

THE SAUDI INVESTMENT BANK



EVENT FLASH

Provisions, loan decline holds back net income

SAIB reported poor 4Q11 results with net income down 38% YoY at SR147mn against our estimate of SR169mn. The miss was mainly due to lower NSCI (due to declining loans) and higher operating costs. We believe higher than expected provisions also depressed SAIB's net income. We await detailed results before updating our model.

- **Net special comm. income:** 4Q11 came in at SR287mn vs. NCBC estimate of SR303mn. 4Q11 was a decrease of 11.4% YoY (SR324mn in 4Q10).
- **Total operating income:** 4Q11 came in at SR382mn vs. NCBC estimate of SR396mn. 4Q11 was a decrease of 7.3% YoY (SR412mn in 4Q10).
- **Net Income:** 4Q11 came in at SR147mn vs. NCBC estimate of SR169mn. 4Q11 was a decrease of 38.2% YoY (SR238mn in 4Q10).
- **EPS:** 4Q11 came in at SR0.27 vs. NCBC estimate of SR0.31. 4Q11 was a decrease of 38.2% YoY (SR0.43 in 4Q10).
- In summary this is a poor set of results from SAIB with declining loans and higher provisions leading to a decline in net income. SAIB's 4Q11 net income saw a decline of 38% YoY and 13% below our expectations of SR169mn.
- Based on preliminary numbers for 4Q11, we estimate the bank's provision charges to amount SR112mn against SR50mn in 4Q10. Consequently, the bank's net income declined more than expected.
- On a YoY basis, the bank's net special commission income and total operating income declined 11.4% and 7.3% respectively mainly due to decreasing loan books and investments.
- SAIB's management recommended a gross dividend of SR325mn or SR0.6 per share vs. our expectations of no dividends. This is the first cash dividends since 2006. Eligible Shareholders will receive a net dividend of SR0.5 per share after deduction of zakat SR0.1 per share.
- We are currently Overweight on the stock with a PT of SR21.5. Although, the bank's 4Q11 results look weak YoY, on an annual basis, the bank's net income has shown a significant growth of 65% to SR708mn.

4Q11 Results Summary

SR mn	4Q11A	4Q10A	% Y O Y	4Q11E	% VAR
Net Sp Comm Income	287	324	(11.4)	303	(5.2)
Non-Interest Income	95.0	88.1	7.9	92.8	2.4
Total Operating Income	382	412	(7.3)	396	(3.5)
Net Income	147	238	(38.2)	169	(13.0)
Loans	27.1	31.0	(12.5)	31.1	(12.9)
Deposits	36.8	37.2	(1.2)	37.4	(1.7)
Investments	9.8	8.9	9.7	7.8	25.5
Assets	51.9	51.5	0.9	52.2	(0.6)
EPS	0.3	0.4	(38.2)	0.3	(13.0)

Source: Company, NCBC Research

OVERWEIGHT

Target price	21.5
Current price (SR)	16.2

STOCK DETAILS

M52-week range H/L (SR)	20.5/15.4
Market cap (\$mn)	2,376
Shares outstanding (mn)	550
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	3.2	(4.4)	(14.3)
Rel. to market	0.0	(10.4)	(11.1)

Avg daily turnover (mn)	SR	US\$
3M	2.4	0.6
12M	2.0	0.5

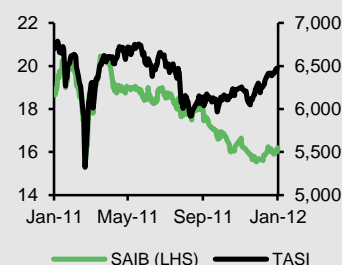
Reuters code	1030.SE
Bloomberg code	SIBCAB
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VALUATION MULTIPLES

	10A	11E	12E
P/E (x)	21.0	12.5	11.7
P/BV (x)	1.1	1.0	0.9
P/ABV (x)	1.1	1.0	0.9
Div Yield (%)	-	-	-

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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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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