Saudi Banks

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SECTOR REVIEW

Time to re-enter

- **Time to re-enter Saudi banking stocks:** We thus upgrade Samba, SABB, Al-Rajhi, and Riyad Bank to Outperform (from Neutral) and BSF and ARNB to Neutral (from Underperform), and increase Saudi-7 banks' TPs by an average 10%, providing (on average) 20% upside potential to current prices. Our top pick is Samba with an upside potential of c.30%.
- **The negatives:**

  a) Saudi-7 credit costs likely to nearly double in 09E to SAR5.1bn (with the NPL ratio reaching 2.1%)

  b) Sequential net interest margin expansion unlikely to continue in H2

  c) We expect minimal balance-sheet growth, with loans growing by less than 3% in 09E for the Saudi-7
- **So why is it time to re-enter Saudi banking stocks?** 1) Despite the above negatives, we expect good (16%) yoy net income growth in H2 (5.7% for 09E), thanks to low base 2H08 aggregate earnings of SAR10.6bn; 2) Reuters reported on 16 September that Saad Group (one of the two financially troubled family groups in Saudi Arabia) had reached a settlement with Saudi banks. This is widely expected to boost the confidence of local and foreign investors; and 3) valuation multiples are back to reasonable levels with the sector trading at 11.3x our 09E P/E and 2.1x 09E P/TBV, with over 19% ROE in 10E. On current P/B and trailing P/E multiples, Saudi banks are trading at historical discounts, at 67% and 48% below their respective five-year average levels.
- **Why Samba is our top pick:** It is the only bank among the Saudi-7 to see its share price down YTD (-10.6%) despite recording the second-highest ROE of 25.4% in 1H09, leaving the stock trading at historical lows to its 5yr average (c.63% discount on current P/B and c.53% on trailing P/E), and at a 11.6% discount on P/TBV 09E to local peers despite our view of its superior profitability. Moreover, market-implied valuations indicate an unlikely level of credit provisions, which are 3x our rather conservative assumption.

Figure 1: **Saudi Banks: Summary ratings and TP changes (as of 21/09/09)**

	Mkt cap (US$bn)	New rating	Old rating	New TP (SAR)	Old TP (SAR)	Current price (SAR)	Upside potential (%)	P/B 09E (x)	ROE 10E (%)	P/E 09E (x)
Rajhi	27.9	OP	N	88.00	72.66	69.75	26.2	3.4	23.5	14.9
SABB	9.3	OP	N	60.00	54.57	46.60	28.8	2.7	23.2	11.6
Samba	11.1	OP	N	60.00	59.41	46.30	29.6	1.8	20.9	9.1
Riyad	9.7	OP	N	30.00	26.61	24.15	24.2	1.3	12.5	11.7
BSF	7.9	N	UP	43.00	40.05	41.00	4.9	2.0	19.7	9.9
ARNB	7.6	N	UP	48.00	38.91	44.00	9.1	1.8	16.3	10.4
SHB	2.9	N	N	38.00	40.59	32.50	16.9	1.8	18.5	11.2

Source: © 2009 Reuters Limited, Credit Suisse estimates

Table of contents

The negatives 3
a) Credit costs likely to nearly double in 2009E 3
b) Margin expansion unlikely until 2010E 5
c) Balance-sheet growth likely to be minimal 6
Why the upgrades? 7
1. We expect good yoy growth in H2 earnings given easy comparables 7
2. Reports indicate that Saad Group has reached a settlement with Saudi banks. 8
3. Valuation multiples are back to reasonable levels 8
Riyad and Samba are the cheapest on multiples 9
Other positives 12
Summary changes 13
No major change in our earnings estimates 13
Target price and rating changes 13
Valuation methodology 14
Risks to the stocks reaching our target prices 14
Samba is our top pick 15
1. Valuations are at historical lows and attractive versus peers 15
2. Samba is the only bank among the Saudi-7 to have seen its share price decline YTD 15
3. The market seems to be too bearish 16
Al-Rajhi Bank 1120.SE 17
Samba Financial Group 1090.SE 20
The Saudi British Bank 1060.SE 23
Riyad Bank 1010.SE 26
Arab National Bank 1080.SE 29
Banque Saudi Fransi 1050.SE 32
Saudi Hollandi Bank 1040.SE 35

The negatives

a) Credit costs likely to nearly double in 2009E

Asset quality deterioration is crystallising, as we had expected, with H1 09 loan loss provisions increasing 138% yoy and 35.2% hoh. While we acknowledge that visibility on the extent of upcoming loan loss provisions is low, we estimate that the aggregate NPL ratio for Saudi-7 banks will increase by c90bps to 2.1% in 2009E, while credit costs could increase from 47.6bps in 2008 to c81bps in 2009E.

Figure 2: **Saudi banks: Asset-quality indicators (FY 2007–2009E)**
SAR in millions, unless otherwise stated

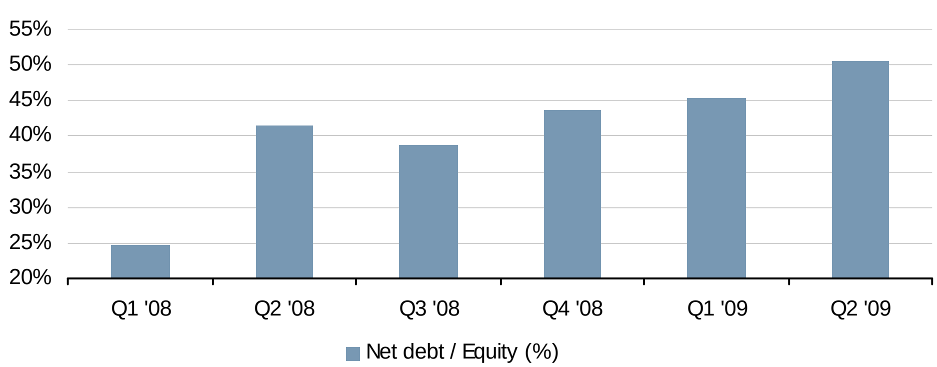
	2007	2008	2009E
Saudi Arabia – 7			
Total NPLs	8,129	7,228	13,439
Total Gross loans	474,933	624,209	641,837
Total Provisions (BS)	11,636	11,846	16,976
Total Provisions (IS)	2,212.4	2,616.0	5,130.5
Credit costs (bps)	**51.2**	**47.6**	**81.0**
NPL Ratio (%)	1.7%	1.2%	2.1%
Provisions / gross loans (%)	2.5%	1.9%	2.6%
Provisions / NPLs (%)	143.1%	163.9%	126.3%

Source: Company data, Credit Suisse estimates

Corporate-sector balance sheets weakening but better positioned than GCC peers

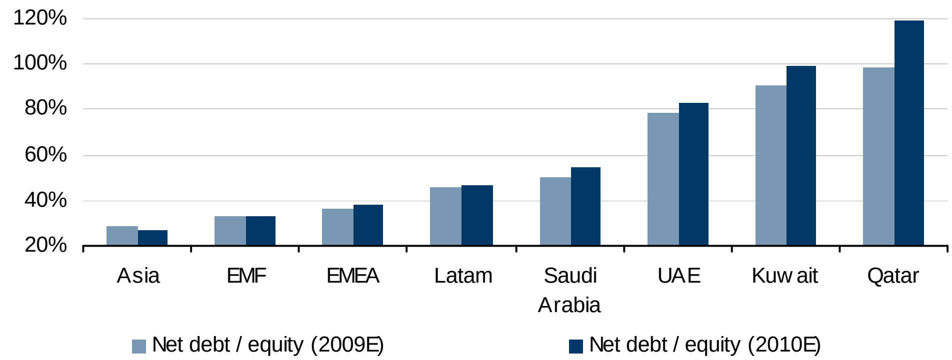
To gauge the extent of stress on the Saudi corporate sector's balance sheets, we have aggregated net debt/equity ratios of all non-bank listed companies on the Tadawul exchange. According to our calculations, the net debt/equity ratios have increased markedly from 24.7% in Q1 2008 to 50.6% at the end of Q2 2009. On a global comparison basis, consensus data indicate that the balance sheets of GCC region are more levered than those of global peers. However, according to Credit Suisse HOLT estimates, the net debt/equity ratio of Saudi Arabia is at 49.8% in 2009E, which is appreciably lower than those of the UAE, Kuwait and Qatar, which are 75–100%.

Figure 3: **Saudi Arabia: Net debt/equity ratio (Q1 2008–Q2 2009) of all listed companies on the Saudi Tadawul exchange (ex banks)**



Source: BLOOMBERG PROFESSIONAL™, Credit Suisse research

Figure 4: **Global net debt/equity ratios (2009E– 2010E)**

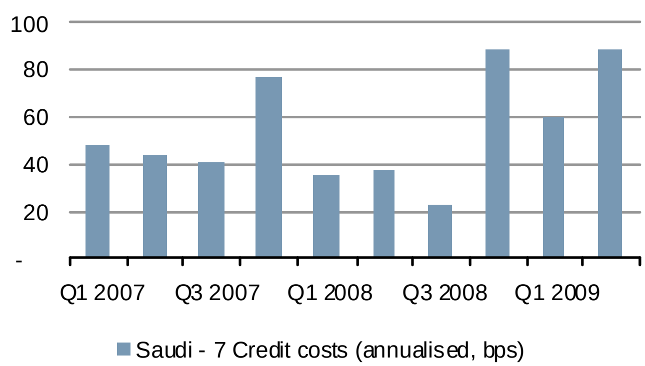


Source: Credit Suisse HOLT® estimates

SHB and SABB appear to be the most hurt by loan provisions in H1

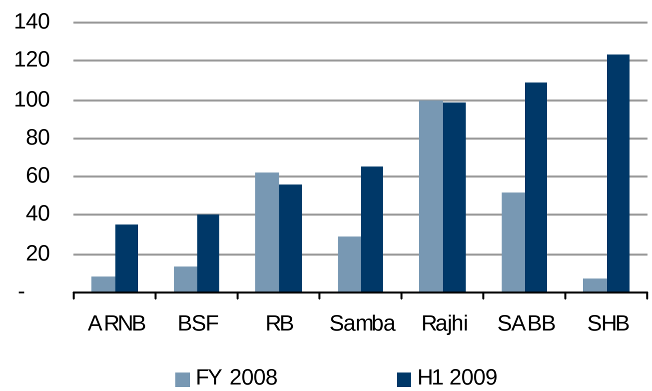
SHB and SABB recorded the highest rate of loan provisions in H1 2009, at annualised credit costs of 123bps and 109bps, respectively. While we think the former had to make up for underprovisioning during 2008, SABB's management appears to us as the most prudent among regional peers (given that its NPL ratio was the lowest among Saudi banks at 0.2% in 2008). On aggregate, credit costs (annualised) increased from 57bps in H2 2008 to 74bps in H1 2009. The charges in Q1 2009 and Q2 2009 were 69.9bps and 88.7bps, respectively.

Figure 5: **Saudi-7: Quarterly credit costs (annualised, bps)**



Source: Company data, Credit Suisse research

Figure 6: **Saudi-7: Credit costs (FY 2008 and H1 2009, in annualised, bps)**

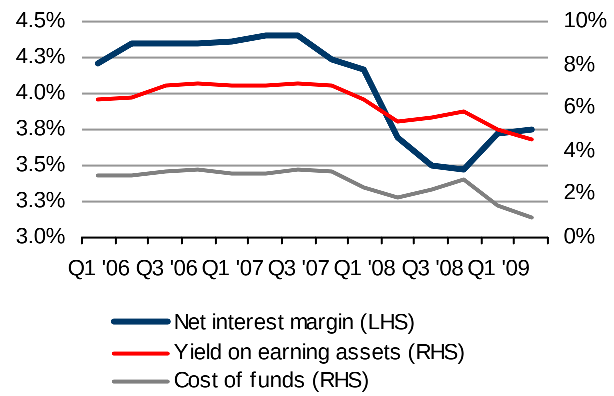


Source: Company data, Credit Suisse research

b) Margin expansion unlikely until 2010E

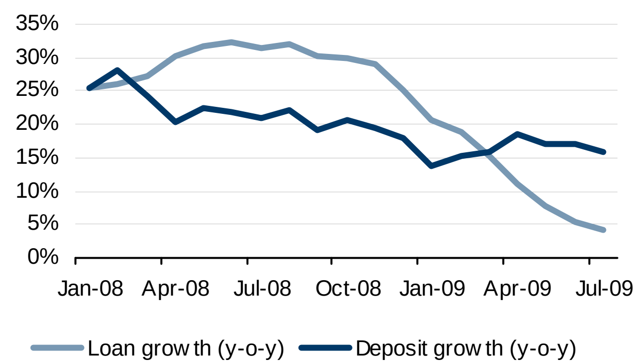
We think that the sequential margin expansion during H1 09 (20bps hoh) is unlikely to continue into H2 2009, as deposit rates are already at historical lows and the banks might not be able to reduce them further to offset lower asset yields. We think that margins will move sideways until Q4 2010E, after which the banks will benefit from interest-rate increases owing to reflationary fears. We therefore assume flattish NIMs in 2009E, while margins should start to widen towards end-2010E (by 10bps), and in 2011E (by 17bps).

Figure 7: **Saudi banks: Net interest margins**



Source: Company data, Credit Suisse research

Figure 8: **Saudi banks: Loan and deposit growth yoy**

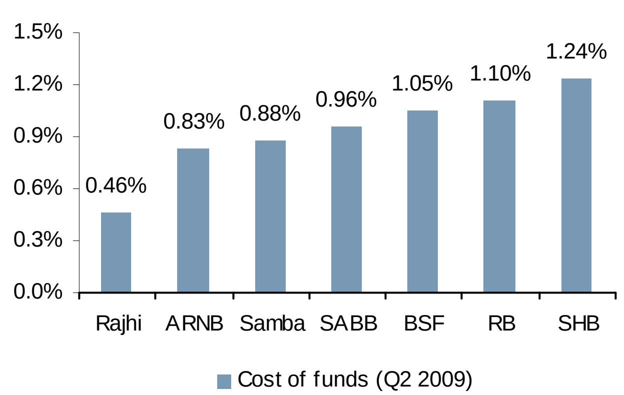


Source: SAMA data, Credit Suisse research

Al-Rajhi enjoys the lowest funding costs, followed by ARNB and Samba

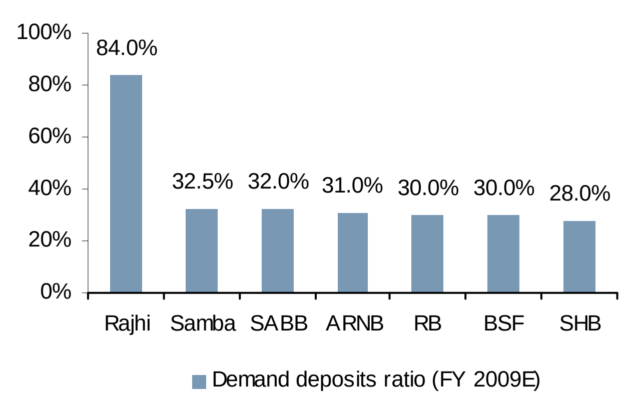
Al-Rajhi reported the lowest funding costs among the Saudi-7 at 0.46% in Q2 2009 owing to its highest demand deposits ratio (84% in FY 2009E). ARNB and Samba also had relatively low funding costs in Q2. While Samba enjoys a relatively high demand deposit ratio (by virtue of its corporate banking strength), ARNB was helped by a high share of interbank borrowings (12.1% of interest-bearing funds in Q2 2009) with the three-month SAIBOR (Saudi Interbank Offered Rate) averaging 0.89% in Q2. SHB had the highest funding cost at 1.24% in Q2 owing to its lowest demand deposit ratio (28% in FY 2009E).

