Saudi British Bank

Reinstating Coverage

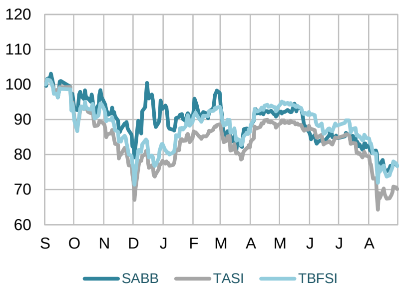
Buy | **12-Month Target Price SAR 38.00**

September 16, 2015

Expected Total Return	
Price as on Sep-15, 2015	SAR 29.44
Upside to Target Price	29.1%
Expected Dividend Yield	2.7%
Expected Total Return	31.8%

Market Data	
52 Week H/L	SAR 28.50/42.00
Market Capitalization	SAR 44,160 mln
Shares Outstanding	1,500 mln
Free Float	28.3%
12-Month ADTV (000's)	206.436
TASI Weight	2.61%
Reuters Code	1060.SE
Bloomberg Symbol	SABB AB

1-Year Price Performance



Source: Bloomberg

	SABB	TASI	TBFSI
Sep-15, 2015	29.44	7,548	17,546
Total Change			
6-months	(20.8%)	(21.6%)	(18.3%)
1-Year	(27.3%)	(31.0%)	(24.1%)
2-Year	11.2%	(6.1%)	(1.5%)

F2015E	SAR mln
Special Comm. Income	4,722
Special Comm. Expense	(603)
Net Comm. Income	4,120
Total Operating Income	6,611
Total Operating Expense	(2,499)
Net Income	4,213

Strength to Navigate Turbulent Times

Saudi British Bank (SABB) is one of the top five banks (in terms of deposits) operating in the country with a network of 81 branches. HSBC's 40% shareholding and inherent backing (in the form of board representation and executive management) makes it one of the preferred banking brand names in the local market. Although muted oil prices leading to potentially lower GDP growth going forward are a concern, expanding NIMs in times of rising interest rates is positive. Our P/B valuation assign a SAR 38 target price. With a +29% upside to target, we reinstate coverage with a Buy rating.

Loan growth to be sluggish

Although net loans and advances have grown at a CAGR of 9.5% since 2012, we expect growth to moderate to a CAGR of 3.3% through 2018. Lower crude prices and a slowdown in real GDP growth rates (IMF estimates 2.8% and 2.4% for 2015 and 2016 respectively) would be the contributors. We anticipate a reasonable rise in provisions for credit losses as a percentage of gross loans from 2.0% in 2014 to 3.1% by 2018 while NPLs as a percentage of gross loans are likely to increase from 1.3% in 2014 to 1.7% in 2018. However, adequate NPL coverage should mitigate any concerns.

Sizeable NIB deposits

SABB (and indeed the whole sector) is blessed with a large chunk of non-interest bearing deposits constituting average 57% of deposits for the last three years. This is lower than some of its larger peers such as Rajhi at 89% and NCB at 75%. Deposits were up +5.0% in 2014 but may only rise by +3.5% in 2016 and +3.0% in 2017. Management echoes our view of slower deposit growth going forward given limited liquidity in the system.

NIMs likely to expand

While net interest margins (NIMs) decline to 2.2% this year is imminent, we forecast an expansion to 2.3% in 2016 and further to 2.4% in 2017 and 2018 on the back of higher yields on assets as the US Fed is expected to gradually start raising rates, as early as towards the end of 2015. As a result, net income is expected to grow at a CAGR of 6.3% between 2016 and 2018, crossing SAR 5 billion by 2018.

Expect sturdy dividends

SABB has maintained a consistent dividend payout averaging 29% over the last three years. We forecast 28% payout through 2017 implying a dividend yield of 2.7% this year. However, do not anticipate a repeat of the bonus issue (50% for 2014) any time soon.

Key Financials

FY December 31 (SAR mln)	2014A	2015E	2016E	2017E
Net Comm. Income	4,626	4,722	5,244	5,675
Provisions for probable losses	542	554	566	579
NIM	2.3%	2.2%	2.3%	2.4%
Cost-to-income	29.1%	29.9%	28.7%	27.9%
NPL coverage	161%	138%	142%	152%
ROAA	2.3%	2.2%	2.2%	2.3%
ROAE	17.4%	15.3%	14.8%	14.2%
CAR	17.5%	18.4%	20.0%	21.5%
EPS (SAR)	2.84	2.81	3.04	3.24
DPS (SAR)	0.77	0.80	0.85	0.91
BVPS	17.38	19.35	21.64	24.04
P/E	10.4x	10.5x	9.7x	9.1x
P/B	1.7x	1.5x	1.4x	1.2x

Muhammad Faisal Potrik
muhammed.faisal@riyadcapital.com
+966-11-203-6807

Sultan S. Al-Abdulkarim
sultan.s.alabdulkarim@riyadcapital.com
+966-11-203-6812

Reinstating Coverage

We reinstate coverage on Saudi British Bank (SABB) with a Buy rating and a SAR 38 target price. Presented below is a snapshot of the sector, our future outlook and expectations for SABB as well as forecasts for the 3Q ahead.

