom-line growth. The bank's strategy to grow volumes enabled it to grow its loan book as well as NSCI that negated the decline in non-interest income, enabling moderate growth in the top-line.

- **Net special commission income:** 2Q12 came in at SR827mn in-line with the NCBC estimate of SR793mn. 2Q12 was an increase of 6.2% YoY (SR779mn in 2Q11).
- **Total operating income:** 2Q12 came in at SR1,378mn vs. the NCBC estimate of SR1,231mn. 2Q12 was an increase of 2.2% YoY (SR1,348mn in 2Q11).
- **Net Income:** 2Q12 came in at SR915mn, 18% above the NCBC estimate of SR775mn. 2Q12 was an increase of 7.4% YoY (SR852mn in 2Q11).
- SABB reported a good set of 2Q12 results with net income increasing 7.4% YoY, 18% higher than our estimate and 11% higher than consensus estimate of SR775mn and SR822mn respectively. This is mainly attributable to higher than expected growth in total operating income (led mainly by non-interest income), as well as lower than expected operating expenses.
- The bank's NSCI grew 6.2% YoY owing to strong loan growth of 18.6% YoY and 3.8% QoQ. However, non-interest income declined 3.1% YoY but came in 26% higher than our estimate. Consequently total operating income grew 2.2% YoY, 11.9% higher than our estimates.
- SABB's operating expenses declined 6.7% YoY. We believe, the bank's provisions charges declined 73% YoY to SR33mn vs our estimate of SR69mn. Nonetheless, on a QoQ basis, our calculations show that provisions were up 11% based on the preliminary results.
- We are currently Overweight on the stock with a PT of SR40.2. Despite the drop in non-interest income, we remain confident of high earnings growth in the next three years for SABB. We believe the top-line growth will be driven by the bank's focus on retail lending.

2Q12 Results Summary

SR mn	2Q12A	2Q11A	% Y O Y	2Q12E	% VAR [^]
Net sp comm income	827	779	6.2	793	4.2
Non-interest income	551	569	(3.1)	438	25.8
Total operating income	1,378	1,348	2.2	1,231	11.9
Net income	915	852	7.4	775	18.0
Loans (bn)	95	80	18.6	92	2.6
Deposits (bn)	118	99	18.6	113	4.3
Investments (bn)	28	26	6.5	22	24.0
Assets (bn)	152	130	17.3	147	3.5
EPS (SR)	0.92	0.85	7.4	0.78	18.0

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

OVERWEIGHT

Target price (SR) 40.2

Current price (SR) 32.6

STOCK DETAILS

M52-week range H/L (SR)	37.0/27.8
Market cap (\$mn)	8,693
Shares outstanding (mn)	1000
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(3.0)	(8.7)	4.8
Rel. to market	(2.4)	2.4	2.8

Avg daily turnover (mn)	SR	US\$
3M	6.0	1.6
12M	5.2	1.4

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

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	11.5	10.6	9.7
P/BV (x)	2.0	1.7	1.6
P/ABV (x)	1.9	1.7	1.5
Div Yield (%)	1.7	2.9	5.3

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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SAMBA FINANCIAL GROUP



EVENT FLASH

Strong non-interest income driving top-line and bottom-line growth

Samba reported a 5.1% YoY increase in net income to SR1,158mn in 2Q12. Net profits came in 3.9% lower than our estimates but were in line with consensus. The growth in profits is mainly attributable to strong non-interest income that negated the decline in NSCI due to contracting NIMs.

- **Net sp. comm. income:** 2Q12 came in at SR1,099mn vs. the NCBC estimate of SR1,105mn. 2Q12 was a decrease of 3.0% YoY (SR1,133mn in 2Q11).
- **Total operating income:** 2Q12 came in at SR1,745mn vs. the NCBC estimate of SR1,775mn. 2Q12 was an increase of 6.8% YoY (SR1,635mn in 2Q11).
- **Net Income:** 2Q12 came in at SR1,158mn vs. the NCBC estimate of SR1,205mn. 2Q12 was an increase of 5.1% YoY (SR1,102mn in 2Q11).
- Samba reported a reasonable set of 2Q12 results with net income growth of 5.1% YoY to SR1,158mn, although this was 3.9% lower than what we expected. The YoY net income growth is mainly attributable to strong non-interest income growth of 29% which drove top-line income.
- Samba's NSCI, declined 3.0% YoY despite 16.6% YoY loan book expansion suggesting a decline in NIMs. Based on the preliminary numbers, our calculation shows a 12bps YoY decline in NIMs. However, the decline in NSCI was negated by strong non-interest income that increased 28.9% YoY. Consequently, Samba's total operating income increased 6.8% YoY.
- The bank's total operating expense (including provisions) increased 6.8% YoY. As per our calculation based on published numbers, the bank's provision charges for the quarter increased 176% YoY to SR30mn. Consequently, net income grew by 5.1% YoY.
- We are currently Overweight on Samba with a PT of SR60.6. We are positive on the bank's ability to utilize its deposit base to expand loan books and run costs efficiently.