Figure 9: **Saudi-7: Cost of funds (Q2 2009)**



Source: Company data, Credit Suisse research

Figure 10: **Saudi-7: Demand deposits ratio (FY 2009E)**



Source: Company data, Credit Suisse estimates

Looking a year ahead, we think Saudi banks are well positioned for an increasing rate scenario owing to their relatively (with the GCC) low cost of funding (a function of mainly deposit-funded balance sheets, a high average demand deposit ratio of 38.2%, and NII/TI at 74%, on our 2009E estimates). Of the Saudi-7 banks, Al-Rajhi should benefit the most given that it has the highest demand deposit ratio (84% in FY 2009E).

Figure 11: **Saudi banks: Net interest margins (FY 2007–2010E)**

	FY 2007	FY 2008	Q4 2008	Q1 2009	Q2 2009	FY 2009E	FY 2010E
Al-Rajhi	7.85%	6.73%	6.14%	6.27%	6.44%	6.40%	6.60%
ARNB	3.72%	3.55%	3.08%	3.53%	3.49%	3.44%	3.49%
Riyad	3.54%	3.26%	2.82%	3.02%	3.02%	3.00%	3.11%
SABB	4.19%	3.30%	2.62%	3.13%	3.29%	3.30%	3.40%
Samba	4.02%	3.49%	3.20%	3.50%	3.55%	3.46%	3.60%
SHB	2.71%	2.82%	2.66%	2.99%	2.73%	2.80%	2.85%
BSF	2.89%	2.84%	2.92%	2.76%	2.79%	2.80%	2.86%
Saudi-7 Total	**4.31%**	**3.86%**	**3.47%**	**3.72%**	**3.75%**	**3.73%**	**3.84%**

Source: Company data, Credit Suisse estimates

c) Balance-sheet growth likely to be minimal

SHB and Riyad most aggressive in H1, while ARNB and Samba were most defensive

We expect balance-sheet growth to remain minimal in 2009E, with modest (2.8%) loan growth and 7.2% deposit growth. During H1 2009, we think that SHB and Riyad Bank chose to have a more aggressive strategy by giving away potentially wider margins in return for balance-sheet growth, in contrast with Samba and ARNB. However, SABB's NIM expanded the most (67bps from 2.62% in Q4 2008 to 3.29% in Q2 2009), as it was able to reduce its cost of funding by 207bps during the same period, benefiting from its highest wholesale funding ratio (H1 2009 debt/total funds ratio of 5.7%).

Figure 12: **Saudi banks: Loan and deposit growth (FY 2007–2009E)**

	FY 2007	FY 2008	H1 2009*	FY 2009E
Gross loans yoy**				
Al-Rajhi	17.3%	36.2%	0.3%	4.1%
ARNB	22.2%	21.6%	-4.7%	-5.7%
Riyad	28.3%	42.5%	8.5%	13.6%
SABB	45.7%	29.2%	-1.9%	1.3%
Samba	19.7%	21.1%	-10.4%	-6.4%
SHB	5.4%	36.3%	4.3%	13.1%
BSF	16.6%	34.7%	0.6%	3.3%
Saudi-7 Total	**22.1%**	**31.4%**	**-0.7%**	**2.8%**
Deposits yoy				
Al-Rajhi	22.2%	30.0%	5.4%	7.5%
ARNB	19.3%	25.9%	-8.1%	0.0%
Riyad	21.9%	24.6%	16.2%	19.2%
SABB	21.2%	29.0%	-1.2%	1.6%
Samba	22.1%	15.9%	2.9%	5.3%
SHB	6.8%	24.3%	20.1%	25.6%
BSF	19.4%	25.4%	-2.7%	0.0%
Saudi-7 Total	**20.1%**	**24.5%**	**3.7%**	**7.2%**

*Source: Company data, Credit Suisse estimates; * For H1 2009 the growth is on an hoh basis; ** For H1 2009 the data provided are net loans since gross loans are not reported*

Why the upgrades?

1. We expect good yoy growth in H2 earnings given easy comparables

Riyad Bank's earnings should see the highest growth in 2009E on easy comparables

Despite our current conservative sector views of no margin expansion, minimal balance-sheet growth, and near doubling of credit costs in 2009E, we still estimate an aggregate H2 09E income of SAR12.3bn, implying modest growth of 5.7% for full-year 2009E, but 16.1% growth on low base 2H08 earnings of SAR10.6bn.

On our estimates, Riyad Bank is likely to report the highest net income growth in 2009E at 16.9% and also follow it up with a strong 22.3% rate in 2010E. The growth in 2009E could be buoyed by the easy comparable of trading losses in 2008, while the 2010E earnings growth should be supported by investment impairments charged during Q1 09. On aggregate, we estimate net income consolidation for the Saudi-7 banks to continue until 2010E, with strong earnings growth returning in 2011E (23.9%).

Figure 13: **Saudi banks: Net income growth, yoy (FY 2007–2011E)**

	FY 2007	FY 2008	H2 2008	H1 2009	FY 2009E
Al-Rajhi	-11.7%	1.2%	-2.7%	4.8%	7.5%
ARNB	-1.7%	1.3%	-2.3%	1.2%	10.2%
Riyad	3.5%	-12.4%	-30.3%	23.0%	16.9%
SABB	-14.3%	12.0%	0.9%	-7.5%	3.6%
Samba	-7.3%	-7.8%	-10.2%	3.7%	2.4%
SHB	-54.0%	179.0%	986.4%	-38.4%	-21.8%
BSF	-9.8%	3.0%	0.5%	-4.9%	6.5%
Saudi-7 Total	**-9.7%**	**2.4%**	**-2.0%**	**0.8%**	**5.7%**

Source: Company data, Credit Suisse estimates

In terms of profitability ratios, Saudi banks reported a 2.6% ROA and 20.3% ROE in H1 2009, a marginal improvement from the decline in H2 2008. Al-Rajhi and Samba were the most profitable banks, with H1 2009 ROEs of 25.8% and 25.4%, respectively.

Figure 14: **Saudi banks: Return on equity (FY 2007–2009E)**

	FY 2007	FY 2008	H2 2008	H1 2009	FY 2009E
Al-Rajhi	29.5%	25.8%	25.0%	25.8%	24.3%
ARNB	26.6%	21.4%	17.5%	22.3%	19.3%
Riyad	23.9%	13.6%	8.1%	10.4%	11.3%
SABB	26.3%	26.5%	24.3%	23.2%	24.7%
Samba	29.0%	23.4%	21.5%	25.4%	21.3%
SHB	10.0%	23.9%	22.8%	12.9%	16.3%
BSF	26.3%	22.1%	19.7%	19.8%	20.4%
Saudi-7 Total	**26.5%**	**22.2%**	**18.9%**	**20.3%**	**19.6%**

Source: Company data, Credit Suisse estimates

2. Reports indicate that Saad Group has reached a settlement with Saudi banks.

Key positive

According to Reuters News Service, on 16 September 2009, Dubai-based TV channel Al-Arabiya had quoted unidentified sources stating that an agreement had been reached between Saad Group and Saudi banks. If the news were to be confirmed, we think it would be a significant confidence booster and investors would turn positive on the Saudi banking sector.

Background on the Saad/Algosaibi group buzz

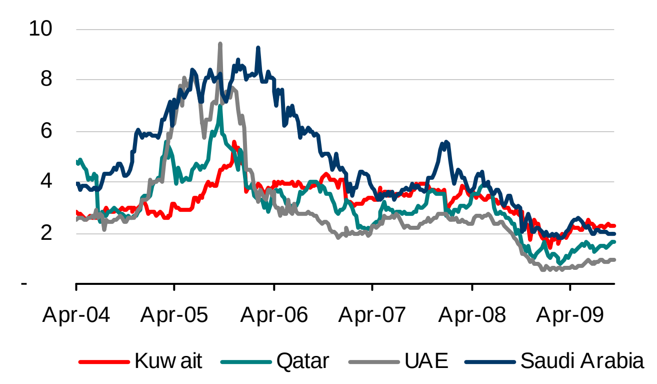
In late May 2009, news reports began highlighting the debt repayment difficulties of two Saudi-based conglomerates—Saad Group and Algosaibi. The absolute figures of the total debt owed have not been officially disclosed. However, according to Reuters News, media estimates vary from US$6bn to US$10bn, with some unidentified sources also putting the total cost of writedowns at US$22bn, affecting 120 banks in the region and globally. It all began with the debt default by The International Banking Corporation, a Bahrain-based bank, which was owned by the Algosaibi group. This was soon followed by orders to freeze the accounts of Algosaibi and Saad groups by the Saudi regulators. These news reports have unsettled the Gulf banking sector, which are now being questioned by the media and by investors for following lax lending standards—lending to corporate houses purely on the basis of reputation (known as ''name lending'). Saudi banks are now becoming increasingly reluctant to lend, especially to the corporate sector, and we think it could take 6–9 months for the banks to start showing confidence in corporate lending.

3. Valuation multiples are back to reasonable levels

Saudi banks currently trading at historically low valuations

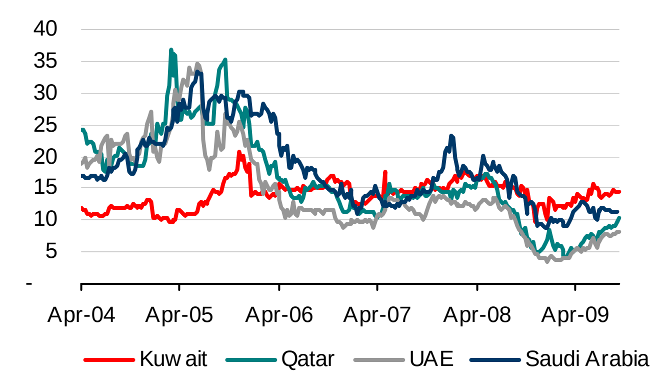
Saudi banks are currently trading at a P/B (last reported) of 1.95x and P/E (trailing) of 11.25x, 67% and 48% below their respective five-year average levels. Saudi banks are also trading lower on P/B (last reported) and P/E (trailing) than Kuwaiti banks, at respective discounts of 16% and 23%, whereas historically Saudi banks have enjoyed relative premiums.

Figure 15: **GCC banks: PBR (last reported book value)**



Source: BLOOMBERG PROFESSIONAL™, Credit Suisse research

Figure 16: **GCC banks: P/E (trailing 12m)**



Source: BLOOMBERG PROFESSIONAL™, Credit Suisse research

However, even if we assume that historical levels are inflated owing to the stock bubble witnessed in 2004–05, forward-looking valuation multiples are back to reasonable levels with the sector trading at 11.3x our 09E P/E, and at 2.1x our 09E P/TBV, with over 19% ROE in 10E.

Figure 17: Saudi Banks: Summary ratings and target price changes

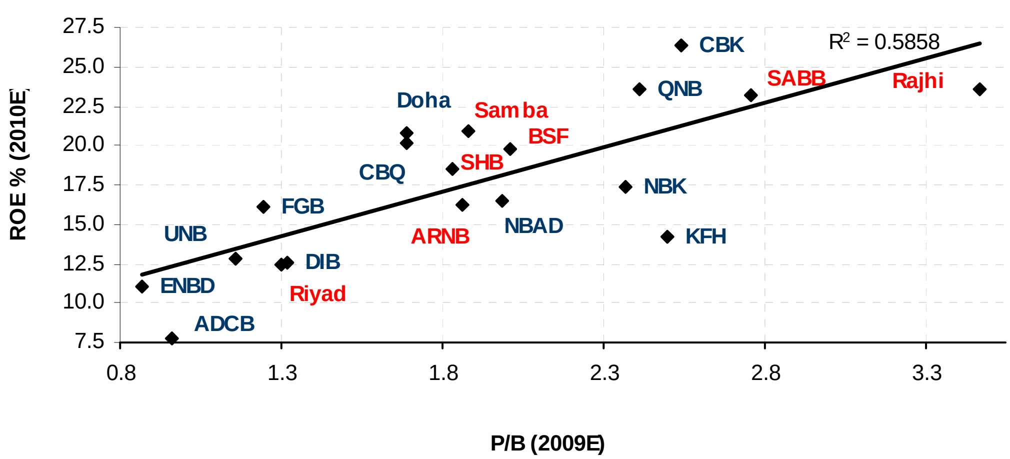
	Mkt Cap (US$ bn)	New Rating	Old Rating	New TP (SAR)	Old TP (SAR)	Current price (SAR)	Upside potential	PB 09E	ROE 10E	P/E 09E
Rajhi	27.9	OP	N	88.00	72.66	69.75	26.2%	3.4x	23.5%	14.9x
SABB	9.3	OP	N	60.00	54.57	46.60	28.8%	2.7x	23.2%	11.6x
Samba	11.1	OP	N	60.00	59.41	46.30	29.6%	1.8x	20.9%	9.1x
Riyad	9.7	OP	N	30.00	26.61	24.15	24.2%	1.3x	12.5%	11.7x
BSF	7.9	N	UP	43.00	40.05	41.00	4.9%	2.0x	19.7%	9.9x
ARNB	7.6	N	UP	48.00	38.91	44.00	9.1%	1.8x	16.3%	10.4x
SHB	2.9	N	N	38.00	40.59	32.50	16.9%	1.8x	18.5%	11.2x