Sector Outlook

On a strong footing

The consequence of lower oil prices and an expected decline in real GDP growth rates going forward has been a topic of much debate. The IMF now projects a real GDP growth of 2.8% for 2015 (as compared to 3.5% in 2014) and a fiscal deficit of 19.5% of GDP. The banking sector is sensitive to real GDP growth rates through an impact on growth in loans and deposits as well as profitability.

It is worth emphasizing that Saudi banks are at a strong footing in terms of capitalization levels, CARs and regulated by a very proactive central bank (SAMA). Thus, any upcoming stress is more likely than not to be managed effectively. Furthermore, there is now a greater likelihood of rising interest rates over the next two years. This can serve to prop up income from loans and advances (and somewhat counter lower credit growth rates) and expand net interest margins. The 0.25% local policy rate will rise when US rates go up due to the SAR peg to the USD.

Fitch Ratings has revised the outlook on four big Saudi banks to negative from stable on September 1st citing that their LT Issuer Default Ratings (IDRs) are at the support rating floor. At the same time, they have categorically stated that there is a strong track record of support for local banks by the authorities and this is expected to continue.

On September 9th, Fitch issued another statement outlining the tougher operating environment for Saudi banks as sector loan growth was up +10% Y/Y in 1H2015 versus +17% in 1H2014. They forecast credit demand to be steady at lower levels and expect muted growth in 2016. This coincides with our view on loan growth for the banking sector as lending to government and oil related projects is likely to slow going forward on depressed crude levels. There are some gains expected from stronger investment income though on a growing securities portfolio (including government debt).

Table 1: Local Banks Key Metrics

F2014 SAR (mln)	RB	BJAZ	SAIB	SHB	BSF	SABB	ANB	SAMBA	Rajhi	Bilad	Alinma	NCB	All Banks Average	Top 6 Banks Average
Loans	133,490	41,245	57,473	65,148	116,541	115,221	103,724	124,079	205,940	28,355	53,637	220,722	105,465	152,666
Investments	46,963	11,335	22,397	18,784	45,102	45,281	33,876	64,516	42,550	2,635	8,036	152,903	41,198	66,219
NPLs	1,050	223	436	304	1,165	1,495	1,095	1,660	2,656	431	350	2,851	1,143	1,813
Deposits	164,079	54,569	70,733	76,814	145,275	145,870	129,631	163,795	256,077	36,724	59,428	333,095	136,341	201,365
Avg. Earnings Assets	204,890	61,006	83,510	86,234	174,478	177,604	147,616	204,859	285,205	39,834	69,162	394,606	160,750	240,274
LDR	79.4%	74.2%	76.9%	80.7%	75.5%	76.2%	79.0%	75.8%	80.4%	77.2%	90.3%	64.4%	77.5%	75.3%
CAR	17.3%	14.1%	17.1%	15.9%	17.3%	17.5%	14.9%	19.9%	19.6%	16.7%	26.0%	17.2%	17.8%	18.1%
EPS	1.45	1.43	2.39	3.82	2.92	4.27	2.88	4.17	4.21	2.16	0.85	4.34	2.91	3.56
ROE	12.2%	9.3%	12.1%	17.0%	13.3%	16.4%	13.9%	12.9%	16.3%	14.7%	7.0%	18.7%	13.7%	15.0%
ROA	2.0%	0.9%	1.5%	1.9%	1.9%	2.3%	1.7%	2.3%	2.2%	1.9%	1.6%	2.0%	1.9%	2.1%

Source: Bloomberg

In table 1 above we present relevant metrics for the twelve local banks in the sector as compared to SABB for the full year 2014. We have taken an average of all banks and an average of the top 6 banks by deposits (NCB, Rajhi, RB, SAMBA, SABB and BSF) as well for a more meaningful comparison. SABB is currently the fifth largest bank in terms of deposits with a total of SAR 146 billion as compared to an average deposit base of SAR 136 billion for all banks. Total advances of SAR 115 billion place it at the bottom of the top 6 banks in the country just behind BSF. SABB has a better loan to deposit ratio (at 76.2%) as compared to 75.3% for the top 6 banks but behind 77.5% for all banks. Saudi banks are well capitalized which is reflected in a Capital Adequacy Ratio (CAR) of 17.8% for all banks and 18.1% for the top 6 banks.

