



SAUDI ARABIA: Economy & Equity Market

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The National Commercial Bank, NCB

- **Largest bank** in Saudi Arabia with a total Assets of US\$92bn (as of Dec 2012)
- NCB currently holds a rating of **A+** in Saudi Arabia by Fitch and Standard & Poors
- **The first bank** to be licensed in Saudi Arabia in **1953**. The Saudi Government acquiring the majority holding in 1999
- International presence in **Singapore** and **South Korea** through NCB representative offices as well as in **Turkey** through Turkiye Finans Participation Bank

- The **largest** in Saudi, with current AUM's of **US\$12bn** (as of Dec 2012)
- **A market leader in Islamic Mutual Funds**(US\$8bn in 24 Shariah Mutual Funds)
- Saudi and GCC **Shariah expertise in Islamic management since 1979**
- Manager of **the world's largest Shariah money market fund** with an AUM of **US\$3.7bn**
- Right access to the **Private Equity, Real Estate** Markets and leading **IPO's** in Saudi Arabia
- Strong **international exposure** through the **Alliance with Amundi and TCW**

Key message: Why consider Saudi exposure?

Strong and growing Saudi economy driven by consumer centric sectors...

- 4.14% expected real GDP growth over next 5 years (last 5 years average at 4.5%); non-oil sector growth at 7%, the main contributor to the growth

...with the equity markets composition reflecting the real growth of the economy

- Vibrant market with 14 sectors, and local economy sectors account for 70% of total market cap offering direct exposure to the local economies

A diversification play....

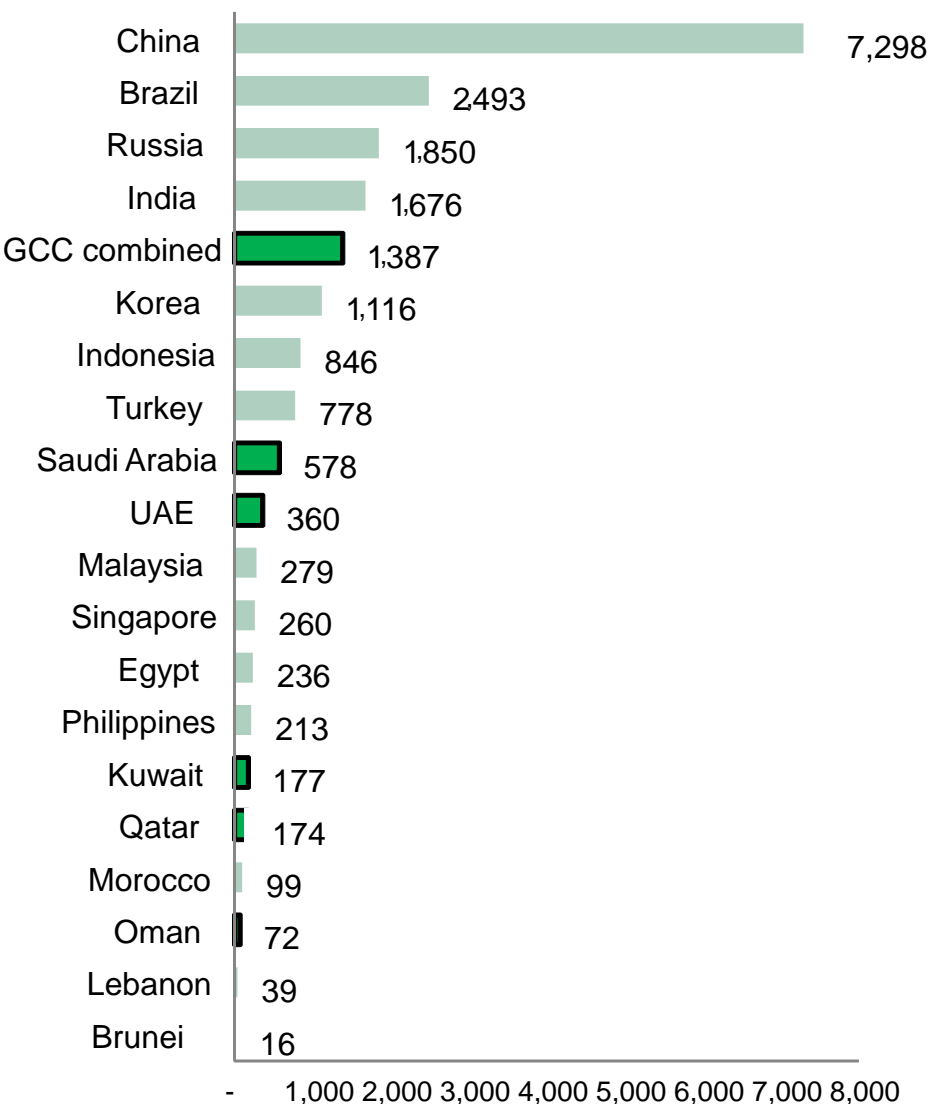
- Low correlations with International Markets; MSCI World (0.35x), MSCI Asia (0.32x), Oil (0.28x)