Prices as of 21/09/09
Source: © 2009 Reuters Limited, Credit Suisse estimates

Riyad and Samba are the cheapest on multiples

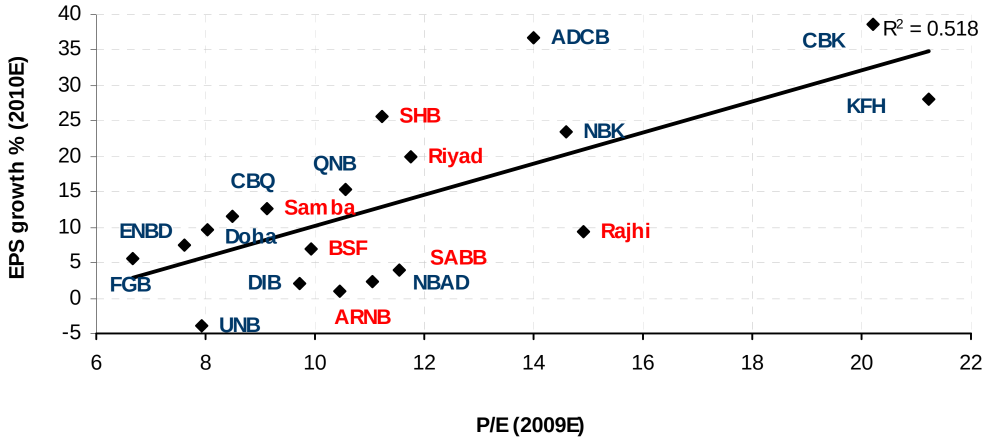
Riyad Bank looks cheapest on P/B, while Samba appears cheapest on P/E

Figure 18: GCC Banks: P/B (x) (2009E) vs ROE (2010E)



Note: Credit Suisse estimates; Reuters consensus for NBK, CBK and KFH
Source: © 2009 Reuters Limited, Credit Suisse estimates

Figure 19: **GCC Banks: P/E (x) (2009E) vs EPS growth (2010E)**



Note: Credit Suisse estimates; Reuters consensus for CBK, NBK and KFH
Source: © 2009 Reuters Limited, Credit Suisse estimates

Valuation summary – Top 30 GCC banks by MC

Figure 20: **Top 30 GCC banks by market capitalisation**

Name	Country	Mkt cap US$m	P/E (x)			P/BV (x)			ROE (%)			EPS growth (%)	
			2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2009E	2010E
Al Rajhi Bank*	Saudi Arabia	27,899	16.0	14.9	13.7	3.9	3.4	3.0	25.8	24.3	23.5	7.5	9.3
National Bank of Kuwait	Kuwait	13,042	13.6	14.6	11.8	2.6	2.3	2.1	17.4	16.9	17.4	(6.8)	23.6
Qatar National Bank*	Qatar	11,825	11.5	10.6	9.2	2.5	2.4	2.0	24.0	23.3	23.6	8.8	15.4
Samba Financial Group*	Saudi Arabia	11,112	9.4	9.1	8.1	2.1	1.8	1.6	23.6	21.3	20.9	2.4	12.5
Kuwait Finance House	Kuwait	10,479	19.1	21.2	16.6	2.6	2.5	2.3	30.6	13.9	14.3	(10.1)	28.1
Riyad Bank*	Saudi Arabia	9,660	11.9	11.7	9.8	1.2	1.3	1.2	13.6	11.3	12.5	1.3	19.9
Saudi British Bank*	Saudi Arabia	9,320	12.0	11.6	11.1	3.0	2.7	2.5	26.5	24.7	23.2	3.6	4.0
National Bank of Abu Dhabi*	UAE	8,287	10.0	11.0	10.8	2.2	1.9	1.8	23.6	17.9	16.5	(9.2)	2.3
Banque Saudi Fransi*	Saudi Arabia	7,907	10.6	9.9	9.3	2.1	2.0	1.7	22.2	20.5	19.7	6.5	6.9
Arab National Bank*	Saudi Arabia	7,626	11.5	10.4	10.3	2.3	1.8	1.6	21.4	19.3	16.3	10.2	1.1
Emirates NBD*	UAE	6,189	6.3	7.6	7.1	0.9	0.8	0.7	14.5	11.2	11.0	(17.6)	7.5
First Gulf Bank*	UAE	6,091	7.4	6.7	6.3	1.4	1.2	1.1	22.8	17.3	16.2	11.0	5.7
Alinma Bank	Saudi Arabia	5,280	50.8	NA	NA	1.3	NA	NA	NA	NA	NA	NA	NA
Qatar Islamic Bank	Qatar	5,122	10.5	12.1	9.9	2.5	2.7	2.4	27.9	21.3	22.8	(12.6)	22.4
Commercial Bank of Qatar*	Qatar	4,882	9.3	8.5	7.6	1.6	1.6	1.4	21.0	20.0	20.1	9.2	11.6
Commercial Bank of Kuwait	Kuwait	4,385	12.3	20.2	14.6	2.6	2.5	2.3	19.7	25.0	26.4	(39.2)	38.8
Mashreqbank psc	UAE	3,965	8.9	6.7	5.6	1.4	1.3	1.2	NA	15.7	16.8	33.3	18.6
Abu Dhabi Commercial Bank*	UAE	3,457	10.3	13.6	10.1	0.9	0.9	0.9	9.1	5.7	7.8	(26.1)	36.8
Dubai Islamic Bank*	UAE	2,994	6.4	9.7	9.5	1.2	1.3	1.1	17.9	12.8	12.5	(34.5)	2.2
Saudi Hollandi Bank*	Saudi Arabia	2,866	8.8	11.2	8.9	1.9	1.8	1.5	23.9	16.3	18.5	(21.8)	25.8
Gulf Bank	Kuwait	2,852	NM	15.0	8.9	1.1	2.8	2.1	(136.0)	31.4	26.1	NM	68.2
National Bank of Fujairah	UAE	2,686	NM	NA	NA	6.4	NA	NA	NA	NA	NA	NA	NA
Bank Muscat SAOG	Oman	2,644	10.7	9.5	9.7	1.4	1.3	1.2	14.0	15.0	13.7	13.2	(2.1)
Masraf Al Rayan	Qatar	2,554	10.1	11.1	10.6	1.6	1.5	1.4	NA	14.9	13.9	(8.4)	4.5
Ahli United Bank BSC	Bahrain	2,532	9.9	9.4	6.8	1.9	1.2	1.1	11.9	13.3	17.0	5.5	38.6
Union National Bank*	UAE	2,482	6.5	7.9	8.3	1.2	1.1	1.0	19.9	14.6	12.9	NM	(3.9)
Doha Bank*	Qatar	2,394	8.3	8.0	7.3	1.6	1.6	1.4	22.2	21.0	20.8	3.5	9.5
Boubyan Bank KSC	Kuwait	2,363	NM	NM	44.6	5.0	5.4	4.8	NA	(8.1)	11.1	NM	NM
Saudi Investment Bank	Saudi Arabia	2,100	15.3	10.6	9.4	1.2	1.1	1.0	7.7	9.4	9.8	NM	13.1
Al Ahli Bank of Kuwait	Kuwait	1,985	12.4	NA	NA	1.8	1.9	1.8	N/A	33.3	37.4	NA	NA

** Indicates Credit Suisse estimates. Market cap is as of 21 September 2009.*

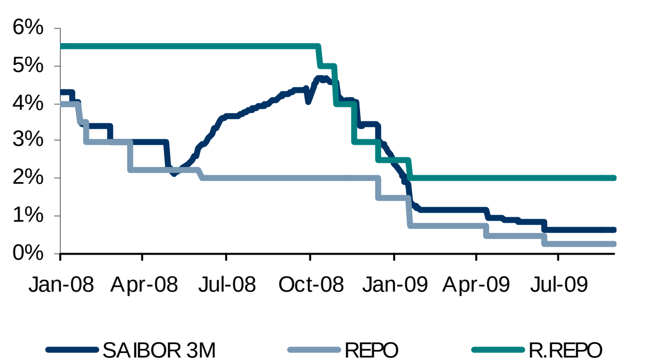
Source: © 2009 Reuters Limited, Credit Suisse estimates

Other positives

Vigilant regulations and deposit growth ease liquidity crisis

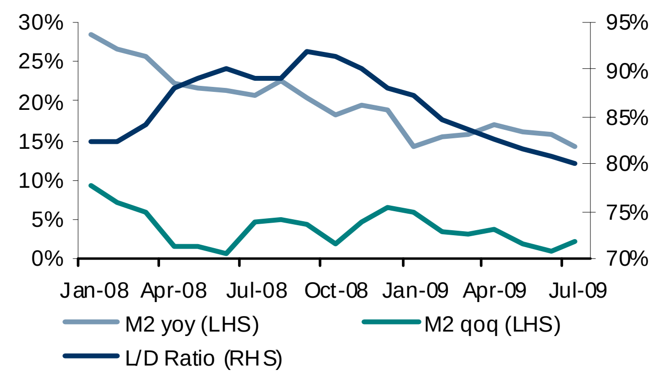
The three-month SAIBOR, having peaked at 4.7% in mid-October last year, dropped sharply to 0.65% in June 2009 and has since remained at the same level. SAMA, the Saudi banking regulator, has imposed strict liquidity (L/D ceiling at 85%) and capital requirements (a minimum Basel-II–compliant CAR of 8%). Unlike the UAE and Qatar banking sectors, the Saudi banks were able to manage their liquidity levels without capital injections from the government/central bank (banks benefited from lower repo rates and relatively small government deposits).

Figure 21: **Saudi Arabia: Interest rates**



Source: BLOOMBERG PROFESSIONAL™, Credit Suisse research

Figure 22: **Saudi Arabia: M2 growth and L/D ratio**

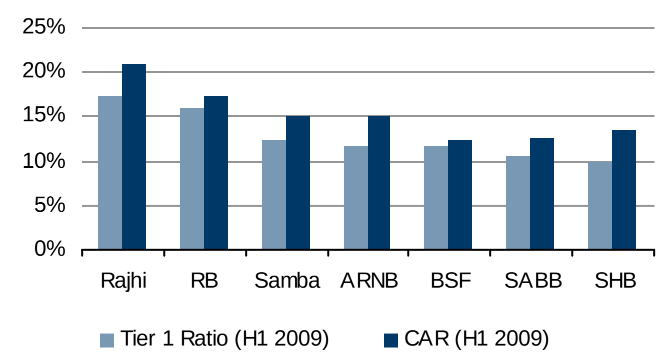


Source: SAMA data, Credit Suisse research

Capital adequacy remains comfortable, with Al-Rajhi and Riyad leading the pack

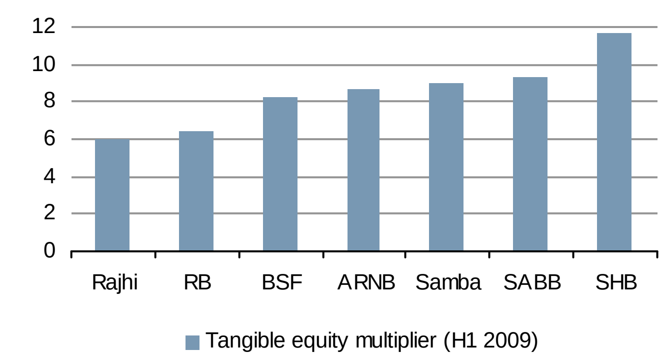
All the Saudi-7 banks maintain healthy capital adequacy ratios (average CAR of 15% in H1 09) and comfortable gearing (tangible equity multiplier averaging 8.5x in H1 09). Al-Rajhi and Riyad Bank are the most capitalised, with respective H1 2009 Tier-1 ratios of 17.3% and 15.9%. SHB is the least capitalised bank, with a Tier-1 ratio of 9.8% and tangible equity multiplier of 11.7x in H1 2009. We do not foresee any stress on the capital ratios in the sector despite our assumptions of rising credit costs.

Figure 23: **Saudi banks: Capital adequacy ratios, x (H1 2009)**



Source: Company data, Credit Suisse research

Figure 24: **Saudi banks: Tangible equity multiplier (H1 2009), x**



Source: SAMA data, Credit Suisse research

Summary changes

No major change in our earnings estimates

On aggregate, we have kept our 2009E and cumulative (2009E–2011E) net income estimates broadly in line with our prior estimates (see Figure 25). We now expect income growth of 5.7 % in 2009E, and 10% in 2010E. We have revised Riyad Bank's earnings the most, by a cumulative 8.9% over the period 2009E–11E.

Figure 25: Saudi Banks: Key changes in assumptions

SAR in millions, unless otherwise stated

	Rajhi	SABB	Samba	Riyad	BSF	ARNB	SHB	Aggregate Saudi-7
Net income (New)								
2009E	7,012	3,026	4,561	3,086	2,989	2,740	956	**24,370**
2010E	7,661	3,148	5,132	3,701	3,194	2,770	1,203	**26,808**
2011E	9,858	3,909	6,368	4,663	3,754	3,132	1,535	**33,219**
Net income (% change)								
2009E	-3.1%	0.0%	6.4%	1.6%	8.3%	4.7%	-7.6%	**1.5%**
2010E	-9.0%	-10.5%	-7.9%	7.5%	-1.5%	0.4%	10.6%	**-4.4%**
2011E	-4.8%	-7.7%	1.7%	15.7%	3.9%	0.8%	17.8%	**0.9%**
Cumulative (2009E–11E)	-5.7%	-6.5%	-0.4%	8.9%	3.3%	1.9%	7.8%	**-0.7%**

Source: Credit Suisse estimates

Target price and rating changes

We have upgraded our ratings for six Saudi banks. Al-Rajhi, SABB, Samba and Riyad Bank have been upgraded from Neutral to Outperform, while ARNB and BSF have been upgraded from Underperform to Neutral. We rate Samba as our top pick among the Saudi banks, with a 12-month TP of SAR60.00, implying 29.6% potential upside to the current price.

Figure 26: Summary valuation and ratings of Saudi-7 banks (priced as of 21/09/2009)

	Rajhi	SABB	Samba	ARNB	Riyad	BSF	SHB
Ratings and TP							
Rating (New)	Outperform	Outperform	Outperform	Neutral	Outperform	Neutral	Neutral
Rating (Old)	Neutral	Neutral	Neutral	Underperform	Neutral	Underperform	Neutral
Upside Potential (%)	26.2%	28.8%	29.6%	9.1%	24.2%	4.9%	16.9%
Market Cap (SAR bn)	104.6	35.0	41.7	36.2	28.6	29.7	10.7
Fair value (SAR / share) as per:							
DDM – 50% weight	99.65	65.61	61.77	48.03	29.75	41.52	39.73
P/B Gordon's model – 50% weight	76.36	54.39	58.23	47.97	30.24	44.47	36.28
Blended Target Price, SAR (New)	**88.00**	**60.00**	**60.00**	**48.00**	**30.00**	**43.00**	**38.00**
Target Price, SAR (Old)	72.66	54.57	59.41	38.91	26.61	40.05	40.59
Key assumptions							
Cost of equity	9.0%	10.0%	11.0%	10.0%	10.0%	11.0%	11.0%
2009E-13E average core ROE	25.5%	25.3%	21.5%	16.9%	14.0%	20.1%	18.9%
Valuation Multiples							
P/Tan. BV (x, 2009E)	3.42	2.71	1.83	1.81	1.25	1.96	1.78
ROE (%, 2010E)	23.5%	23.2%	20.9%	16.3%	12.5%	19.7%	18.5%
P/E (x, 2009E)	14.92	11.55	9.14	10.44	11.74	9.92	11.24
EPS growth (%, 2010E)	9.3%	4.0%	12.5%	1.1%	19.9%	6.9%	25.8%

Source: © 2009 Reuters Limited, Credit Suisse estimates

Valuation methodology

We have changed our valuation methodology from purely DDM to a combination of DDM and P/B Gordon's model. We believe that this better reflects our view of long-term normalised valuations.

