

Arab News

The Middle East's Leading English Language Daily

MAY 12, 2003

Govt to Sell 50% of Its Stake in NCB

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JEDDAH — The government is expected to sell 50 percent of its stake (2097 million shares) in the National Commercial Bank to Saudis next year, Al-Eqtisadiyah business daily, a sister publication of Arab News, reported yesterday, quoting informed sources.

The report comes after Abdul Hadi Shayif, the bank's general manager and a member of its executive committee, announced last week that NCB was planning to float its shares for public subscription next year.

"I believe that the shares will be floated for public subscription next year but it's up to the owners to make the decision," he said. "But one thing I can say is that the bank's financial and administrative position is now

better than at any time before conversion to an open joint stock company," Shayif said.

The state-owned Public Investment Fund now holds 69.3 percent of NCB shares. The fund purchased 50 percent of the bank in 1999. NCB has a capital of SR6 billion.

"The fund increased its stake last year to 69.3 percent after purchasing the shares owned by Khaled Bin Mahfouz and his family in the bank in a SR7 billion deal at the rate of SR400 per share," the business daily said.

The General Organization for Social Insurance (GOSI) has a 10 percent stake in the bank. The remaining 20.7 percent shares are owned by 24 individual shareholders. The sources said the government would allocate part of the shares offered for public subscription to GOSI and the Pensions Fund.

Economic analysts said that the bank was likely to sell the shares for SR350 to SR450 per share. At the same time, the analysts did not rule out the possibility of selling the shares at less than the market rate to encourage Saudis to purchase them. However, analyst Khaled Al-Jowhar said the share prices could go up to SR500 because of the bank's strong economic position and the profits it has earned.

Bishr Bakheet, another analyst, expects a good response similar to Saudi Telecom Company (STC), especially if the shares are floated at a reasonable price.

Finance Minister Dr. Ibrahim Al-Assaf said STC's flotation of 30 percent was oversubscribed. The sell-off, the Kingdom's largest in two decades, involved the sale of 90 million of the company's 300 million shares.

He said the sales generated more than SR36 billion (\$9.6 billion) in revenues.

"At close of the IPO, the value of requests filed by citizens was SR36 billion. The process was a huge success," said the minister.

NCB posted a first quarter profit of SR742.6 million this year and annual profit of SR2.4 billion last year.

Within the last three years after the formation of the new board under the chairmanship of Abdullah Bahamdan, the bank made a profit of SR2.5 billion and a revenue of not less than 25 percent on shareholders' rights.

"What has happened in the bank over the past three years is a radical change, covering all banking services including administration and operations, technological development, etc," Shayif said.

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BANKING & FINANCE ■ Saudi Arabia Path cleared for potential IPO

Government increases NCB shareholding

The government has increased its stake in National Commercial Bank (NCB) to 80 per cent from 50 per cent and the last major link between the bank and the Bin Mahfouz family has been severed (MEED 3:502, Cover Story).

The 30 per cent stake is understood to have been acquired by the Public Investment Fund (PIF) from Bin Mahfouz family members including Naila Abdulaziz Kaaki, the wife of Khalid Bin Mahfouz, the bank's chairman and general manager in the mid 1990s, and Khalid's sons Abdulrahman and Sultan.

It is understood that PIF has paid SR 6,700 million-6,800 million (\$1,787 million-1,813 million) for the 30 per cent stake. NCB officials were not available for comment as MEED went to press. If the reported price paid is accurate, it is equivalent to about 2.3 times the book value of the shares at the end of September, representing a healthy premium.

Such a valuation marker could be of significance if the share sale heralds an acceleration of plans for the flotation of NCB. It has long been the intention of the government to divest part of its stake in NCB through an initial public offering (IPO).

The main barrier to this plan being pursued in the past has been the statutory stipulation that an IPO cannot be

staged in Saudi Arabia until two years of full financial figures have been published. NCB has failed to publish full financials since 1998. Banking sources in Saudi Arabia say that fully-audited figures have been prepared but disagreements over dividend payments between the government and the Bin Mahfouz shareholders prevented their publication. With the government acquiring their shares, the likelihood is that full financials will be published in the coming months and the government will move forward with its privatisation plans.

The government entered NCB's shareholder structure in 1999 when the PIF bought a 50 per cent stake from Khalid bin Mahfouz. In the months that followed it offloaded 10 per cent of the bank's stock to the General Organisation for Social Security (GOSI), which is expected to be a long-haul investor.

With the PIF now holding 70 per cent of NCB's stock, the chances of a flotation in 2003 have increased considerably. The route to market has been cleared by the recent IPO of a 20 per cent stake in Saudi Telecom, the first privatisation since the offering of shares in Saudi Basic Industries Corporation (Sabic) in 1983 (see Telecoms & IT). NCB remains the largest bank in Saudi Arabia, in terms of assets and equity, and the only unlisted bank in the kingdom.