Reasonable valuations with attractive dividend yield

- At 11.5x FY13F P/E, Saudi is trading at below its 5yr P/E historical average of 16.8x; dividend yield 4.1%

Oil Reserve, GDP Growth, Foreign Reserves

Nominal GDP rankings (2011) – USD bn



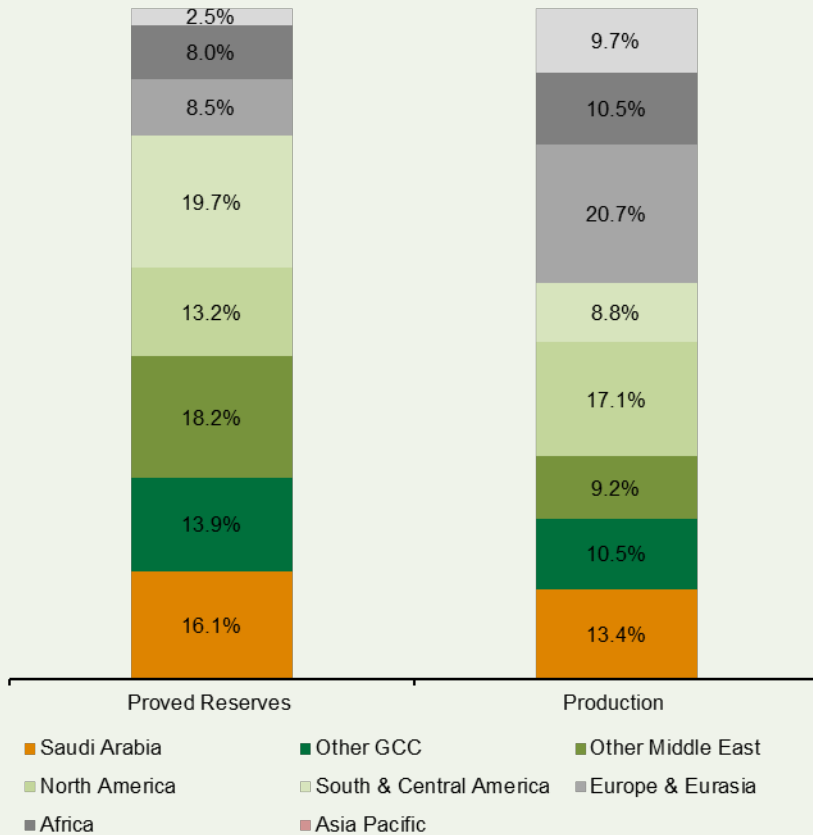
Source: IMF World Economic Outlook – April 2012

- Saudi Arabia is the largest Economy in the Middle East with a nominal GDP of US\$578 bln, making it the 20th largest economy in the world and a member of G20
- It posses 16% of the world's proven oil reserves, one of the largest exporters and plays a leading role in OPEC.
- Positive economic growth outlook with an expected 4.14% real GDP growth over next 5 years (last 5 years average at 4.5%)
- Substantial foreign reserves now estimated at over US\$600bln
- Young demographic with over 50% of people under the age of 25. Average per capita income is over US\$22,800
- Stable monetary policies owing to currency pegs with US\$ since 1986 with AA- rating
- Government budget total expenditures for 2013 at USD232bln, expected revenues at USD306mln, surplus of USD 74mln.
- Low Debt to GDP ratio at 12%