We value Saudi banks on a weighted average (50% each) of two methods:

1. DDM: We estimate the fair value of the banks using a 30-year DDM fade, wherein we forecast detailed estimates for five years and then normalise the ROE to fade towards the cost of equity over a period of a further 25 years. We then discount the dividends of these 30 years and derive the terminal value as the present value of the perpetuity of dividends.

2. P/B Gordon's model: We estimate the implied fair P/B multiple based on a five-year (2009E–2013E) average core ROE and cost of equity. We then apply this multiple to the 2009E book value to estimate the fair value.

We have assumed a base cost of equity of 10% for all banks, while deducting a 100bps liquidity premium to Al-Rajhi and adding 100bps liquidity discounts each to BSF, SHB and Samba. (Please refer to Figure 26 for more details)

Risks to the stocks reaching our target prices

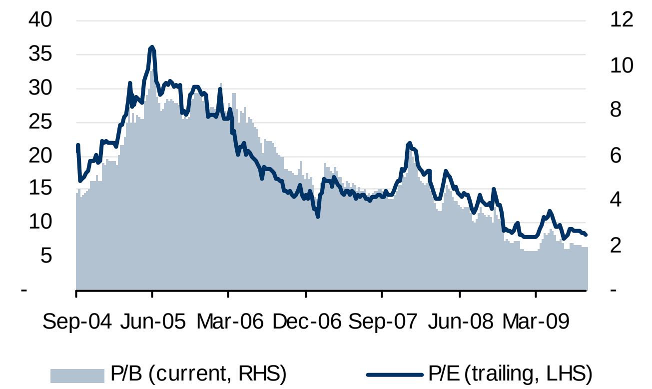
1. Reduction in investors' risk appetite
2. Prolonged economic slowdown
3. Larger-than-expected deterioration in asset quality

Samba is our top pick

1. Valuations are at historical lows and attractive versus peers

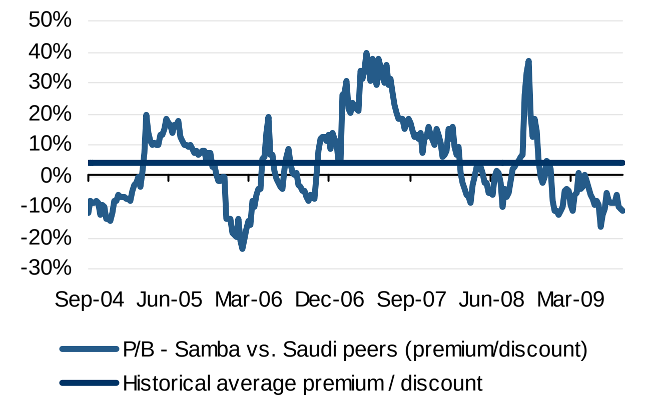
Samba is currently trading at a P/B (current) of 1.9x, a 62.8% discount to its five-year average P/B. It is also trading at a 52.9% discount to its five-year average P/E (trailing) of 17.9x. Samba is also trading at an 11.6% discount to its Saudi peers on a P/B (current) basis, significantly lower than the past five years' average of a 4.3% premium.

Figure 27: **Historical P/B (x) and P/E(x) valuations**



Source: the BLOOMBERG PROFESSIONAL™ service

Figure 28: **Samba: Historical premium/discount % to peers on P/B**

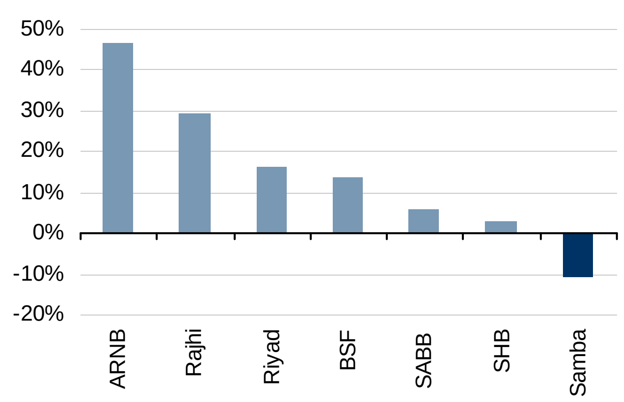


Source: the BLOOMBERG PROFESSIONAL™ service

2. Samba is the only bank among the Saudi-7 to have seen its share price decline YTD

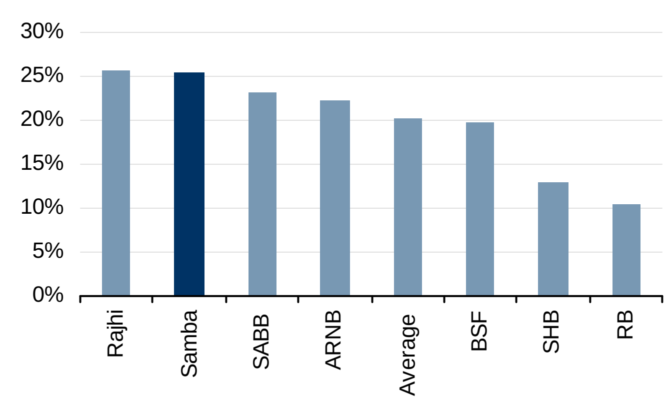
Samba's share price has fallen by 10.6% this year, while the stock prices of all the other Saudi-7 banks have increased YTD. This is despite the bank's recording a strong ROE of 25.4% in H1 2009, next to only Al-Rajhi, at 25.8%. Samba's shares have declined mainly owing to the market's fears prompted by news reports (Reuters) indicating that the troubled Saad Group owes it US$300m. However, we think that the concerns are over-stretched, as this amount is a mere 5.7% of Samba's book value as at Q2 2009.

Figure 29: **Saudi-7: YTD share price performance (%)**



Source: the BLOOMBERG PROFESSIONAL™ service

Figure 30: **Saudi-7: ROE (H1 2009)**



Source: Company data, Credit Suisse research

3. The market seems to be too bearish

Base-case scenario

Our base-case assumption is that loan loss provisions for 2009E would be SAR991m, which itself is more than 3x the SAR300m charged during H1 09. This would amount to a 2009E credit cost of 101bps. This is on our conservative base-case assumption of the NPL ratio increasing from 1.8% in 2008 to 3.3% in 2009E, with NPL coverage decreasing from 167% to 130% over the same period.

Base-case versus market-implied loan provisions

Our five-year (2009E–2013E) cumulative provision estimate is SAR3.4bn, which translates into 3.9% of the loan book (Q2 2009) and 17.5% of the equity value (Q2 2009). However, on our calculations, the market is currently pricing in a five-year cumulative provision of SAR10.4bn. The market is currently worried about Samba and the troubled Saad/AlGosaibi groups, as we have discussed earlier. We think that even in the worst case, this exposure is unlikely to be written off completely, and even if it were, the market-implied aggregate provisions are highly unlikely.

Figure 31: Samba: Base-case loan loss provisions versus market-implied case

SAR in millions, unless otherwise stated

Parameter	Credit Suisse base-case	Market-implied case
Cumulative provisions (2004-2008)	1,434	1,434
Cumulative provisions (2009E-2013E)	3,439	10,360
As % of Q2 2009 Loan book	*3.9%*	*11.8%*
As % of Q2 2009 Equity value	*17.5%*	*52.6%*

Source: © 2009 Reuters Limited, Company data, Credit Suisse estimates

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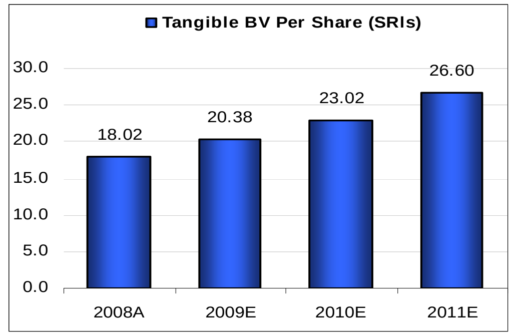
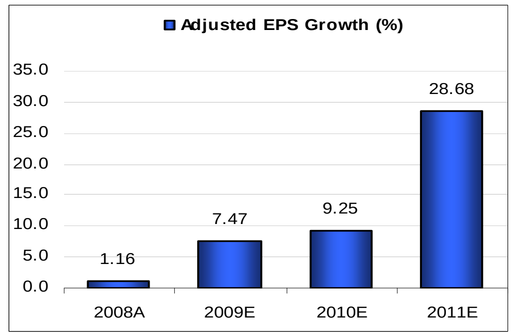
Al-Rajhi Bank 1120.SE

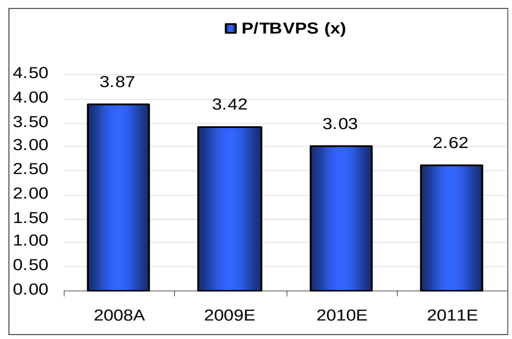
Coverage Universe	Emerging Markets
Universe Weight	-
Rating	(from NEUTRAL) OUTPERFORM
Price (SRls) (21 Sep 09)	69.8
Price High - Low	84 - 42
Target Price (SRls)	(from 72.66) 88.00
Upside/Downside TP (%)	26.2
Number of Shares (m)	1,500
Total Market Cap (SRls m)	104,625



Key Financials	**12/08A**	**12/09E**	**12/10E**	**12/11E**
Operating Profit (SRls m)	10,575	11,566	12,541	14,075
Adjusted Net Income (SRls m)	6,525	7,012	7,661	9,858
Stated Net Income (SRls m)	6,525	7,012	7,661	9,858
Reported Book Value (SRls)	27,032	30,575	34,535	39,903
Tangible Book value (SRls m)	27,032	30,575	34,535	39,903
Stated EPS (SAR)	4.35	4.67	5.11	6.57
Adjusted EPS (SAR)	4.35	4.67	5.11	6.57
Tangible BV Per Share (SRls)	18.02	20.38	23.02	26.60



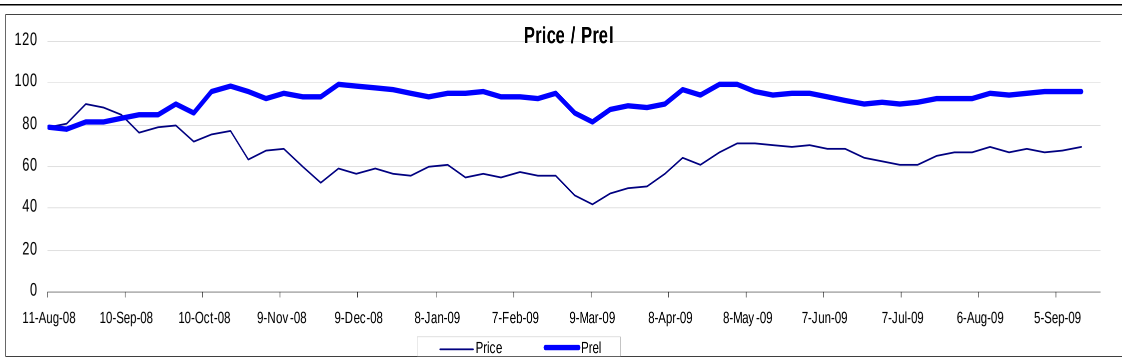
Key Ratios				
P/E (adj., x)	16.04	14.92	13.66	10.61
P/TBVPS (x)	3.87	3.42	3.03	2.62
P/BVPS (adj., x)	3.87	3.42	3.03	2.62
Dividend Yield (%)	3.04	3.35	3.66	4.71
Tangible ROE (%)	25.77	24.35	23.53	26.49
Dividend Per Share (SRls)	2.12	2.34	2.55	3.29
Cost/Income (%)	26.25	25.29	25.30	25.10
Core Tier 1 Ratio (%)	14.52	13.80	13.78	14.13
Tier 1 Ratio (%)	14.52	13.80	13.78	14.13



Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	3.7	1.8	-9.7
Relative (%)	0.4	2.6	12.1

Company Description

The largest Islamic bank in Saudi Arabia.