SABB generates superior returns versus peers. Return on Equity (ROE) for the bank stands at 16.4% as compared to 15.0% for the top 6 banks and Return on Assets (ROA) comes in at 2.3% with the average for top 6 banks at 2.1% and the average for all banks even lower at 1.9%.

Market correction moderates valuations

Comparative valuation of the 12 local banks in terms of relative multiples (P/B and P/E) and dividend yield paints an enticing picture for SABB. It is one of the steady dividend paying banks with a dividend yield of 2.4% and 2.3% in 2013 and 2014 respectively. We forecast this to continue as the current price offers a 2.5% yield for the ongoing year at a DPS expectation of SAR 0.80 (SAR 0.40 already paid out for 1H).

Table 2: Local Banks Comparative Valuations

	Price	P/E (x)			P/B (x)			Dividend Yield (%)		
Company	(SAR)	2013	2014	2015E	2013	2014	2015E	2013	2014	2015E
RB	14.42	10.9	9.9	9.8	1.3	1.2	1.2	5.0%	5.1%	5.3%
BJAZ	20.86	12.8	14.6	7.2	1.5	1.4	1.1	-	-	-
SAIB	20.05	10.1	9.1	10.1	1.3	1.1	1.0	3.4%	3.7%	3.9%
SHB	35.99	13.7	11.3	10.4	2.2	1.9	1.7	2.3%	3.0%	2.6%
BSF	32.20	16.1	11.0	10.2	1.7	1.5	1.3	1.0%	-	2.8%
SABB	29.44	11.7	10.3	10.1	1.9	1.7	1.5	2.5%	2.4%	2.6%
ANB	29.34	11.6	10.2	9.4	1.5	1.4	1.3	1.4%	3.4%	4.0%
SAMBA	23.11	10.3	9.2	9.1	1.3	1.2	1.1	3.2%	3.5%	4.4%
Rajhi	56.19	13.3	13.3	13.4	2.4	2.2	2.1	4.1%	3.1%	3.0%
Bilad	27.90	19.1	16.1	16.2	2.7	2.4	2.2	-	-	1.4%
Alinma	18.75	27.6	22.1	19.0	1.7	1.6	1.5	-	2.7%	3.1%
NCB	55.26	10.5	12.7	12.6	2.0	2.4	2.1	3.4%	2.6%	3.0%
AVERAGE		**14.0**	**12.5**	**11.5**	**1.8**	**1.7**	**1.5**	**2.9%**	**3.3%**	**3.3%**

Source: Bloomberg

According to Bloomberg consensus estimates, SABB trades at 10.1x 2015E earnings at the Tadawul as compared to an average of 11.5x for all banks although this average is skewed by higher multiples for Alinma and Bilad, which are relatively smaller but faster growing banks. However, even compared to bigger banks, SABB is reasonably priced at 10.1x forward P/E versus 12.6x for NCB and 13.4x for Rajhi. P/B valuations are fuller at 1.5x forward pricing.

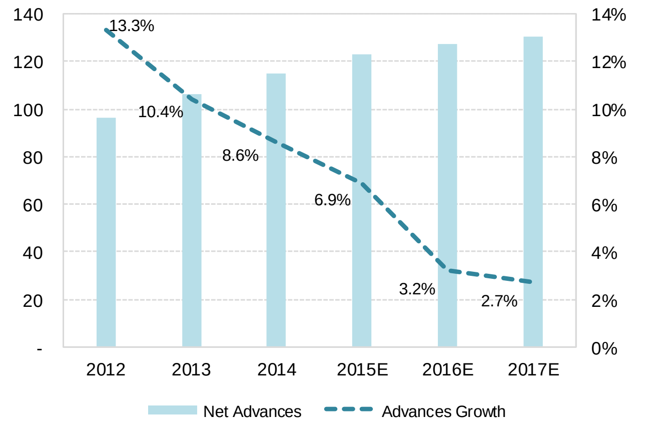
Key Trends and Future Outlook

Advances growth to slow

Advances (both gross and net) have been growing at a healthy pace for the past four years. While net loans and advances have risen at a CAGR of 9.5% since 2012, we expect the growth to be at a modest CAGR of 3.3% through 2018. Lower crude price expectations going forward leading to corresponding decline in GDP growth would be the major cause.