Saudi Arabia dominates the global oil market

Proven Reserves and Production Breakdown

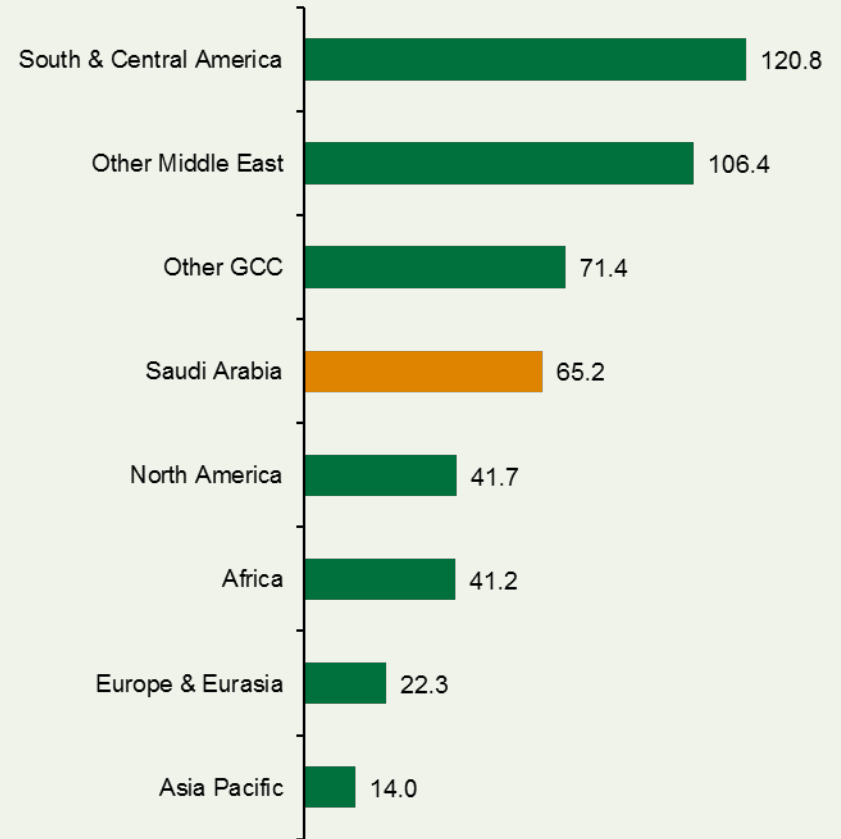
Saudi Arabia accounted for ~16% of the proven oil reserves and over 13% of the total oil production in 2011



Source: BP Statistical Review of World Energy June 2012, NCBC Research

Estimated Life of Reserves (Years)

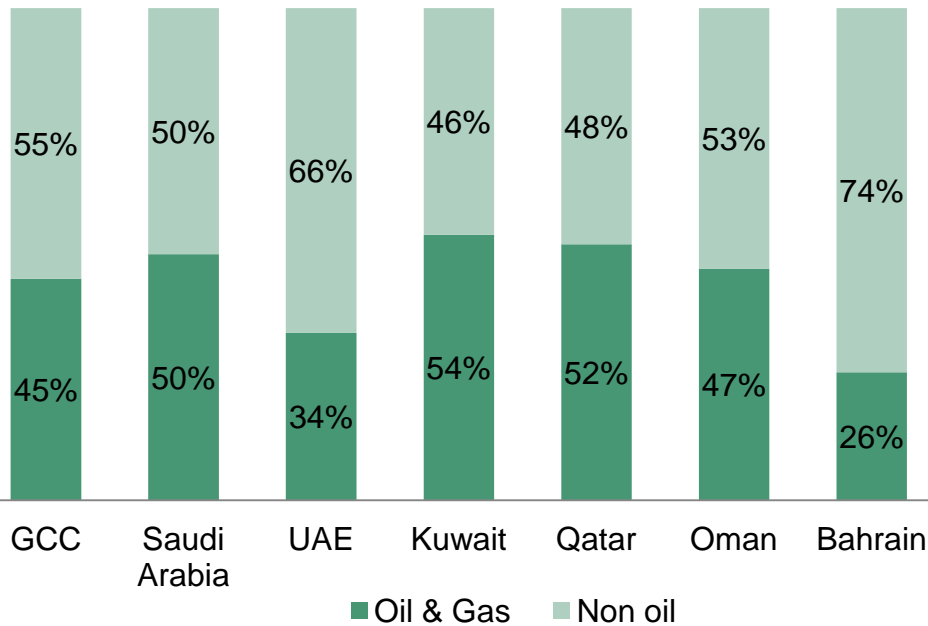
At a production level of 2011, Saudi Arabia's oil reserves are estimated to last ~65 years.