Source: Company data, Credit Suisse estimates

Figure 32: Al-Rajhi Bank: Income statement

SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
Income from investments	8,583.1	9,421.1	10,571.5	11,487.4	12,993.4
Expenses on investments	861.3	926.7	1,084.9	1,197.9	1,393.9
Income from investment (net)	**7,721.8**	**8,494.4**	**9,486.5**	**10,289.6**	**11,599.5**
Income from investment properties	-	-	-	-	-
Mudaraba fees	71.2	76.5	57.4	46.7	74.8
Fees from banking services (net)	980.6	1,241.3	1,354.5	1,459.1	1,560.6
Exchange income (net)	470.9	483.5	556.0	611.6	672.8
Other operating income	76.5	279.6	111.8	134.2	167.8
Total operating income	**9,321.1**	**10,575.3**	**11,566.4**	**12,541.2**	**14,075.4**
% Growth	*-2.0%*	*13.5%*	*9.4%*	*8.4%*	*12.2%*
Salaries and employee related expenses	1,451.2	1,648.7	1,772.2	1,912.2	2,148.0
Rent and premises related expenses	117.9	136.8	139.2	150.6	164.5
Provision for investments and other	443.2	1,274.4	1,629.1	1,707.3	684.1
Depreciation and amortisation	288.2	383.40	315.5	352.8	370.4
Other general and administrative expenses	567.8	604.3	694.0	752.5	844.5
Board of directors' remuneration	3.1	3.1	4.0	4.8	5.8
Total operating expenses	2,871.4	4,050.7	4,554.0	4,880.2	4,217.3
Cost to income ratio (%)	*26.1%*	*26.3%*	*25.3%*	*25.3%*	*25.1%*
Net income	**6,449.7**	**6,524.6**	**7,012.3**	**7,661.0**	**9,858.1**
% Growth	*-11.7%*	*1.2%*	*7.5%*	*9.3%*	*28.7%*
Basic EPS (SAR)	4.30	4.35	4.67	5.11	6.57
Diluted EPS (SAR)	4.30	4.35	4.67	5.11	6.57

Source: Company data, Credit Suisse estimates

Figure 33: Al-Rajhi Bank: Balance sheet
SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
ASSETS					
Cash, precious metals and balances with SAMA	13,141.2	11,302.0	13,066.4	16,604.9	18,412.6
Due from banks	790.6	2,891.8	1,104.4	1,218.4	1,330.5
Investments (net)	104,875.4	144,003.6	148,465.0	161,228.8	177,510.9
Customer debit current accounts (net)	909.9	754.4	501.3	1,382.7	1,509.9
Investment properties	-	-	-	-	-
Property and equipment (net)	2,591.1	2,868.1	3,441.7	3,613.8	3,794.5
Other assets (net)	2,578.2	3,109.9	3,780.8	3,921.9	4,833.8
Total Assets	**124,886.5**	**164,929.8**	**170,359.6**	**187,970.6**	**207,392.3**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Due to banks	2,593.1	7,901.6	4,927.9	5,068.0	5,924.4
Syndicated Murabaha financing from Banks	1,875.0	1,875.0	-	-	-
Customer deposits	89,725.2	116,611.0	125,331.9	138,273.8	150,995.0
Other customer accounts (including margins on letters of credit, third party funds, certified checks and transfers)	3,031.0	3,686.6	4,261.3	4,701.3	5,133.8
Other liabilities	4,056.1	7,823.8	5,263.9	5,392.7	5,435.8
Total liabilities	**101,280.4**	**137,898.0**	**139,785.1**	**153,435.8**	**167,489.0**
Shareholders' equity					
Share capital	13,500.0	15,000.0	15,000.0	15,000.0	15,000.0
Statutory reserve	7,096.2	8,727.4	10,480.5	12,395.7	14,860.3
General reserve	197.7	-	-	-	-
Retained earnings	1,588.3	121.3	3,691.6	5,606.9	8,071.4
Proposed dividend	1,223.9	3,183.1	1,402.5	1,532.2	1,971.6
Total shareholders' equity	**23,606.1**	**27,031.8**	**30,574.6**	**34,534.8**	**39,903.3**
Total liabilities and shareholders' equity	**124,886.5**	**164,929.8**	**170,359.6**	**187,970.6**	**207,392.3**

Source: Company data, Credit Suisse estimates

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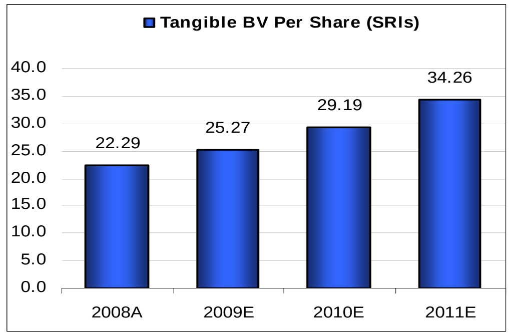
Samba Financial Group 1090.SE

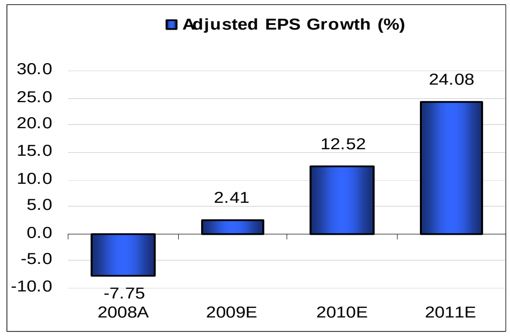
Coverage Universe	Emerging Markets
Universe Weight	-
Rating	(from NEUTRAL) OUTPERFORM
Price (SRls) (21 Sep 09)	46.3
Price High - Low	83 - 39
Target Price (SRls)	(from 59.41) 60.00
Upside/Downside TP (%)	29.6
Number of Shares (m)	900
Total Market Cap (SRls m)	41,670

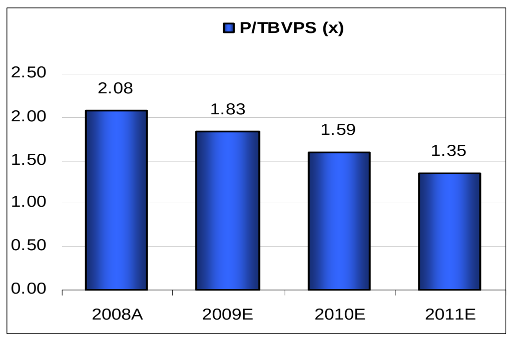
Key Financials	**12/08A**	**12/09E**	**12/10E**	**12/11E**
Operating Profit (SRls m)	7,012	7,682	8,521	9,483
Adjusted Net Income (SRls m)	4,454	4,561	5,132	6,368
Stated Net Income (SRls m)	4,454	4,561	5,132	6,368
Reported Book Value (SRls)	19,846	22,623	26,159	30,731
Tangible Book value (SRls m)	19,846	22,623	26,159	30,731
Stated EPS (SAR)	4.95	5.07	5.70	7.08
Adjusted EPS (SAR)	4.95	5.07	5.70	7.08
Tangible BV Per Share (SRls)	22.29	25.27	29.19	34.26

Key Ratios				
P/E (adj., x)	9.36	9.14	8.12	6.54
P/TBVPS (x)	2.08	1.83	1.59	1.35
P/BVPS (adj., x)	2.08	1.83	1.59	1.35
Dividend Yield (%)	3.86	3.83	4.31	5.35
Tangible ROE (%)	23.42	21.31	20.94	22.31
Dividend Per Share (SRls)	1.79	1.77	2.00	2.48
Cost/Income (%)	30.11	27.86	27.23	27.31
Core Tier 1 Ratio (%)	19.39	14.84	15.48	16.90
Tier 1 Ratio (%)	19.39	14.84	15.48	16.90

Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	2.9	-3.7	-32.4
Relative (%)	-0.4	-3.1	-16.1

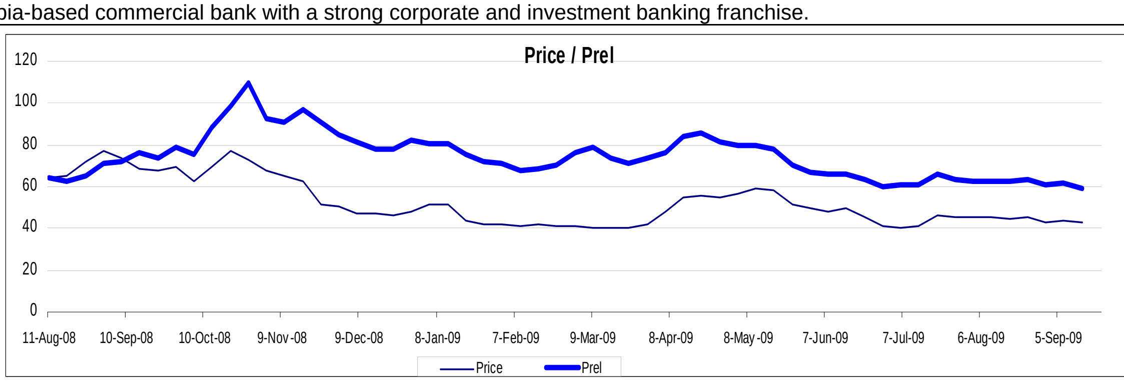






Company Description

A Saudi Arabia-based commercial bank with a strong corporate and investment banking franchise.



Source: Company data, Credit Suisse estimates

Figure 34: Samba Financial Group: Income statement
SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
Special commission income	8,386.3	8,425.9	7,414.8	9,082.7	10,380.1
Special commission expense	3,441.9	3,364.6	1,979.8	2,956.0	3,461.1
Net special commission income	**4,944.4**	**5,061.2**	**5,435.0**	**6,126.7**	**6,919.0**
Fees from banking services (net)	1,618.1	1,623.9	1,290.4	1,375.3	1,460.0
Exchange income (net)	431.4	409.0	347.6	382.4	401.5
Income from investments held at FVIS (net)	55.2	(646.0)	23.3	272.7	307.2
Trading income (net)	143.7	22.9	274.8	302.3	332.5
Gains on non trading investments (net)	(31.8)	501.0	275.0	25.0	25.0
Other operating income	35.0	39.9	36.4	37.1	37.8
Total operating income	**7,196.0**	**7,011.9**	**7,682.5**	**8,521.4**	**9,483.1**
% Growth	*-1.1%*	*-2.6%*	*9.6%*	*10.9%*	*11.3%*
Salaries and employee related expenses	1,288.6	1,366.1	1,404.0	1,498.7	1,684.2
Rent and premises related expenses	181.4	198.7	196.5	207.6	223.4
Depreciation	122.7	136.9	145.5	154.2	163.5
Other general and administrative expenses	373.1	409.3	394.0	459.5	518.9
Provision for credit losses (net of recoveries)	422.6	267.1	991.4	1,079.2	534.9
Provision for impairment of financial assets	-	190.9	-	-	-
Other operating expenses	-	-	-	-	-
Total operating expenses	2,388.4	2,569.0	3,131.5	3,399.3	3,124.9
Cost to Income Ratio	*27.3%*	*30.1%*	*27.9%*	*27.2%*	*27.3%*
Share of Minority Interest	(20.6)	(11.0)	(10.0)	(10.0)	(10.0)
Net income	**4,828.3**	**4,453.9**	**4,561.0**	**5,132.2**	**6,368.2**
% Growth	*-7.3%*	*-7.8%*	*2.4%*	*12.5%*	*24.1%*
Basic EPS (SAR)	5.36	4.95	5.07	5.70	7.08
Diluted EPS (SAR)	5.36	4.95	5.07	5.70	7.08

Source: Company data, Credit Suisse estimates

Figure 35: Samba Financial Group: Balance sheet
SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
ASSETS					
Cash and balances with SAMA	11,097.6	13,799.9	13,918.2	11,768.6	12,855.3
Due from banks and other financial institutions	2,312.4	878.0	8,483.9	6,178.5	6,623.4
Investments (net)	53,573.9	54,212.7	62,215.5	74,142.1	79,480.4
Loans and advances (net)	80,553.3	98,147.2	90,673.0	98,346.6	108,574.7
Property and equipment (net)	833.0	870.1	935.9	992.1	1,051.6
Investments in Associate	10.5	6.1	10.5	10.5	10.5
Other assets (net)	6,033.2	10,977.2	8,160.1	12,791.5	11,001.3
Total Assets	**154,414.0**	**178,891.2**	**184,397.2**	**204,230.0**	**219,597.2**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Due to banks and other financial institutions	11,425.0	12,090.0	11,311.9	15,446.3	16,558.4
Customer deposits	115,811.3	134,228.5	141,398.8	154,462.8	165,584.1
Other liabilities	7,163.2	10,637.9	7,069.9	6,178.5	6,623.4
Term loan and debt securities	2,039.0	1,873.0	1,873.0	1,873.0	-
Total liabilities	**136,438.4**	**158,829.3**	**161,653.7**	**177,960.6**	**188,765.9**
Shareholders' equity					
Share capital	6,000.0	9,000.0	9,000.0	9,000.0	9,000.0
Statutory reserve	6,000.0	7,110.7	8,173.9	9,000.0	9,000.0
General reserve	130.0	130.0	130.0	130.0	130.0
Other reserves	(282.2)	(1,025.1)	(2,000.0)	(2,000.0)	(2,000.0)
Retained earnings	5,625.5	4,331.7	6,156.1	8,665.9	12,805.2
Proposed dividend	659.3	731.9	1,596.3	1,796.3	2,228.9
Employee stock option shares	(287.6)	(433.4)	(433.4)	(433.4)	(433.4)
Total equity attributable to equity holders of the bank	**17,844.9**	**19,845.8**	**22,622.9**	**26,158.7**	**30,730.7**
Minority interest	130.6	216.1	120.6	110.6	100.6
Total Equity	**17,975.6**	**20,061.9**	**22,743.5**	**26,269.3**	**30,831.3**
Total liabilities and shareholders' equity	**154,414.0**	**178,891.2**	**184,397.2**	**204,230.0**	**219,597.2**

Source: Company data, Credit Suisse estimates

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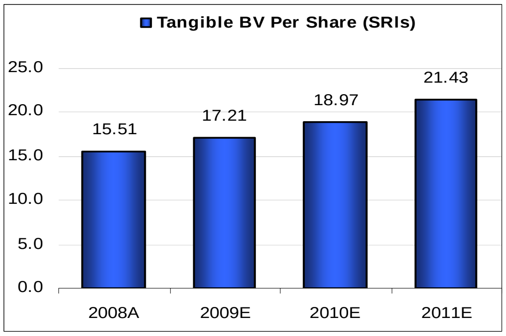
The Saudi British Bank 1060.SE

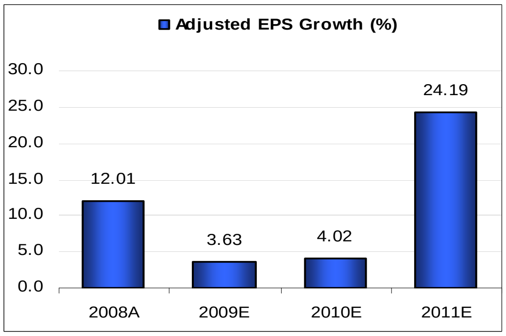
Coverage Universe	Emerging Markets
Universe Weight	-
Rating	(from NEUTRAL) OUTPERFORM
Price (SRls) (21 Sep 09)	46.6
Price High - Low	75 - 40
Target Price (SRls)	(from 54.57) 60.00
Upside/Downside TP (%)	28.8
Number of Shares (m)	750
Total Market Cap (SRls m)	34,950

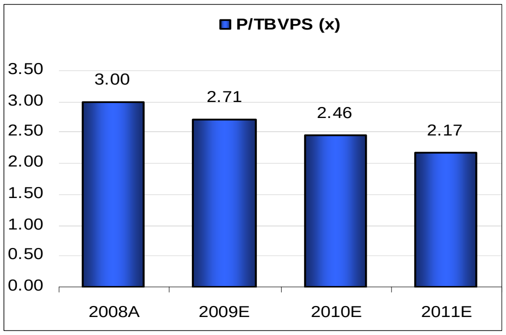
Key Financials	**12/08A**	**12/09E**	**12/10E**	**12/11E**
Operating Profit (SRls m)	4,912	5,581	5,877	6,492
Adjusted Net Income (SRls m)	2,920	3,026	3,148	3,909
Stated Net Income (SRls m)	2,920	3,026	3,148	3,909
Reported Book Value (SRls)	11,634	12,909	14,226	16,069
Tangible Book value (SRls m)	11,634	12,909	14,226	16,069
Stated EPS (SAR)	3.89	4.03	4.20	5.21
Adjusted EPS (SAR)	3.89	4.03	4.20	5.21
Tangible BV Per Share (SRls)	15.51	17.21	18.97	21.43