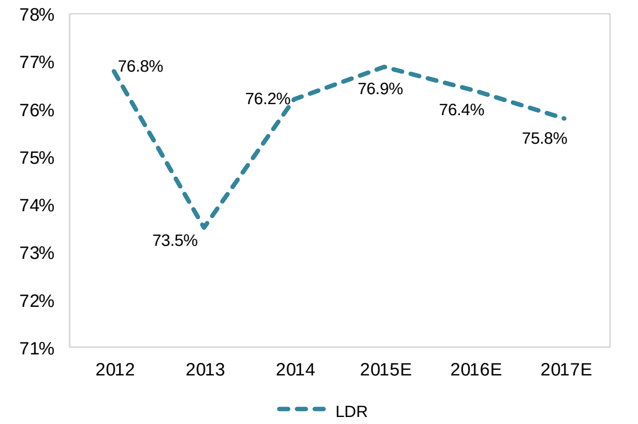
IMF estimates GDP growth rate at 2.8% and 2.4% for 2015 and 2016 respectively versus 3.5% in 2014. Loan growth has been fueled by government spending particularly on infrastructure related projects in recent times. With tighter budget and liquidity conditions, we anticipate a slowdown on existing projects and cancellation of non-essential ones.

Exhibit 1: Net Advances (SAR bln) and Growth (%)



Source: Company Reports, Riyad Capital

Exhibit 2: Loan to Deposit Ratio (%)

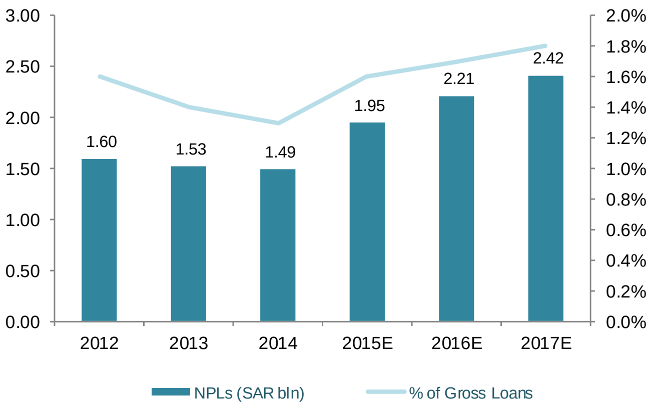


Source: Company Reports, Riyad Capital

We expect gross advances to rise to SAR 139 billion in 2018 from SAR 118 billion as of 2014-end. Similarly, net advances are forecasted to grow from SAR 115 billion to SAR 135 billion for the same period.

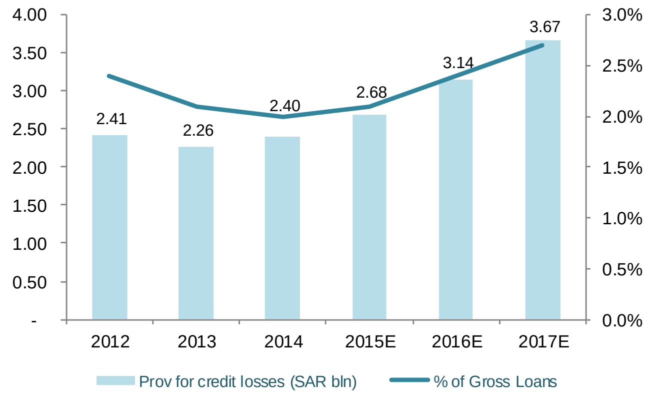
Loan to deposit ratio for SABB dipped in 2013 to 73.5% from 76.8% in the previous year but recovered to 76.2% last year as credit expanded and loan demand from corporates went up. Until the first half of 2015, credit growth has been robust with the ratio standing at close to 80% in 2Q2015. However, the impact of lower oil prices and project slowdown may manifest itself from the second half of the ongoing year resulting in LDR gradually coming down to 75.8% in 2017.

Exhibit 3: NPLs and as % of Gross Loans



Source: Company Reports, Riyad Capital

Exhibit 4: Prov for credit losses and as % of Gross Loans

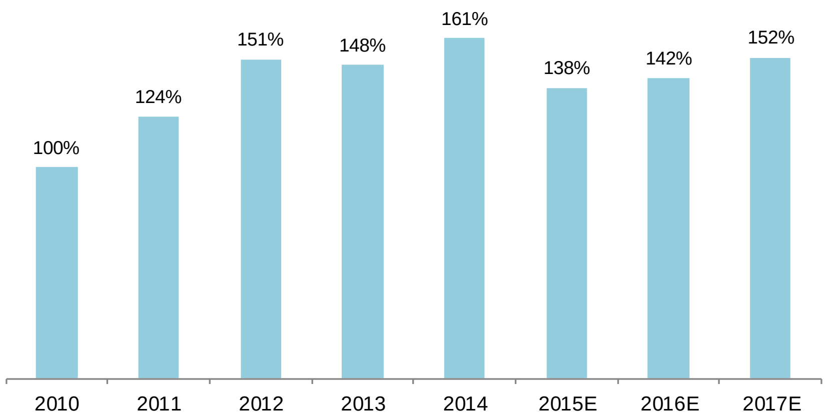


Source: Company Reports, Riyad Capital

We expect a rise in both non-performing loans (NPLs) as well as provisions for credit losses in the short to medium term on slowing economic growth and somewhat on rising interest rates, especially if the rise proves to be significant within the next two years although this is not our base case. Exhibit 3 and 4 above illustrate this in more detail. Provisions for credit losses as a percentage of gross loans can rise from a low of 2.0% in 2014 to 3.1% by 2018 while NPLs as a percentage of gross loans are likely to increase from 1.3% in 2014 to 1.7% in 2018.

