

July 7th, 2009



Earnings Preview

Saudi British Bank

Rating: Outperform

Al Rajhi Bank

Rating: Outperform

Arab National Bank

Rating: Outperform

Samba Financial

Rating: Market Perform

Riyad Bank

Rating: Market Perform

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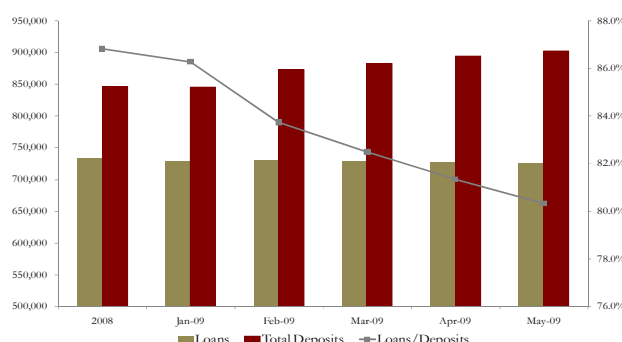
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Saudi Banks – Q2 2009 preview

- Q109 results were characterized by strong revenues, continued build up of provisions and steady performance in investment portfolios as the absolute size of the portfolios was right-sized. We expect bank profits for Q209, to be lower by 10.5% y-o-y and down 0.9% on a q-o-q basis. Our expectations of a small drop in q-o-q net income is due to a combination of continued build up of provisioning for losses on one side coupled with some stabilization in non-interest income due to the recovery in markets seen in the first two months of the second quarter. We believe interest income will be steady, as banks counter flat loan growth by re-pricing risk and passing on some rate increases to borrowers.



- In addition, although the banks have benefited from tremendous growth in deposits from government entities, the growth in loans to the private sector has not materialized. This has had the impact of improving the liquidity situation in the country - falling SIBOR rates and alleviated loans/deposit ratio at the end of May to 80%. From a balance sheet perspective, we expect a growth in total assets, primarily due to the growth in foreign assets of the banks which have risen by 17% since the end of 2008. We continue to expect the banks to be risk averse and their reluctance to originate loans into the private sector is reflected in the negative growth of loans in 2009.
- Regulators continue to take steps to sustain and spur borrowing in the market including - repatriating foreign assets to increase money supply into the country to support local projects, reducing the reverse repo rate offered to the banks to 0.25% and authorizing a market for debt securities to help diversify funding sources.
- Although there seems to be sizeable exposures of the Saudi banks to the Ghosaibi and Al Saad groups, the true extent and scope of the problem has not yet been clarified by the individual banks in Saudi Arabia. We believe the impact this quarter will be smaller and major repercussions to the reserves and NPL's will probably not be seen till the second half of the year.

Equity Data	SABB	RJHI	ARNB	SAMBA	RIBL
Current Price (SAR)	43.5	60.8	36.5	40.8	24.0
Target Price (SAR)	69.1	80.4	50.3	55.2	27.5
Upside/downside	59%	32%	38%	35%	15%
YTD performance %	1%	9%	17%	-20%	13%
Market Cap. (SAR bn)	32.6	91.1	23.7	36.7	36.0
Valuation Multiples					
PE '09E	9.7	11.4	7.2	7.4	12.0
BVPS '09E	24.4	18.6	21.4	25.8	16.5
P/BV '09E	1.8	3.3	1.8	1.6	1.5