Key Ratios				
P/E (adj., x)	11.97	11.55	11.10	8.94
P/TBVPS (x)	3.00	2.71	2.46	2.17
P/BVPS (adj., x)	3.00	2.71	2.46	2.17
Dividend Yield (%)	1.89	5.19	5.40	6.71
Tangible ROE (%)	26.47	24.66	23.20	25.81
Dividend Per Share (SRls)	0.88	2.42	2.52	3.13
Cost/Income (%)	33.42	30.48	31.92	31.79
Core Tier 1 Ratio (%)	8.29	9.92	10.37	10.53
Tier 1 Ratio (%)	8.29	9.92	10.37	10.53

Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	9.4	-6.0	-37.9
Relative (%)	5.9	-5.4	-22.8

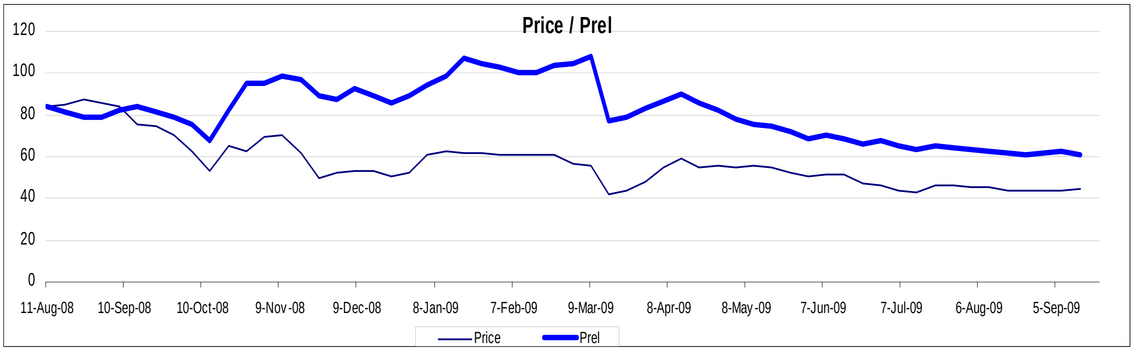






Company Description

A Saudi Arabian commercial bank with a focus on corporate and investment banking. The bank is also an affiliate of HSBC.



Source: Company data, Credit Suisse estimates

Figure 36: SABB: Income statement

SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
Special commission income	5,220.0	5,865.0	5,439.3	6,140.8	6,883.1
Special commission expense	2,161.3	2,657.9	1,744.5	2,335.8	2,617.0
Net special commission income	**3,058.7**	**3,207.0**	**3,694.8**	**3,805.0**	**4,266.1**
Fees from banking services (net)	861.9	1,257.2	1,318.4	1,404.2	1,491.9
Exchange income (net)	107.2	138.3	138.3	159.1	175.0
Income from FVIS Financial Instruments (net)	63.8	(42.4)	31.5	35.9	46.9
Trading income (net)	190.0	363.6	309.0	355.4	390.9
Dividend income	4.4	1.8	5.4	5.9	6.5
Gains on non trading investments (net)	83.3	(17.0)	50.0	75.0	75.0
Other operating income	4.6	3.0	33.3	36.6	40.2
Total operating income	**4,374.0**	**4,911.5**	**5,580.6**	**5,877.0**	**6,492.5**
% Growth	*-5.3%*	*12.3%*	*13.6%*	*5.3%*	*10.5%*
Salaries and employee related expenses	760.0	898.1	959.9	1,051.4	1,132.5
Rent and premises related expenses	64.2	79.5	81.1	88.0	95.0
Depreciation	102.9	107.4	106.0	108.6	111.3
Other general and administrative expenses	500.0	556.6	554.2	627.8	725.2
Provision for credit losses (net)	396.3	371.3	886.0	902.3	573.2
Impairment of other financial assets	-	86.9	-	-	-
Other operating expenses	1.5	0.1	-	-	-
Total operating expenses	1,825.0	2,099.8	2,587.2	2,778.1	2,637.2
Cost to Income Ratio %	*32.7%*	*33.4%*	*30.5%*	*31.9%*	*31.8%*
Net income from operating activities	2,549.0	2,811.7	2,993.4	3,098.9	3,855.3
Share in earnings of associates (net)	57.9	108.3	32.5	48.7	53.6
Net income for the period	**2,606.9**	**2,920.0**	**3,025.9**	**3,147.6**	**3,908.9**
% Growth	*-14.3%*	*12.0%*	*3.6%*	*4.0%*	*24.2%*
Basic EPS (SAR)	3.48	3.89	4.03	4.20	5.21
Diluted EPS (SAR)	3.48	3.89	4.03	4.20	5.21

Source: Company data, Credit Suisse estimates

Figure 37: SABB: Balance sheet

SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
ASSETS					
Cash and balances with SAMA	16,643.7	11,328.3	13,229.2	13,919.6	14,586.5
Due from banks and other financial institutions	1,723.6	6,200.5	2,824.9	2,170.9	2,266.0
Investments (net)	14,858.7	29,604.3	24,454.8	27,218.1	30,216.2
Investment in associates	110.4	148.4	180.9	229.6	283.2
Loans and advances (net)	62,000.9	80,236.8	80,406.0	87,000.9	95,011.9
Property and equipment (net)	551.8	561.5	579.8	594.3	609.1
Other assets (net)	2,323.7	3,581.1	4,046.8	3,707.3	2,789.2
Total Assets	**98,212.9**	**131,660.7**	**125,722.4**	**134,840.6**	**145,762.2**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Due to banks and other financial institutions	8,045.0	16,069.5	8,568.8	9,510.4	10,536.7
Customer deposits	71,847.9	92,677.5	94,162.8	103,374.3	113,298.3
Debt securities in issue	4,038.4	5,656.8	5,656.8	3,407.7	1,705.0
Borrowings	187.5	187.5	187.5	187.5	187.5
Other liabilities	3,669.2	5,435.5	4,237.3	4,135.0	3,965.4
Total liabilities	**87,788.0**	**120,026.9**	**112,813.2**	**120,614.9**	**129,692.9**
Shareholders' equity					
Share capital	3,750.0	6,000.0	7,500.0	7,500.0	7,500.0
Statutory reserve	3,750.0	4,480.0	5,236.5	6,023.4	7,000.6
Other reserves	(16.2)	(176.7)	(1,189.7)	(1,175.6)	(1,166.8)
Retained earnings	2,050.5	1,330.5	284.4	756.6	1,342.9
Proposed dividends	890.6	-	1,078.0	1,121.3	1,392.5
Total Equity	**10,424.9**	**11,633.8**	**12,909.2**	**14,225.7**	**16,069.3**
Total liabilities and shareholders' equity	**98,212.9**	**131,660.7**	**125,722.4**	**134,840.6**	**145,762.2**

Source: Company data, Credit Suisse estimates

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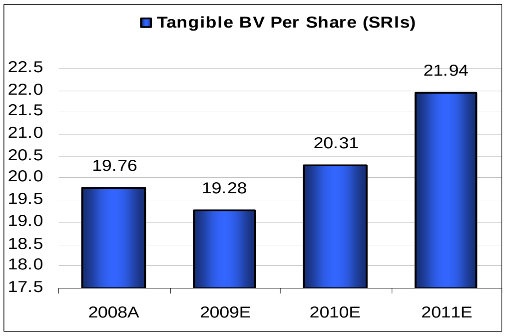
Riyad Bank 1010.SE

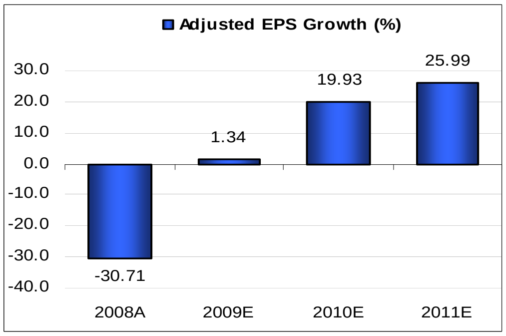
Coverage Universe	Emerging Markets
Universe Weight	-
Rating	(from NEUTRAL) OUTPERFORM
Price (SRls) (21 Sep 09)	24.2
Price High - Low	31 - 19
Target Price (SRls)	(from 26.61) 30.00
Upside/Downside TP (%)	24.2
Number of Shares (m)	1,500
Total Market Cap (SRls m)	36,225

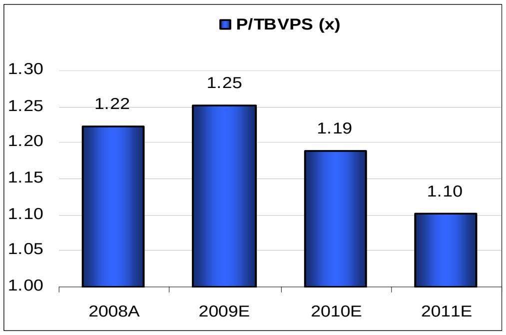
Key Financials	**12/08A**	**12/09E**	**12/10E**	**12/11E**
Operating Profit (SRls m)	5,248	6,126	6,835	7,702
Adjusted Net Income (SRls m)	2,639	3,086	3,701	4,663
Stated Net Income (SRls m)	2,639	3,086	3,701	4,663
Reported Book Value (SRls)	25,690	28,923	30,464	32,907
Tangible Book value (SRls m)	25,690	28,923	30,464	32,907
Stated EPS (SAR)	2.03	2.06	2.47	3.11
Adjusted EPS (SAR)	2.03	2.06	2.47	3.11
Tangible BV Per Share (SRls)	19.76	19.28	20.31	21.94

Key Ratios				
P/E (adj., x)	11.90	11.74	9.79	7.77
P/TBVPS (x)	1.22	1.25	1.19	1.10
P/BVPS (adj., x)	1.22	1.25	1.19	1.10
Dividend Yield (%)	6.69	5.96	6.13	7.72
Tangible ROE (%)	13.57	11.30	12.46	14.72
Dividend Per Share (SRls)	1.62	1.44	1.48	1.87
Cost/Income (%)	39.75	36.78	36.52	35.51
Core Tier 1 Ratio (%)	13.90	15.12	14.70	14.46
Tier 1 Ratio (%)	13.90	15.12	14.70	14.46

Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	1.5	-0.4	-18.7
Relative (%)	-1.7	0.3	1.0

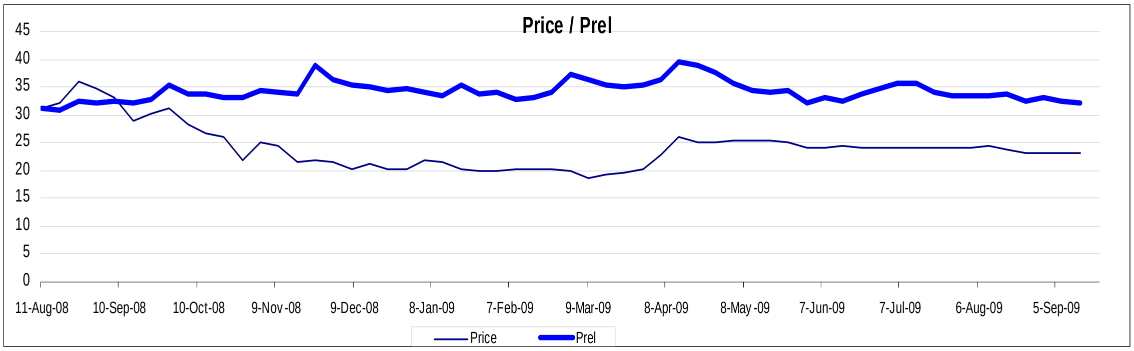






Company Description

A Saudi Arabian commercial bank with a large retail presence and is majority owned by the government.



Source: Company data, Credit Suisse estimates

Figure 38: Riyad Bank: Income statement
SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
Special commission income	6,209.6	6,736.7	6,643.7	8,249.2	9,290.0
Special commission expense	2,943.2	2,789.9	2,125.9	3,171.1	3,472.9
Net special commission income	3,266.4	3,946.8	4,517.8	5,078.0	5,817.1
Fees from banking services (net)	1,010.5	1,187.3	1,266.8	1,336.1	1,407.2
Exchange income (net)	271.6	264.2	211.4	232.5	255.8
Trading income (net)	479.6	(282.7)	25.0	50.0	75.0
Gains on non trading investments (net)	101.6	52.5	25.0	50.0	50.0
Other operating income	38.3	80.2	80.2	88.2	97.0
Total operating income	**5,168.1**	**5,248.4**	**6,126.2**	**6,834.8**	**7,702.1**
Gain on sale of land	-	-	-	-	-
Total income	**5,168.1**	**5,248.4**	**6,126.2**	**6,834.8**	**7,702.1**
% Growth	*5.8%*	*1.6%*	*16.7%*	*11.6%*	*12.7%*
Salaries and employee related expenses	960.0	1052.7	1136.0	1239.9	1334.9
Rent and premises related expenses	166.4	216.6	232.6	259.4	272.3
Depreciation and amortization	195.0	230.8	264.5	301.3	361.5
Other general and administrative expenses	489.7	575.9	609.9	685.5	756.2
Provision for credit losses (net of recoveries)	345.5	523.2	552.2	637.7	304.1
Provision for impairment of investments (net)	-	-	235.0	-	-
Other operating expenses	0.2	10.5	10.0	10.0	10.0
Total operating expenses	2,156.9	2,609.6	3,040.2	3,133.8	3,039.1
Cost to Income Ratio %	*35.0%*	*39.8%*	*36.8%*	*36.5%*	*35.5%*
Net income for the period	**3,011.2**	**2,638.8**	**3,086.0**	**3,701.1**	**4,663.0**
% Growth	*3.5%*	*-12.4%*	*16.9%*	*19.9%*	*26.0%*
Basic EPS (SAR)	2.93	2.03	2.06	2.47	3.11
Diluted EPS (SAR)	2.93	2.03	2.06	2.47	3.11