However, it is noteworthy that despite this apparent rise in NPLs and provisions, we do not expect SABB to be stressed due to adequate NPL coverage. Over the past few years, the bank has built up NPL coverage from 100% in 2010 to 161% at the end of last year. This may decline to 138% this year but rise again to 142% in 2016 and further to 152% in 2017 mitigating risks.

Exhibit 5: NPL Coverage (%)

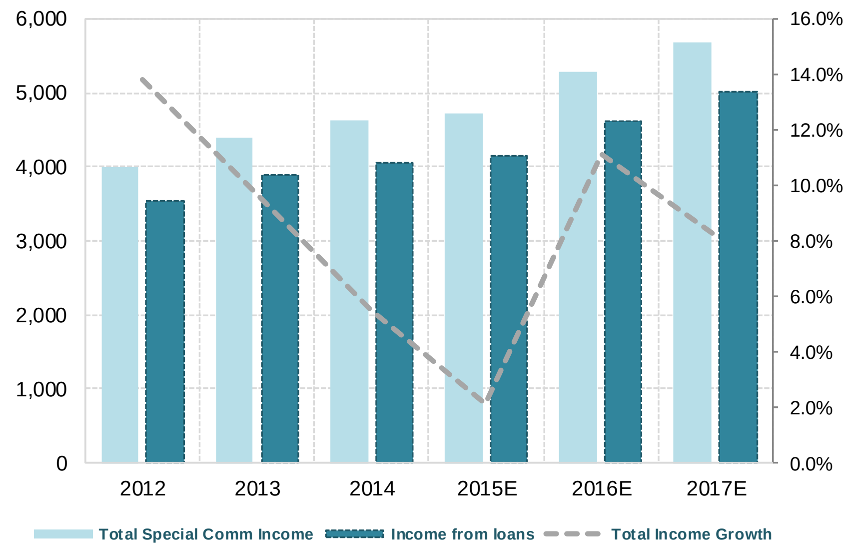


Source: Company Reports, Riyad Capital

Robust growth in income

Despite a slowdown in loan growth, special commission income is likely to grow at a CAGR of 8.3% through 2018 as compared to a CAGR of 7.5% between 2012 and 2014. Special commission income from loans and advances would continue to be the biggest contributor where an expectation of rising interest rates would more than offset a slower growth in advances. Given a bigger chunk of corporate loans, re-pricing may occur sooner than retail loans.

Exhibit 6: Healthy Special Commission Income



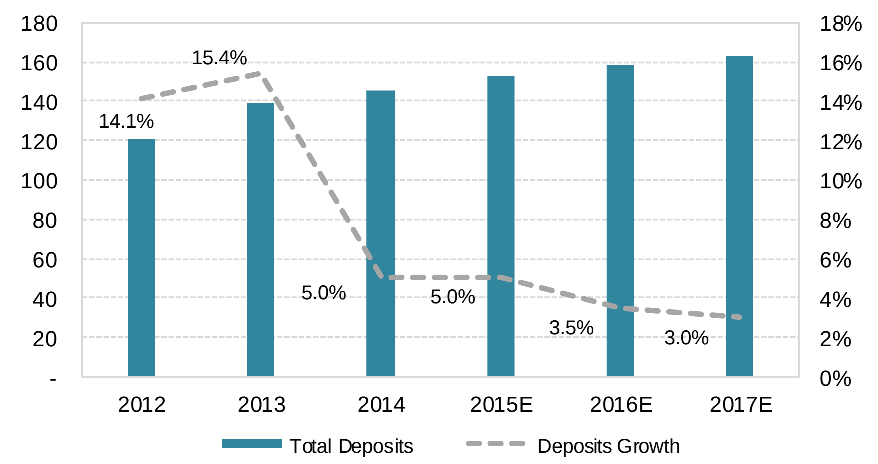
Source: Company Reports, Riyad Capital

We forecast a CAGR of 8.8% for income from loans and advances in the next three years as opposed to a CAGR of 6.8% recorded between 2012 and 2014. At the same time, investment income shall also experience good growth on the back of more investment in government bonds by the bank. Although returns on sovereign bonds are typically lower, the zero risk weighting make them an attractive proposition.