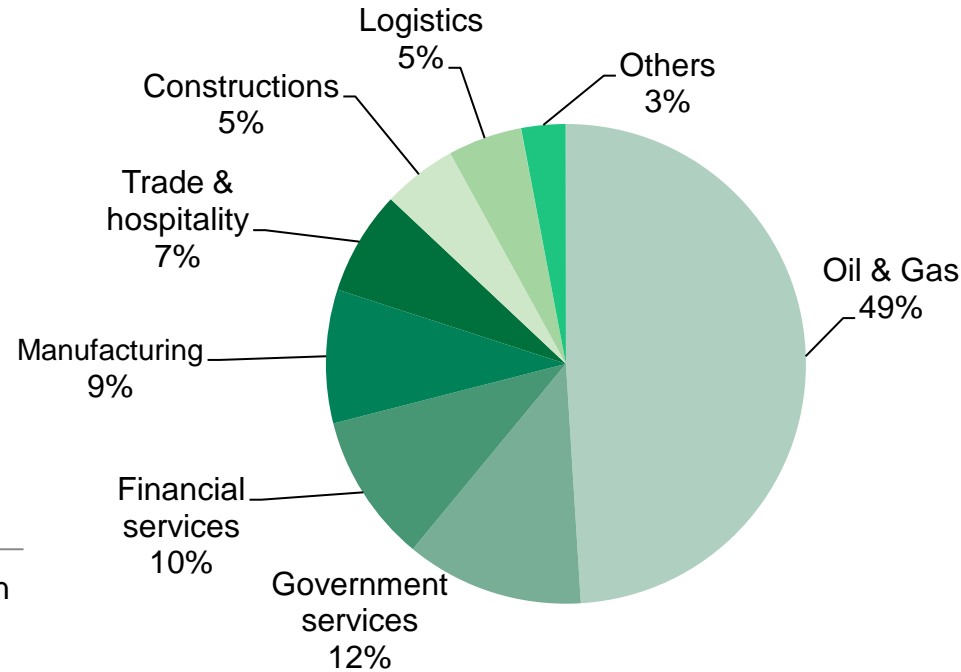
Source: BP Statistical Review of World Energy June 2012, NCBC Research

Oil, Government and Financial services leading the Economy

Breakdown of GCC Nominal GDP (last 5 years average)



GCC Nominal GDP sector contribution (2011)