Arab National Bank								
(SAR Millions)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09 E	yoy	qoq
Special commission income	875	855	825	798	912	911	6.5%	-0.2%
Non Special Commission Income	170	324	218	70	245	270	-16.7%	10.3%
Total Income	1,046	1,179	1,043	867	1,157	1,181	0.1%	2.0%
Non Commission Expense	(358)	(404)	(406)	(414)	(406)	(426)	5.5%	4.8%
Provisions	(15)	(23)	(9)	(13)	(55)	(86)	272.1%	57.2%
Net Income for Shareholders	673	752	628	434	695	667	-11.4%	-4.0%
Adjusted EPS	1.04	1.16	0.97	0.67	1.07	1.03	-11.4%	-4.0%
Investments	22,071	22,292	21,856	28,228	26,363	29,302	31.4%	11.2%
Net Loans and Advances	65,322	69,883	74,549	74,662	72,810	71,791	2.7%	-1.4%
Total Assets	103,964	110,330	115,683	121,307	112,407	114,327	3.6%	1.7%
Customer Deposits	78,844	84,915	88,555	92,743	84,519	88,111	3.8%	4.3%
Loans/Deposits	83%	82%	84%	81%	86%	81%		
Efficiency Ratio	-34%	-34%	-39%	-48%	-35%	-36%		
Rajhi								
(SAR Millions)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09 E	yoy	qoq
Net Income from Investments	2,030	2,140	2,136	2,188	2,284	2,345	9.6%	2.7%
Non Investment Income	454	577	567	482	456	500	-13.4%	9.6%
Total Income	2,485	2,717	2,703	2,671	2,740	2,845	4.7%	3.8%
Non Investment Expense	(696)	(698)	(757)	(626)	(720)	(767)	9.9%	6.5%
Provisions	(187)	(277)	(191)	(619)	(288)	(352)	27.0%	22.0%
Net Income for Shareholders	1,602	1,742	1,755	1,425	1,732	1,727	-0.9%	-0.3%
Adjusted EPS	1.07	1.16	1.17	0.95	1.15	1.15	-0.9%	-0.3%
Net Loans and Advances	121,049	125,261	137,275	140,837	140,134	139,125	11.1%	-0.7%
Total Assets	143,048	150,039	163,256	164,930	162,211	161,440	7.6%	-0.5%
Customer Deposits	105,196	113,028	122,262	120,298	123,088	126,781	12.2%	3.0%
Loans/Deposits	115%	111%	112%	117%	114%	110%		
Efficiency Ratio	-28%	-26%	-28%	-23%	-26%	-27%		
Riyad Bank								
(SAR Millions)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09 E	yoy	qoq
Net Interest Income	981	985	1,013	969	1,112	1,153	17.0%	3.7%
Non-Interest Income	232	461	46	563	347	360	-21.8%	3.8%
Total Income	1,212	1,446	1,058	1,532	1,459	1,513	4.6%	3.7%
Non-Interest Expense	(469)	(492)	(511)	(613)	(551)	(555)	12.7%	0.8%
Provision for Loan Losses (PLL)	(52)	(47)	(15)	(235)	(185)	(212)	349.4%	14.7%
Impairment Charges	-	-	(20)	(154)	(283)	(135)		-52.4%
Net Income for Shareholders	691	906	513	529	441	611	-32.6%	38.6%
Adjusted EPS	0.46	0.60	0.34	0.35	0.29	0.41	-32.6%	38.6%
Investments	36,293	38,314	36,845	40,329	37,238	39,924	4.2%	7.2%
Net Loans and Advances	70,820	82,299	90,100	96,430	100,172	101,074	22.8%	0.9%
Total Assets	134,346	144,134	145,150	159,653	167,217	170,804	18.5%	2.1%
Customer Deposits	96,747	88,471	87,661	105,056	119,203	124,090	40.3%	4.1%
Loans/Deposits	73%	93%	103%	92%	84%	81%		
Efficiency Ratio	-39%	-34%	-48%	-40%	-38%	-37%		
SABB								
(SAR Millions)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09 E	yoy	qoq
Net Special commission Income	854	818	755	779	881	859	4.9%	-2.5%
Non-Interest Income	337	512	422	434	405	382	-25.4%	-5.8%
Total Income	1,191	1,330	1,178	1,212	1,286	1,241	-6.7%	-3.5%
Non-Interest Expense	(360)	(433)	(396)	(452)	(417)	(432)	-0.2%	3.7%
Provisions	(92)	(154)	(92)	(120)	(116)	(171)	10.8%	46.7%
Net Income for Shareholders	757	795	711	657	760	650	-18.2%	-14.4%
Adjusted EPS	1.01	1.06	0.95	0.88	1.01	0.87	-18.2%	-14.4%
Investments	23,659	30,124	35,994	29,604	25,879	27,506	-8.7%	6.3%
Net Loans and Advances	66,621	77,541	83,578	80,237	79,310	80,222	3.5%	1.2%
Total Assets	106,409	126,151	132,620	131,661	132,566	135,304	7.3%	2.1%
Customer Deposits	78,407	89,090	95,735	92,678	96,627	102,424	15.0%	6.0%
Loans/Deposits	85%	87%	87%	87%	82%	78%		
Efficiency Ratio	-30%	-33%	-34%	-37%	-32%	-35%		
Samba Financial								
(SAR Millions)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09 E	yoy	qoq
Net Interest Income	1,312	1,199	1,261	1,290	1,255	1,267	5.7%	0.9%
Non-Interest Income	478	679	476	317	733	674	-0.8%	-8.0%
Total Income	1,790	1,878	1,737	1,607	1,988	1,941	3.3%	-2.4%
Non-Interest Expense	(471)	(492)	(504)	(645)	(515)	(530)	7.6%	2.9%
Provision for Loan Losses (PLL)	(57)	(38)	(33)	(139)	(203)	(215)	467.3%	5.7%
Net Income for Shareholders	1,201	1,222	1,200	820	1,270	1,196	-2.1%	-5.8%
Adjusted EPS	1.33	1.36	1.33	0.91	1.41	1.33	-2.1%	-5.8%
Investments	66,990	66,364	65,573	54,213	53,063	57,420	-13.5%	8.2%
Net Loans and Advances	90,660	96,363	96,298	98,147	90,106	89,124	-7.5%	-1.1%
Total Assets	179,817	183,641	187,058	178,891	168,339	172,282	-6.2%	2.3%
Customer Deposits	119,458	121,717	124,947	134,228	124,222	129,340	6.3%	4.1%
Loans/Deposits	76%	79%	77%	73%	73%	69%		
Efficiency Ratio	-26%	-26%	-29%	-40%	-26%	-27%		
SAUDI Banks - ARNB, RAJHI, RIYAD, SABB, SAMBA								
(SAR Millions)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09 E	yoy	qoq
Net Interest Income	6,052	5,997	5,990	6,024	6,445	6,535	9.0%	1.4%
Non-Interest Income	1,672	2,553	1,729	1,865	2,186	2,186	-14.4%	0.0%
Total Income	7,724	8,550	7,719	7,889	8,630	8,720	2.0%	1.0%
Non-Interest Expense	(2,355)	(2,519)	(2,574)	(2,749)	(2,608)	(2,710)	7.6%	3.9%
Provisions	(403)	(539)	(340)	(1,127)	(847)	(1,035)	92.0%	22.2%
Net Income for Shareholders	4,924	5,417	4,807	3,866	4,898	4,851	-10.5%	-0.9%
Investments	149,013	157,095	160,268	152,374	142,543	154,151	-1.9%	8.1%
Net Loans and Advances	414,473	451,347	481,801	490,312	482,533	481,336	6.6%	-0.2%
Total Assets	667,584	714,296	743,767	756,441	742,740	754,158	5.6%	1.5%
Customer Deposits	478,652	497,220	519,160	545,003	547,658	570,746	14.8%	4.2%
Loans/Deposits	87%	91%	93%	90%	88%	84%	1.8%	-2.1%
Efficiency Ratio	-30%	-29%	-33%	-35%	-30%	-31%		

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