Deposit growth may weaken

Non-interest bearing (NIB) demand deposits constitute the largest chunk of deposits for the banking sector as a whole. This is largely true for SABB as well. As a percentage of deposits they have averaged at 57% for the last three years. However, some of its larger peers such as Al Rajhi and NCB are more heavily skewed towards NIB deposits. For 2014, Al Rajhi's demand deposits were 89% of total deposits while for NCB, the ratio was 75%.

Exhibit 7: Deposits (SAR bln) and Growth (%)



Source: Company Reports, Riyad Capital

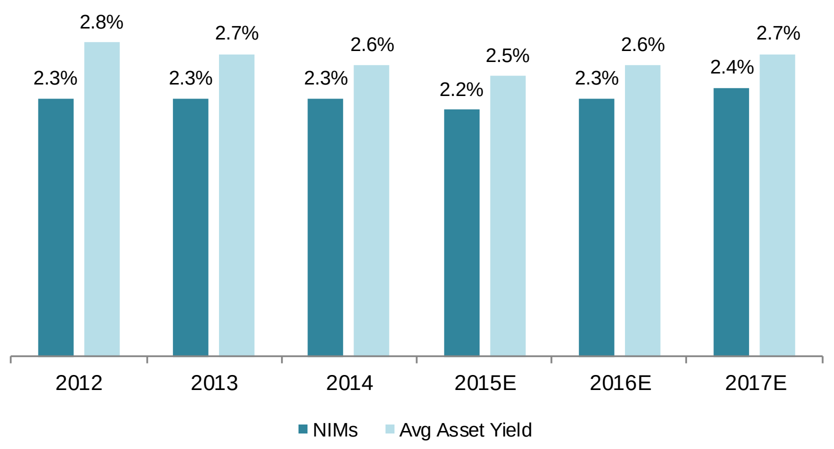
Deposits growth Y/Y for SABB peaked in 2013 at 15.4% at a time when oil prices were close to their highs leaving abundant liquidity with corporates and retail. Growth last year was at 5.0%, similar to our expectations for this year and we expect further easing to 3.0% by 2017. Management echoes our view of slower deposit growth going forward given less liquidity in the system.

As a matter of fact, SABB (and some of the others) may face a double whammy as corporates withdraw demand deposits for their needs and look for working capital for short term financing. Also, we may see an emerging trend whereby interest-bearing (IB) deposits replace NIBs. Typically, interest rates on these deposits are low.

NIMs likely to expand albeit marginally

Traditionally, SABB and most of its peers have been blessed with a low cost of deposit as majority of customers prefer to put their money in non-interest bearing accounts. In addition, a historically low interest rate environment in the US and in the Kingdom has ensured that the cost on interest bearing deposits has been falling. A corresponding low profit rate on loans and advances (a large part of which are to government linked entities or blue chip corporates) has resulted in stable net interest margins (NIMs) for the past few years.

Exhibit 8: Net Interest Margins & Avg Asset Yield (%)



Source: Company Reports, Riyad Capital

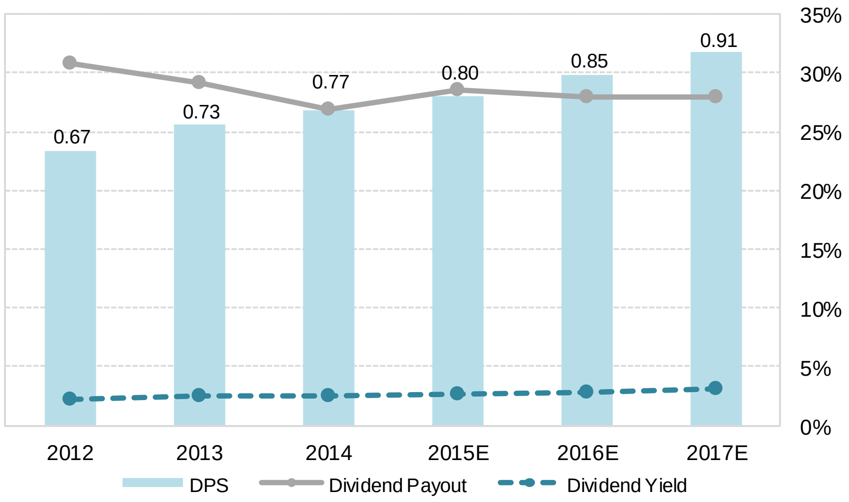
Net interest margins have been stable at 2.3% for the last three years. NIMs were recorded at 3.7% in 2006 but thereafter have depicted a steady downward trend. For the current year, we expect a marginal dip to 2.2% on decline in average asset yield as illustrated in Exhibit 8 above. Low interest rates imply that yields on investments as well as advances shall remain low this year.

Going forward, we expect NIMs to pick up to 2.3% in 2016 and further to 2.4% for 2017 and 2018 on the back of higher yields on assets as the US Fed is likely to gradually start raising rates as early as towards the end of 2015. With a lag, this is likely to be passed on to customers by the banks.