Source: Reuters & NCBC IM Research

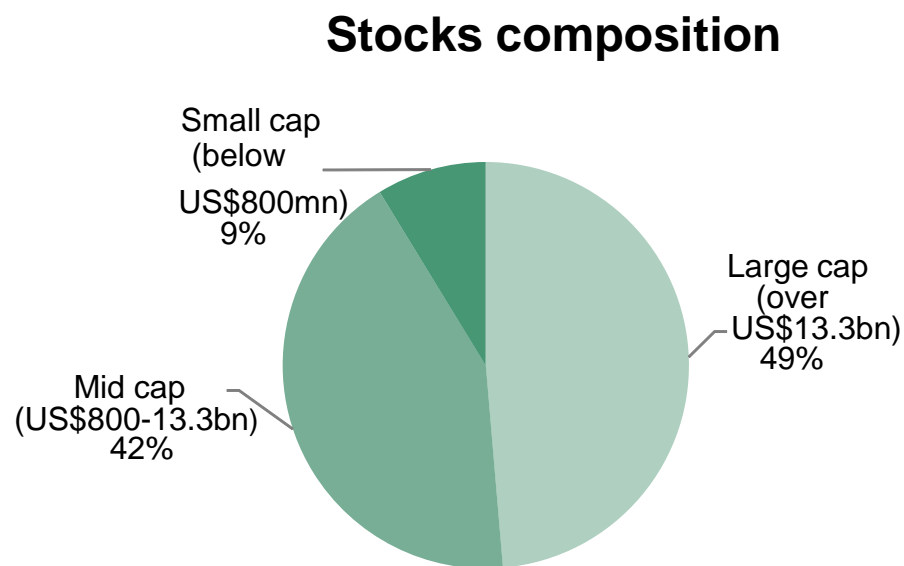
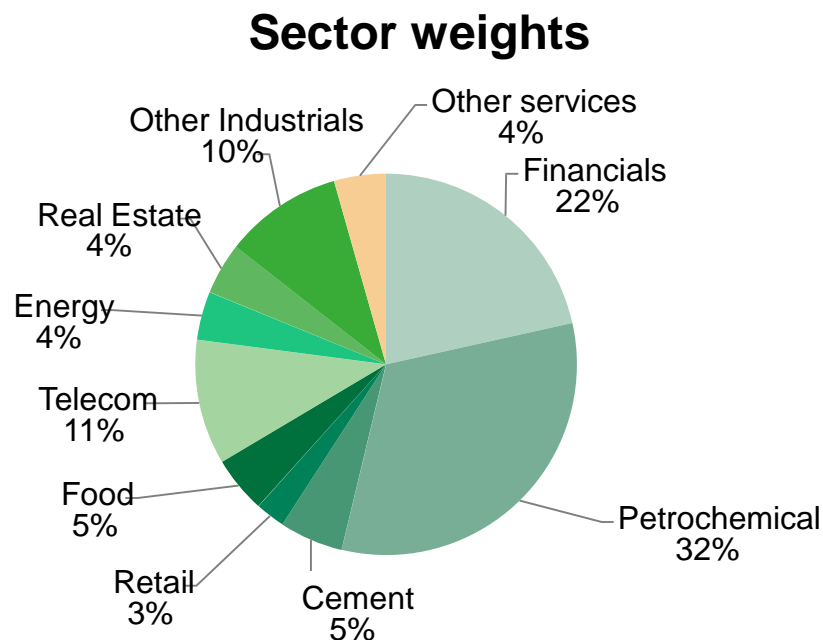
- Oil and gas is the single largest contributor in the Saudi Arabia's nominal GDP followed by government and manufacturing services
- The Saudi Governments is driving huge development programs to diversify their economies from oil and gas sectors to value added exports and to support private sector growth leading to new job creation and sustained growth in the local aggregate demand

Strong GDP Growth, Low inflation, Budget Surplus

Saudi Arabia							
Year	2007A	2008A	2009A	2010A	2011A	2012F	2013F
Population (mn)	24.9	25.8	26.7	27.6	28.2	28.8	29.4
Population growth (%)	3.4	3.4	3.4	3.4	2.2	2.2	2.2
Nominal GDP (US\$bn)	384.9	476.3	376.7	455.9	597.1	657.0	682.6
Nominal GDP growth (%)	7.9	23.7	(20.9)	21.0	31.0	10.0	3.9
Real GDP Growth (%)	2.0	4.2	0.1	5.1	7.1	6.0	4.2
Oil & Gas sector growth (%)	(3.6)	4.2	(7.8)	2.4	4.3	5.5	(1.2)
Non-oil private sector growth (%)	5.5	4.6	2.7	5.3	8.3	7.2	7.4
Current account % GDP	24.3	27.8	5.6	14.6	26.5	26.1	22.7
GDP per Capita US\$ (current)	15,434	18,471	14,129	16,541	21,196	22,823	23,199
Exports (US\$bn)	233.1	313.4	192.2	251.0	364.6	396.5	393.3
Imports (US\$bn)	81.5	100.6	86.4	96.7	119.1	128.2	135.2
Inflation, average (%)	4.1	9.9	5.1	5.4	5.0	4.9	4.6
Budget balance % GDP	12.2	32.5	(6.1)	5.2	11.6	14.2	9.5
Money supply M2 growth (%)	23.7	19.0	6.5	9.3	15.4	13.6	10.0
Oil production (mbpd)	8.7	9.1	8.0	8.2	9.3	9.8	9.7