Source: Company data, Credit Suisse estimates

Figure 39: Riyad Bank: Balance sheet

SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
ASSETS					
Cash and balances with SAMA	16,579.0	11,078.0	16,422.2	17,465.9	17,991.6
Due from banks and other financial institutions	4,168.4	6,257.1	10,020.7	6,807.5	7,379.4
Investments (net)	27,741.7	40,329.1	38,830.1	46,291.2	54,607.3
Loans and advances (net)	67,340.4	96,429.8	109,252.7	115,586.0	122,280.0
Other real estate (net)	493.0	513.6	493.0	493.0	493.0
Property and equipment (net)	1,472.2	1,630.3	1,956.4	2,347.6	2,817.2
Other assets (net)	3,556.1	3,414.7	2,879.7	6,727.5	4,442.8
Total Assets	**121,350.8**	**159,652.5**	**179,854.9**	**195,718.8**	**210,011.2**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Due to banks and other financial institutions	17,798.3	21,213.2	20,041.4	21,784.1	23,614.0
Customer deposits	84,331.2	105,055.5	125,258.5	136,150.6	147,587.2
Other liabilities	4,162.5	5,819.4	3,757.8	5,446.0	5,903.5
Debt securities	1,872.0	1,873.9	1,873.9	1,873.9	-
Total liabilities	**108,164.0**	**133,962.1**	**150,931.6**	**165,254.6**	**177,104.7**
Shareholders' equity					
Share capital	6,250.0	15,000.0	15,000.0	15,000.0	15,000.0
Share Premium	-	-	-	-	-
Statutory reserve	5,189.3	10,224.0	10,995.5	11,920.7	13,086.5
Other reserves	195.4	(939.7)	-	-	-
Retained earnings	477.1	275.2	767.6	1,322.8	2,022.2
Proposed dividend	1,075.0	1,131.0	2,160.2	2,220.6	2,797.8
Total Equity	**13,186.8**	**25,690.5**	**28,923.3**	**30,464.1**	**32,906.5**
Total liabilities and shareholders' equity	**121,350.8**	**159,652.5**	**179,854.9**	**195,718.8**	**210,011.2**

Source: Company data, Credit Suisse estimates

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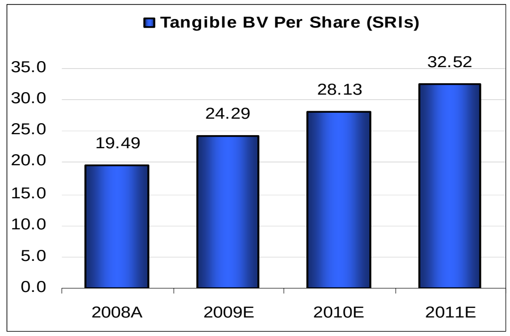
Arab National Bank 1080.SE

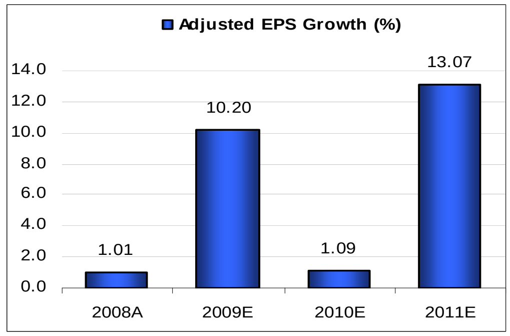
Coverage Universe	Emerging Markets
Universe Weight	-
Rating	(from UNDERPERFORM) NEUTRAL
Price (SRls) (21 Sep 09)	44.0
Price High - Low	51 - 26
Target Price (SRls)	(from 38.91) 48.00
Upside/Downside TP (%)	9.1
Number of Shares (m)	650
Total Market Cap (SRls m)	28,600

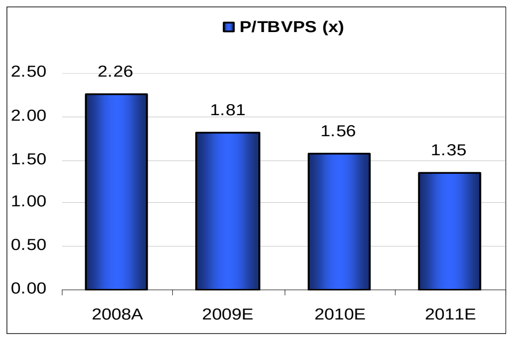
Key Financials	**12/08A**	**12/09E**	**12/10E**	**12/11E**
Operating Profit (SRls m)	4,135	4,697	4,914	5,450
Adjusted Net Income (SRls m)	2,486	2,740	2,770	3,132
Stated Net Income (SRls m)	2,486	2,740	2,770	3,132
Reported Book Value (SRls)	12,671	15,788	18,284	21,138
Tangible Book value (SRls m)	12,671	15,788	18,284	21,138
Stated EPS (SAR)	3.82	4.21	4.26	4.82
Adjusted EPS (SAR)	3.82	4.21	4.26	4.82
Tangible BV Per Share (SRls)	19.49	24.29	28.13	32.52

Key Ratios				
P/E (adj., x)	11.50	10.44	10.33	9.13
P/TBVPS (x)	2.26	1.81	1.56	1.35
P/BVPS (adj., x)	2.26	1.81	1.56	1.35
Dividend Yield (%)	2.27	0.96	0.97	1.09
Tangible ROE (%)	21.44	19.25	16.26	15.89
Dividend Per Share (SRls)	1.00	0.42	0.43	0.48
Cost/Income (%)	38.25	35.95	38.07	38.28
Core Tier 1 Ratio (%)	11.93	15.13	16.59	18.16
Tier 1 Ratio (%)	11.93	15.13	16.59	18.16

Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	2.1	3.0	-9.3
Relative (%)	-1.1	3.8	12.7

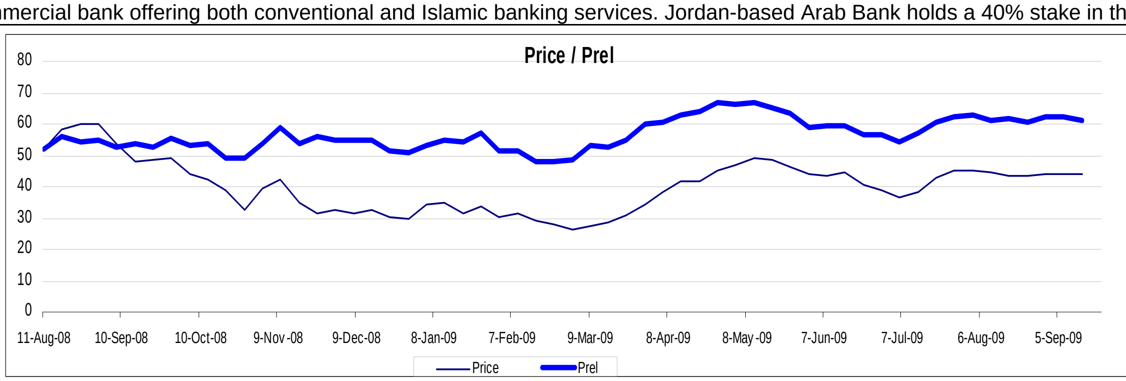






Company Description

A Saudi commercial bank offering both conventional and Islamic banking services. Jordan-based Arab Bank holds a 40% stake in the bank.



Source: Company data, Credit Suisse estimates

Figure 40: Arab National Bank: Income statement
SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
Special commission income	5,416.8	5,638.9	4,916.8	5,473.2	6,159.3
Special commission expense	2,512.8	2,285.4	1,342.7	1,800.0	2,013.3
Net special commission income	**2,903.9**	**3,353.5**	**3,574.0**	**3,673.2**	**4,146.1**
Fees from banking services (net)	776.4	839.0	703.7	744.2	799.0
Exchange income (net)	200.9	265.9	226.0	259.9	285.9
Income from FVIS financial instruments (net)	46.0	(58.2)	(17.8)	70.7	86.9
Trading income (net)	8.9	5.1	20.5	25.6	29.5
Dividend income	5.5	5.8	15.0	15.0	15.0
Gains on non trading investments (net)	(17.6)	(424.2)	50.0	50.0	50.0
Other operating income	32.4	148.2	126.0	75.6	37.8
Total operating income	**3,956.3**	**4,135.2**	**4,697.4**	**4,914.2**	**5,450.1**
% Growth	*2.6%*	*4.5%*	*13.6%*	*4.6%*	*10.9%*
Salaries and employee related expenses	843.1	908.2	980.9	1,059.4	1,165.3
Rent and premises related expenses	104.7	123.1	137.8	151.6	166.8
Depreciation and amortisation	119.8	155.7	194.9	247.3	308.8
Other general and administrative expenses	360.3	394.8	375.1	412.6	445.6
Provision for credit losses (net)	67.1	60.3	267.0	283.7	242.5
Impairment of other financial assets	-	-	-	-	-
Other operating expenses	-	-	-	-	-
Total operating expenses	**1,495.1**	**1,642.1**	**1,955.7**	**2,154.5**	**2,329.0**
Share in profits of associate		(7.0)	(2.0)	10.0	10.5
Net income	**2,461.2**	**2,486.1**	**2,739.7**	**2,769.7**	**3,131.6**
Income Growth %	*-1.7%*	*1.0%*	*10.2%*	*1.1%*	*13.1%*
Basic EPS (SAR)	3.79	3.82	4.21	4.26	4.82
Diluted EPS (SAR)	3.79	3.82	4.21	4.26	4.82

Source: Company data, Credit Suisse estimates

Figure 41: Arab National Bank: Balance sheet

SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
ASSETS					
Cash and balances with SAMA	8,228.4	12,050.8	12,562.4	13,322.8	13,721.0
Due from banks and other financial institutions	1,294.0	2,747.4	4,132.4	6,078.7	7,574.1
Investments (net)	21,024.8	28,227.8	27,823.0	27,354.3	29,214.4
Investment in associates	200.0	193.0	191.0	201.0	211.5
Loans and advances (net)	61,121.9	74,661.6	70,112.8	74,907.3	79,325.1
Other real estate	155.9	103.4	105.0	105.0	105.0
Property and equipment (net)	773.7	934.9	1,287.4	1,622.1	2,011.4
Other assets	1,669.0	2,388.2	8,540.0	8,446.7	7,402.5
Total Assets	**94,467.6**	**121,307.1**	**124,754.1**	**132,038.0**	**139,565.0**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Due to banks and other financial institutions	4,447.2	10,509.1	11,129.2	7,091.8	6,492.1
Customer deposits	73,692.1	92,743.5	92,743.5	101,312.1	108,201.4
Other liabilities	2,616.2	3,508.3	3,218.4	3,475.3	3,733.2
Term loan	1,312.5	-	-	-	-
Debt securities in issue	1,875.0	1,875.0	1,875.0	1,875.0	-
Total liabilities	**83,943.0**	**108,635.8**	**108,966.1**	**113,754.3**	**118,426.7**
Shareholders' equity					
Share capital	4,550.0	6,500.0	6,500.0	6,500.0	6,500.0
Statutory reserve	3,766.0	4,390.0	5,844.5	6,500.0	6,500.0
General reserve	1,950.0	-	1,950.0	1,950.0	1,950.0
Other reserves	171.6	(85.8)	171.6	171.6	171.6
Retained earnings	87.0	1,217.1	1,047.9	2,885.1	5,703.6
Proposed dividend	-	650.0	274.0	277.0	313.2
Total Equity	**10,524.6**	**12,671.3**	**15,788.0**	**18,283.7**	**21,138.4**
Total liabilities and shareholders' equity	**94,467.6**	**121,307.1**	**124,754.1**	**132,038.0**	**139,565.0**

Source: Company data, Credit Suisse estimates

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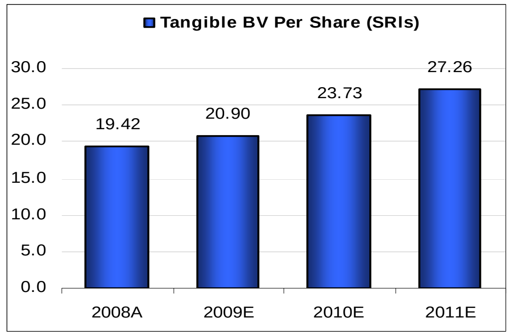
Banque Saudi Fransi 1050.SE

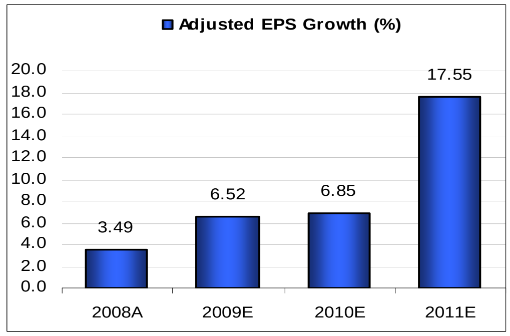
Coverage Universe	Emerging Markets
Universe Weight	-
Rating	(from UNDERPERFORM) NEUTRAL
Price (SRls) (21 Sep 09)	41.0
Price High - Low	54 - 33
Target Price (SRls)	(from 40.05) 43.00
Upside/Downside TP (%)	4.9
Number of Shares (m)	723
Total Market Cap (SRls m)	29,652

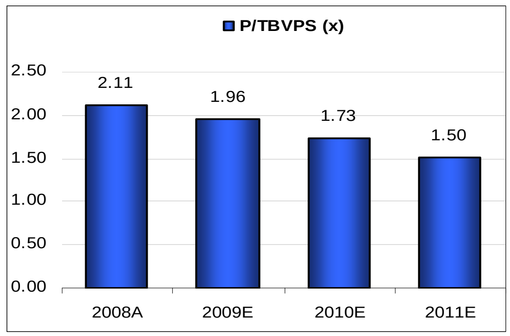
Key Financials	**12/08A**	**12/09E**	**12/10E**	**12/11E**
Operating Profit (SRls m)	4,392	4,498	4,787	5,356
Adjusted Net Income (SRls m)	2,806	2,989	3,194	3,754
Stated Net Income (SRls m)	2,806	2,989	3,194	3,754
Reported Book Value (SRls)	14,047	15,112	17,158	19,716
Tangible Book value (SRls m)	14,047	15,112	17,158	19,716
Stated EPS (SAR)	3.88	4.13	4.42	5.19
Adjusted EPS (SAR)	3.88	4.13	4.42	5.19
Tangible BV Per Share (SRls)	19.42	20.90	23.73	27.26

Key Ratios				
P/E (adj., x)	10.57	9.92	9.28	7.90
P/TBVPS (x)	2.11	1.96	1.73	1.50
P/BVPS (adj., x)	2.11	1.96	1.73	1.50
Dividend Yield (%)	2.62	3.53	3.77	4.43
Tangible ROE (%)	22.19	20.50	19.79	20.36
Dividend Per Share (SRls)	1.07	1.45	1.55	1.82
Cost/Income (%)	24.95	26.51	26.78	26.59
Core Tier 1 Ratio (%)	10.97	11.93	12.93	13.64
Tier 1 Ratio (%)	10.97	11.93	12.93	13.64

Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	4.9	-3.8	-16.3
Relative (%)	1.5	-3.1	3.9

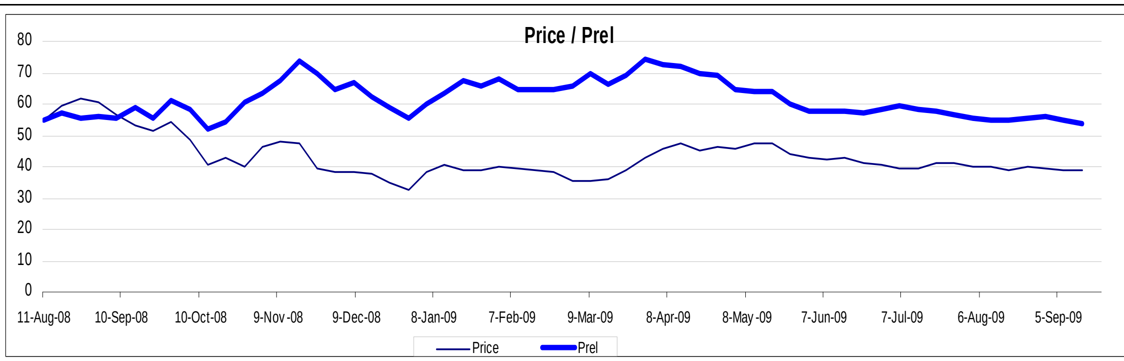






Company Description

A Saudi Arabian commercial bank with a strong retail brokerage franchise. It is an affiliate of Calyon, a subsidiary of France-based Credit Agricole.