50% bonus in 2014

SABB generated positive vibes in the market with a 50% bonus share issue for the year 2014 taking paid up capital to SAR 15 billion and resulting in an enthusiastic response at the Tadawul. The previous bonus was issued in 2011. We believe the current bonus serves two purposes. First, it helps to release value to shareholders i.e. transfers value from reserves into share capital. Secondly, it also enables the bank to continue to build SAMA mandated statutory reserves and build up its capital base. According to regulations, a bank must put 25% of its net income for the year towards building the statutory reserves until they equal the paid up capital.

Exhibit 9: Stable Dividend Payouts



Source: Company Reports, Riyad Capital

SABB has an average payout of 29% for the last three years choosing to maintain stable dividends over the years. Along with management guidance, we expect this to continue in the future as well. Our model assumes a 28% dividend payout through 2017. At current prices, the stock offers a 2.7% dividend yield for 2015 rising to 2.8% for 2016.

The bank has already announced a SAR 0.40 DPS for 1H2015. Barring any unforeseen circumstances, a similar dividend can be expected for the second half taking the full year DPS to SAR 0.80.

3Q2015 Expectations

We forecast a subtle 3Q for SABB in the midst of crude prices touching a low of under USD 40/bbl and generally staying below USD 50/bbl. IMF and other economic forecasters have lowered GDP growth rate forecasts downwards for the full year. Rating agencies have also expressed concern with Fitch lowering the outlook on four local banks to negative.

Special commission income is estimated to rise +5% Y/Y to SAR 1.2 billion with net commission income likely to post a +4% increase Y/Y to SAR 1.08 billion. Management confirms that they have started to observe some early signs of declining loans and deposits. We believe the full impact may come with a lag of a couple of quarters.

Table 3: 3Q2015 Forecasts (SAR mln)

	3Q15E	3Q14	Y/Y	2Q15	Q/Q
Special Commission Income	1,221	1,160	5.3%	1,211	0.8%
Special Commission Expense	(145)	(130)	11.5%	(144)	0.6%
Net Commission Income	1,076	1,030	4.5%	1,067	0.8%
Total Operating Income	1,658	1,655	0.2%	1,675	-1.0%
Total Operating Expense	(611)	(623)	-1.9%	(579)	5.5%
Net Income	1,089	1,059	2.8%	1,137	-4.2%
EPS (SAR)	0.73	0.71	2.8%	0.76	-4.2%

Source: Company Reports, Riyad Capital

Net income is expected to record a +3% increase to SAR 1.09 billion (EPS SAR 0.73) versus SAR 1.06 billion last year (EPS SAR 0.71). On a Q/Q basis, results are likely to be flat to negative with special commission income rising +1% but net income falling -4% on a faster rise in operating expenses as we expect a prudent increase in provisions.

Valuation and Recommendation

We have used the P/B valuation method as our preferred valuation metric for SABB. Given a stable book value that effectively captures returns; we believe this is an appropriate valuation metric for financial firms. As illustrated in the table below, we have calculated a justified P/B multiple for SABB using a 13.5% ROE, 11.5% cost of equity and 8.8% growth rate. The growth rate stems from a long term ROE of 13.5% and a long term retention rate of 65%.

Table 4: P/B Valuation

Assumptions	
Risk-free rate	3.8%
Equity risk premium	6.75%
Beta	1.14
CoE	11.4%
LT retention rate	65.0%

	2015E	2016E	2017E	2018E
Book Value per share (SAR)	19.35	21.64	24.04	26.51
LT ROE				13.5%
LT growth rate				8.8%
Cost of Equity				11.4%
Justified P/B				1.8x
Per Share Fair Value				**38.30**

Source: Riyad Capital

Our justified P/B multiple for SABB is 1.8x which we apply to our 2016E book value per share forecast of SAR 21.64 to arrive at our SAR 38.30 fair value.

As a cross-check we carried out a P/E valuation for SABB assuming a target P/E multiple of 11.8x, the average 2015E P/E for all banks based on Bloomberg consensus estimates. We applied this multiple to our average EPS forecast between 2016 and 2018 of SAR 3.22 resulting in a fair value of SAR 37.97.

Table 5: P/E Valuation

	2015E	2016E	2017E	2018E
EPS	2.81	3.04	3.24	3.37
Target P/E multiple				11.8x
Avg EPS (2016E-2018E)				3.22
Fair value per share				**37.97**

Source: Riyad Capital

Recommendation

We reinstate coverage on Saudi British Bank (SABB) with a 12-month **target price of SAR 38.00** representing 1.5x P/B and 12.5x P/E. With an upside of 29% to our target price, we recommend a Buy.