Sources: IMF, Reuters, NCBC Research

Saudi Arabia Equity market: 14 sectors, lead by petrochemicals and financials



Source: Reuters & NCBC IM Research

- Local economy sectors account for 70% of total market cap offering direct exposure to the local economies
- Financials and petrochemicals are the two leading sectors in Saudi Arabia. Telecom, Food and cement sectors are also of substantial size

Saudi Equity Market: Large Market Cap, Liquid and Highly Regulated

Markets	Market Cap	Performances		Free float	Avg Daily T/O	FY12 IPOs	PER (x)	Dividend Yield
	US\$bln	FY12A	FY13YTD	%	US\$mIn	Nos.; Value	FY13F	TTM (%)
Saudi Arabia	385.1	6.0%	6.2%	44%	1381	6; (US\$1.3bln)	11.7	3.5
Abu Dhabi (UAE)	88.4	9.5%	28.1%	65%	47	NA	9.1	4.2
Dubai (UAE)	53.5	19.9%	34.2%	48%	116	NA	8.4	2.1
Kuwait	104.2	2.1%	30.9%	62%	181	NA	11.5	2.2
Qatar	129.4	-4.8%	5.8%	55%	55	NA	9.8	3.5
Oman	20.9	1.2%	8.5%	50%	19	1; (US\$158mIn)	8.8	3.9
Bahrain	19.6	-6.8%	6.4%	22%	2	NA	6.3	4.7

Source: Regional Stock exchanges, Bloomberg & Reuters (as of May 12 2013)

- Saudi accounts for 53% of GCC Market Cap and 90% of GCC turnover
- Vibrant Market with 14 sectors, 160 companies and healthy IPO activity
- Highly sophisticated regulatory infrastructure with independent market regulator