2Q12 Results Summary

SR mn	2Q12A	2Q11A	% Y O Y	2Q12E	% VAR [^]
Net sp comm income	1,099	1,133	(3.0)	1,105	(0.5)
Non-interest income	646	501	28.9	670	(3.6)
Total operating income	1,745	1,635	6.8	1,775	(1.7)
Net income	1,158	1,102	5.1	1,205	(3.9)
Loans (bn)	96	82	16.6	95	0.9
Deposits (bn)	142	139	2.3	144	(1.5)
Investments (bn)	57	70	(18.8)	58	(1.6)
Assets (bn)	200	191	4.9	202	(1.2)
EPS (SR)	1.29	1.22	5.1	1.34	(3.9)

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

OVERWEIGHT

Target price (SR) 60.2

Current price (SR) 45.1

STOCK DETAILS

M52-week range H/L (SR)	56.8/42.4
Market cap (\$mn)	10,824
Shares outstanding (mn)	900
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(1.3)	(16.1)	(10.2)
Rel. to market	(0.8)	(5.0)	(12.3)

Avg daily turnover (mn)	SR	US\$
3M	10.5	2.8
12M	10.7	2.9

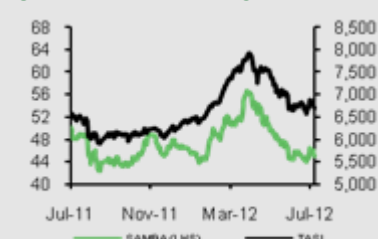
Reuters code	1090.SE
Bloomberg code	SAMBA AB
	www.samba.com.sa

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	9.7	9.0	7.8
P/BV (x)	1.5	1.3	1.2
P/ABV (x)	1.5	1.3	1.2
Div Yield (%)	4.0	4.0	4.6

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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SAUDI HOLLANDI BANK



EVENT FLASH

Strong top-line and better operating efficiency drives bottom-line growth

SHB reported a strong set of 2Q12 results with net income increasing 26.2% YoY to SR332mn, 13% above our estimate. Strong NSCI owing to significantly expanded loans, increased non-interest income and lower operating expenses supported 2Q12 profits.

- **Net special comm. income:** 2Q12 came in at SR344mn vs. the NCBC estimate of SR334mn. 2Q12 was an increase of 12.2% YoY (SR307mn in 2Q11).
- **Total operating income:** 2Q12 came in at SR555mn vs. the NCBC estimate of SR533mn. 2Q12 was an increase of 12.1% YoY (SR495mn in 2Q11).
- **Net Income:** 2Q12 came in at SR332mn vs. the NCBC estimate of SR293mn. 2Q12 was an increase of 26.2% YoY (SR263mn in 2Q11).
- SHB reported strong growth in net income for 2Q12, up 26.2% YoY to SR332mn and 13.4% above our estimate of SR293mn. Although the bank's NSCI and total operating income came broadly in line with our estimates, lower than expected operating expenses resulted in the significant beat on the net income line.
- The bank's total operating expenses declined 4.0% YoY and were 7.3% below our estimate. Based on preliminary numbers, we estimate the bank's provisions came in at just SR3mn for 2Q12 (a decrease of 93% YoY) vs. our estimate of SR29mn.
- SHB's lending grew 20% YoY and 4.3% QoQ in 2Q12, one of the highest amongst peers. This coupled with the significant QoQ growth in 1Q12 of 6.5% enabled the bank to expand its NSCI by 12.2% YoY and 6.8% QoQ. In addition, SHB's non-interest income grew 11.9% YoY. Consequently, total operating income grew 12.1% YoY.
- We are currently Overweight on the stock with a PT of SR32.2. Good asset quality and ability to grow loan books keeps us positive on the stock.

2Q12 Results Summary

SR mn	2Q12A	2Q11A	% Y O Y	2Q12E	% VAR [^]
Net sp comm income	344	307	12.2	334	2.9
Non-interest income	211	189	11.9	199	5.9
Total operating income	555	495	12.1	533	4.1
Net income	332	263	26.2	293	13.4
Loans (bn)	42	35	20.0	41	2.2
Deposits (bn)	50	41	21.8	48	2.8
Investments (bn)	11	11	2.0	12	(11.9)
Assets (bn)	62	52	19.3	61	1.4
EPS (SR)	0.84	0.66	26.2	0.74	13.4

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

OVERWEIGHT

Target price (SR) 32.2

Current price (SR) 26.4

STOCK DETAILS

M52-week range H/L (SR)	29.3/21.4
Market cap (\$mn)	2,794
Shares outstanding (mn)	397
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(5.4)	(7.7)	7.8
Rel. to market	(4.8)	3.4	5.8

Avg daily turnover (mn)	SR	US\$
3M	3.5	0.9
12M	2.8	0.7

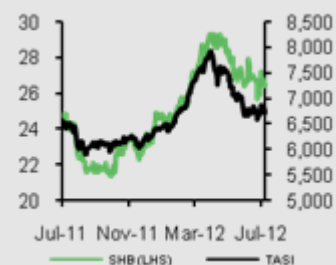
Reuters code	1040.SE
Bloomberg code	AAAL AB
	www.shb.com.sa

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	11.2	10.2	8.8
P/BV (x)	1.5	1.3	1.2
P/ABV (x)	1.4	1.3	1.2
Div Yield (%)	3.6	3.2	4.4

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

Other Definitions

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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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