We expect a slowdown in loan and deposit growth in the future on muted real GDP growth as crude prices remain lower. However, net interest margins are likely to expand in 2016 and 2017 on expectations of an increase in interest rates.

Larger proportion of non-interest bearing deposits is a blessing. We expect EPS to grow at a CAGR of 6.3% between 2016 and 2018 despite a tougher operating environment and the bank to maintain an average dividend payout of 28% through 2017.

Summary Financials

Table 6: SABB Summary Financials

Income Statement (SAR mln)	2014	2015E	2016E	2017E
Special Comm Income	4,626	4,722	5,244	5,675
Special Comm Income	563	603	671	742
Net Special Comm Income	**4,063**	**4,120**	**4,574**	**4,933**
Other Income	2,440	2,491	2,605	2,696
Operating Income	**6,502**	**6,611**	**7,179**	**7,629**
Operating Expense	2,346	2,499	2,725	2,875
Share in Earnings of Assoc.	110	101	104	107
Net Income	**4,266**	**4,213**	**4,558**	**4,861**
Shares Outstanding (mln)	1,000	1,500	1,500	1,500
EPS (on current shares)	**2.84**	**2.81**	**3.04**	**3.24**
DPS	0.77	0.80	0.85	0.91

Cash Flows (SAR mln)	2014	2015E	2016E	2017E
Cash at Beg. of Year	26,124	19,314	19,508	24,197
Net Income	4,266	4,213	4,558	4,861
Dividends Paid	(1,100)	(1,150)	(1,200)	(1,276)
Depreciation & Impairment	86	95	102	110
Due from Banks	871	(1,605)	41	40
Operating Cash Flow	**10,305**	**9,160**	**8,945**	**8,066**
Change in Investments	(7,881)	(2,264)	(1,189)	(1,462)
Loans and Advances	(9,106)	(7,952)	(3,945)	(3,383)
Debts Inc./Dec.	(49)	1,611	1,001	1,001
Capital Expenditure	(152)	(132)	(144)	(153)
Cash at year end	**19,314**	**19,508**	**24,197**	**28,233**

Balance Sheet (SAR mln)	2014	2015E	2016E	2017E
Assets				
Cash & Bank Bal. with SAMA	19,314	19,508	24,197	28,233
Due from Banks	2,469	4,074	4,033	3,993
Total Investments	45,281	47,545	48,734	50,196
Net Loans and Advances	115,221	123,173	127,118	130,501
Investment in Associates	652	769	823	880
Net Fixed Assets	663	701	743	785
Total Assets	**187,609**	**198,977**	**209,175**	**218,294**
Liabilities & Equity				
Customer Deposits	145,871	153,164	158,525	163,281
Due to Banks	4,086	3,473	3,813	3,501
Debt Sec. in Issue	5,265	6,892	7,892	8,892
Borrowings	78	63	63	64
Total Liabilities	**161,538**	**169,955**	**176,720**	**182,229**
Capital	10,000	15,000	15,000	15,000
Statutory Reserves	9,001	7,554	8,694	9,909
Retained Earnings	5,859	5,318	7,460	9,745
Total Shareholders Equity	26,071	29,022	32,455	36,065
Total Liab & Equity	**187,609**	**198,977**	**209,175**	**218,294**

Ratios	2014	2015E	2016E	2017E
Growth (YoY)				
Net Special Comm. Income	9.2%	1.4%	11.0%	7.9%
Total Income	11.8%	1.7%	8.6%	6.3%
Net Income	13.0%	-1.2%	8.2%	6.6%
Gross Loans	8.5%	7.0%	3.5%	3.0%
Total Investments	21.1%	5.0%	2.5%	3.0%
Customer Deposits	5.0%	5.0%	3.5%	3.0%
Earning Assets	5.4%	6.6%	5.0%	4.3%
Total Assets	5.8%	6.1%	5.1%	4.4%
Total Equity	14.2%	11.3%	11.8%	11.1%
Profitability				
RoAA	2.3%	2.2%	2.2%	2.3%
RoAE	17.4%	15.3%	14.8%	14.2%
NIMs	2.3%	2.2%	2.3%	2.4%
Others				
CAR	17.5%	18.4%	20.0%	21.5%
NPL Coverage	160.7%	137.6%	142.0%	151.9%
P/E	10.4x	10.5x	9.7x	9.1x
P/B	1.7x	1.5x	1.4x	1.2x
Dividend Yield	2.6%	2.7%	2.9%	3.1%
Dividend Payout	27.0%	28.5%	28.0%	28.0%

Source: Company Reports, Riyad Capital

Stock Rating

Strong Buy	Buy	Hold	Sell	Not Rated
Expected Total Return ≥ 25%	Expected Total Return ≥ 15%	Expected Total Return < 15%	Overvalued	Under Review/ Restricted

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