Diversification Play: Low Correlation with global markets

Global markets correlation matrix

	US	Japan	UK	France	Germany	Saudi Arabia	Egypt	Turkey	Brazil	Russia	India	China	Brent Crude Oil	MSCI World	MSCI Asia ex Japan	MSCI Asia	MSCI AC Europe	MSCI ACWI	MSCI GCC Domestic
US	1.00	0.50	0.83	0.84	0.84	0.30	0.30	0.54	0.72	0.48	0.54	0.23	0.26	0.96	0.72	0.69	0.85	0.95	0.49
Japan	0.50	1.00	0.51	0.55	0.54	0.20	0.35	0.40	0.46	0.42	0.41	0.24	0.18	0.59	0.58	0.74	0.55	0.60	0.41
UK	0.83	0.51	1.00	0.88	0.85	0.35	0.33	0.58	0.66	0.53	0.57	0.21	0.30	0.88	0.72	0.71	0.86	0.88	0.49
France	0.84	0.55	0.88	1.00	0.94	0.32	0.33	0.57	0.65	0.55	0.57	0.21	0.24	0.90	0.73	0.72	0.91	0.90	0.50
Germany	0.84	0.54	0.85	0.94	1.00	0.30	0.31	0.56	0.63	0.53	0.57	0.21	0.22	0.89	0.72	0.70	0.88	0.88	0.50
Saudi Arabia	0.30	0.20	0.35	0.32	0.30	1.00	0.36	0.32	0.30	0.33	0.27	0.14	0.28	0.35	0.34	0.32	0.36	0.35	0.84
Egypt	0.30	0.35	0.33	0.33	0.31	0.36	1.00	0.38	0.36	0.38	0.39	0.16	0.20	0.39	0.49	0.50	0.40	0.41	0.52
Turkey	0.54	0.40	0.58	0.57	0.56	0.32	0.38	1.00	0.53	0.50	0.58	0.20	0.27	0.60	0.63	0.59	0.61	0.62	0.52
Brazil	0.72	0.46	0.66	0.65	0.63	0.30	0.36	0.53	1.00	0.47	0.54	0.35	0.35	0.76	0.74	0.68	0.73	0.78	0.51
Russia	0.48	0.42	0.53	0.55	0.53	0.33	0.38	0.50	0.47	1.00	0.48	0.24	0.34	0.57	0.55	0.53	0.62	0.59	0.57
India	0.54	0.41	0.57	0.57	0.57	0.27	0.39	0.58	0.54	0.48	1.00	0.24	0.24	0.60	0.76	0.64	0.60	0.63	0.50
China	0.23	0.24	0.21	0.21	0.21	0.14	0.16	0.20	0.35	0.24	0.24	1.00	0.13	0.27	0.38	0.32	0.27	0.28	0.22
Brent Crude Oil	0.26	0.18	0.30	0.24	0.22	0.28	0.20	0.27	0.35	0.34	0.24	0.13	1.00	0.32	0.30	0.26	0.33	0.33	0.39
MSCI World	0.96	0.59	0.88	0.90	0.89	0.35	0.39	0.60	0.76	0.57	0.60	0.27	0.32	1.00	0.81	0.82	0.95	1.00	0.56
MSCI Asia ex Japan	0.72	0.58	0.72	0.73	0.72	0.34	0.49	0.63	0.74	0.55	0.76	0.38	0.30	0.81	1.00	0.89	0.80	0.85	0.62
MSCI Asia	0.69	0.74	0.71	0.72	0.70	0.32	0.50	0.59	0.68	0.53	0.64	0.32	0.26	0.82	0.89	1.00	0.77	0.84	0.59
MSCI Europe	0.85	0.55	0.86	0.91	0.88	0.36	0.40	0.61	0.73	0.62	0.60	0.27	0.33	0.95	0.80	0.77	1.00	0.96	0.56
MSCI ACWI	0.95	0.60	0.88	0.90	0.88	0.35	0.41	0.62	0.78	0.59	0.63	0.28	0.33	1.00	0.85	0.84	0.96	1.00	0.58
MSCI GCC Domestic	0.49	0.41	0.49	0.50	0.50	0.84	0.52	0.52	0.51	0.57	0.50	0.22	0.39	0.56	0.62	0.59	0.56	0.58	1.00

Source: Last 5 years, Reuters, NCBC Research

Saudi market appears undervalued compared to other major markets

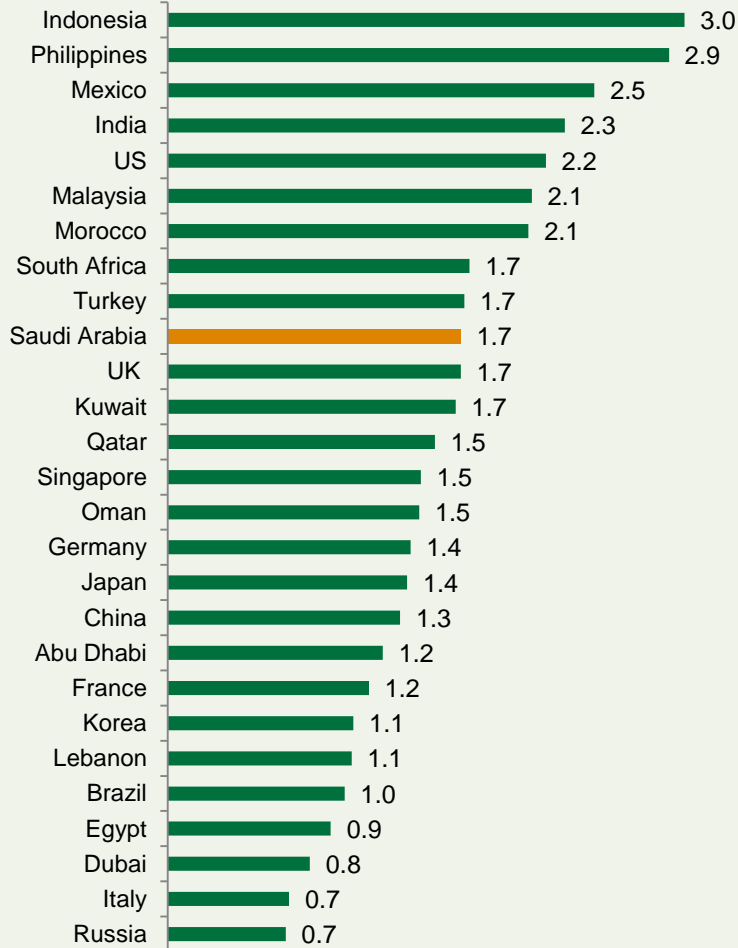
Saudi Market Compared to Major Markets



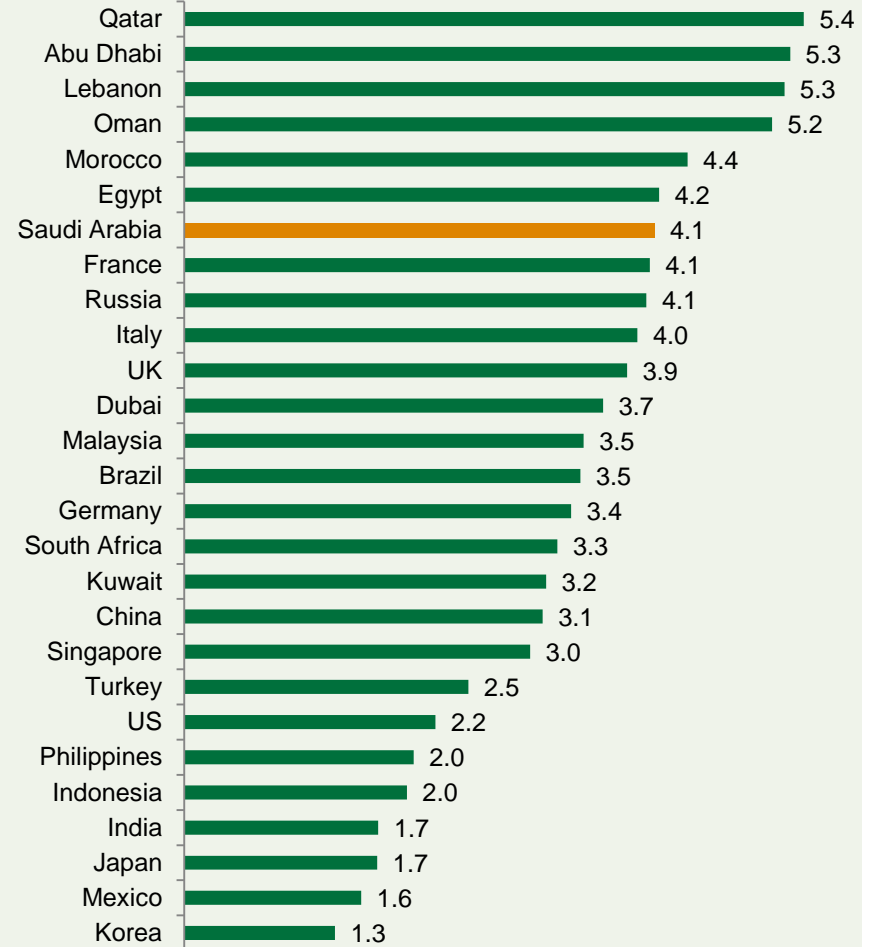
Source: Bloomberg, NCBC Research

... and attractive P/BV and high dividend yield

Comparison Based on 2013 Price to Book (P/BV)



Comparison Based on 2013 Dividend Yield %



Source: Bloomberg, NCBC Research

Thank You

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