Source: Company data, Credit Suisse estimates

Figure 42: Banque Saudi Fransi: Income statement

SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
Special commission income	4,940.8	5,298.3	4,924.1	5,511.9	6,171.8
Special commission expense	2,644.7	2,477.7	1,814.8	2,251.0	2,489.8
Net special commission income	**2,296.1**	**2,820.6**	**3,109.4**	**3,260.9**	**3,682.0**
Fees from banking services (net)	897.2	834.5	893.1	954.2	1,012.2
Exchange income (net)	188.0	241.1	197.7	217.5	239.2
Trading income (net)	310.6	499.6	274.8	329.8	395.7
Dividend income	3.7	1.8	2.7	3.0	3.3
Gains on non trading investments (net)	-	(55.7)	-	-	-
Other operating income	5.5	49.7	19.9	21.9	24.1
Total operating income	**3,701.2**	**4,391.6**	**4,497.6**	**4,787.2**	**5,356.4**
% Growth	*-6.0%*	*18.7%*	*2.4%*	*6.4%*	*11.9%*
Salaries and employee related expenses	543.3	624.2	679.6	738.4	793.8
Rent and premises related expenses	76.9	90.9	97.6	108.3	119.4
Depreciation and amortisation	78.0	86.9	109.9	80.6	90.9
Other general and administrative expenses	244.9	287.7	295.4	342.4	405.0
Provision for credit losses (net)	42.0	94.3	326.8	323.2	191.3
Impairment of other financial assets	-	410.0	-	-	-
Other operating expenses	5.0	6.1	10.0	12.5	15.0
Total operating expenses	**990.0**	**1,600.1**	**1,519.3**	**1,605.4**	**1,615.4**
Cost to Income Ratio	*25.6%*	*25.0%*	*26.5%*	*26.8%*	*26.6%*
Share of income of associates		12.4	12.4	13.7	15.1
Loss / (profits) attributable to minority interest		1.7	(2.0)	(2.0)	(2.0)
Net income	**2,711.1**	**2,805.7**	**2,988.7**	**3,193.5**	**3,754.1**
Income Growth %	*-9.8%*	*3.5%*	*6.5%*	*6.9%*	*17.6%*
Basic EPS (SAR)	3.75	3.88	4.13	4.42	5.19
Diluted EPS (SAR)	3.75	3.88	4.13	4.42	5.19

Source: Company data, Credit Suisse estimates

Figure 43: Banque Saudi Fransi: Balance sheet
SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
ASSETS					
Cash and balances with SAMA	10,152.2	5,772.9	6,036.7	5,892.6	6,492.8
Due from banks and other financial institutions	3,224.1	4,246.1	7,423.3	8,068.8	8,714.3
Investments (net)	22,500.7	27,710.0	18,980.4	20,645.5	23,218.1
Loans and advances (net)	59,850.0	80,866.5	83,265.5	89,276.3	95,802.3
Property and equipment (net)	577.3	590.6	630.4	658.8	688.5
Other assets	3,503.8	6,501.8	7,615.0	5,825.0	6,855.4
Total Assets	**99,808.1**	**125,864.8**	**124,140.7**	**130,570.0**	**141,989.5**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Due to banks and other financial institutions	8,122.7	8,402.0	6,495.4	6,051.6	6,535.7
Customer deposits	74,007.3	92,791.3	92,791.3	100,860.1	108,928.9
Other liabilities	4,000.0	5,675.1	4,639.6	3,832.7	4,139.3
Term loan	2,437.5	4,927.2	5,078.8	2,641.3	2,641.3
Total liabilities	**88,567.5**	**111,795.6**	**109,005.0**	**113,385.6**	**122,245.2**
Shareholders' equity					
Share capital	5,625.0	5,625.0	7,232.1	7,232.1	7,232.1
Statutory reserve	4,052.8	4,754.2	5,501.4	6,299.8	7,232.1
General reserve	1,200.0	2,590.0	1,590.0	1,690.8	1,769.3
Other reserves	(19.6)	295.4	(852.0)	(952.8)	(1,031.3)
Retained earnings	68.3	5.9	594.2	1,770.8	3,200.1
Proposed dividend	314.1	776.7	1,046.0	1,117.7	1,313.9
Total Equity	**11,240.6**	**14,047.2**	**15,111.8**	**17,158.5**	**19,716.3**
Minority interest	-	21.9	23.9	25.9	27.9
Total liabilities and shareholders' equity	**99,808.1**	**125,864.8**	**124,140.7**	**130,570.0**	**141,989.5**

Source: Company data, Credit Suisse estimates

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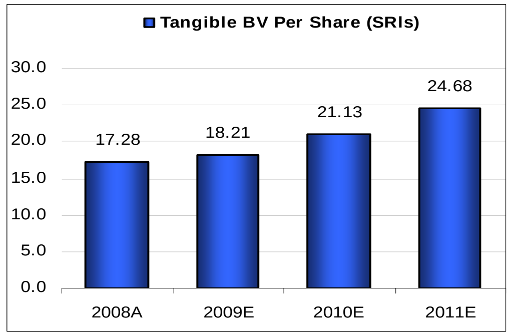
Saudi Hollandi Bank 1040.SE

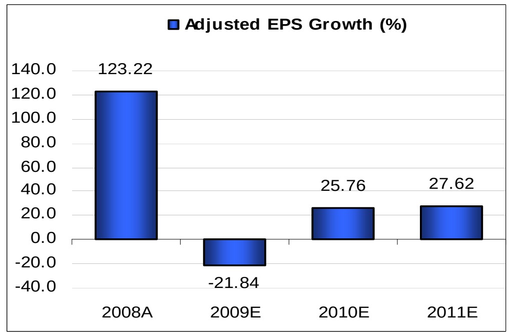
Coverage Universe	Emerging Markets
Universe Weight	-
Rating	NEUTRAL
Price (SRls) (21 Sep 09)	32.5
Price High - Low	47 - 29
Target Price (SRls)	(from 40.59) 38.00
Upside/Downside TP (%)	16.9
Number of Shares (m)	331
Total Market Cap (SRls m)	10,749

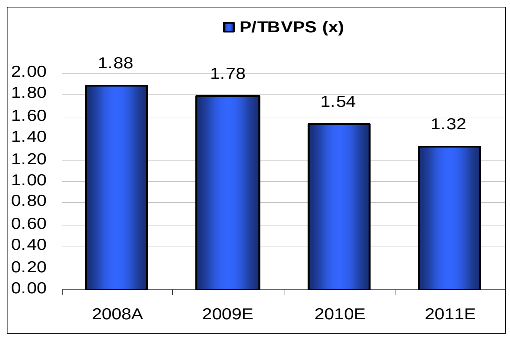
Key Financials	**12/08A**	**12/09E**	**12/10E**	**12/11E**
Operating Profit (SRls m)	2,111	2,406	2,684	2,897
Adjusted Net Income (SRls m)	1,224	956	1,203	1,535
Stated Net Income (SRls m)	1,224	956	1,203	1,535
Reported Book Value (SRls)	5,715	6,025	6,988	8,163
Tangible Book value (SRls m)	5,715	6,025	6,988	8,163
Stated EPS (SAR)	3.70	2.89	3.64	4.64
Adjusted EPS (SAR)	3.70	2.89	3.64	4.64
Tangible BV Per Share (SRls)	17.28	18.21	21.13	24.68

Key Ratios				
P/E (adj., x)	8.78	11.24	8.94	7.00
P/TBVPS (x)	1.88	1.78	1.54	1.32
P/BVPS (adj., x)	1.88	1.78	1.54	1.32
Dividend Yield (%)	2.17	2.22	3.36	5.00
Tangible ROE (%)	23.85	16.30	18.49	20.26
Dividend Per Share (SRls)	0.71	0.72	1.09	1.62
Cost/Income (%)	38.36	36.24	35.07	35.24
Core Tier 1 Ratio (%)	9.95	9.62	10.18	11.04
Tier 1 Ratio (%)	9.95	9.62	10.18	11.04

Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	-3.0	-14.9	-21.1
Relative (%)	-6.1	-14.3	-2.0

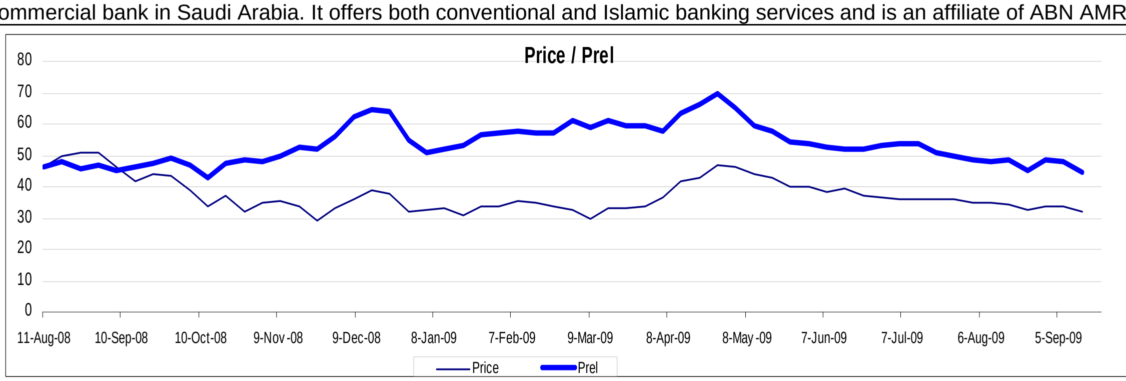






Company Description

The oldest commercial bank in Saudi Arabia. It offers both conventional and Islamic banking services and is an affiliate of ABN AMRO Bank.



Source: Company data, Credit Suisse estimates

Figure 44: Saudi Hollandi Bank: Income statement

SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
Special commission income	2,905.7	2,977.3	2,795.4	3,554.3	3,880.6
Special commission expense	1,705.2	1,532.2	1,051.6	1,569.7	1,723.1
Net special commission income	**1,200.4**	**1,445.1**	**1,743.8**	**1,984.5**	**2,157.5**
Fees from banking services (net)	390.2	456.3	387.9	407.3	427.6
Exchange income (net)	84.9	88.5	81.4	89.5	98.5
Trading income (net)	65.8	115.0	172.5	181.2	190.2
Gains on non trading investments (net)	30.5	5.2	10.0	10.0	10.0
Other operating income	4.4	1.1	10.7	11.8	13.0
Total operating income	**1,776.2**	**2,111.2**	**2,406.4**	**2,684.3**	**2,896.8**
% Growth	*-8.7%*	*18.9%*	*14.0%*	*11.6%*	*7.9%*
Salaries and employee related expenses	465.3	452.5	536.5	589.0	643.5
Rent and premises related expenses	58.2	73.9	70.6	74.4	78.3
Depreciation	60.9	63.1	73.1	63.6	66.2
Other general and administrative expenses	257.5	220.3	191.8	214.3	233.0
Provision for credit losses (net)	495.7	25.5	477.9	540.1	340.8
Impairment of investments (net)	-	52.1	100.0	-	-
Total operating expenses	**1,337.6**	**887.4**	**1,449.9**	**1,481.5**	**1,361.8**
Cost to Income Ratio %	*47.4%*	*38.4%*	*36.2%*	*35.1%*	*35.2%*
Net income	**438.6**	**1,223.7**	**956.5**	**1,202.9**	**1,535.1**
Income Growth %	*-54.0%*	*179.0%*	*-21.8%*	*25.8%*	*27.6%*
Basic EPS (SAR)	1.66	3.70	2.89	3.64	4.64
Diluted EPS (SAR)	1.66	3.70	2.89	3.64	4.64

Source: Company data, Credit Suisse estimates

Figure 45: Saudi Hollandi Bank: Balance sheet
SAR in millions, unless otherwise stated

	FY 2007A	FY 2008	FY 2009E	FY 2010E	FY 2011E
ASSETS					
Cash and balances with SAMA	3,509.0	2,790.7	5,418.7	6,074.4	7,171.3
Due from banks and other financial institutions	5,271.9	365.1	8,106.2	8,855.1	9,563.5
Investments (net)	12,954.3	18,368.3	16,914.6	17,840.2	19,223.4
Loans and advances (net)	27,554.6	38,017.1	42,685.2	45,058.6	48,496.0
Property and equipment (net)	320.4	465.6	346.5	360.4	374.8
Other assets	801.1	1,429.3	4,822.3	7,609.3	7,629.9
Total Assets	**50,411.3**	**61,436.2**	**78,293.5**	**85,797.9**	**92,458.9**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Due to banks and other financial institutions	9,157.6	9,286.2	13,510.3	14,758.5	15,939.2
Customer deposits	34,605.0	43,012.3	54,041.1	59,034.1	63,756.8
Other liabilities	1,401.9	1,947.6	3,242.5	3,542.0	3,825.4
Subordinated debt	700.0	1,475.0	1,475.0	1,475.0	775.0
Total liabilities	**45,864.5**	**55,721.0**	**72,268.9**	**78,809.6**	**84,296.4**
Shareholders' equity					
Share capital	2,646.0	2,646.0	3,307.5	3,307.5	3,307.5
Statutory reserve	1,609.0	1,925.8	2,108.8	2,409.5	2,793.2
General reserve	130.0	130.0	30.0	30.0	30.0
Fair value / Cash flow hedges adjustment account	20.8	(45.4)	20.8	20.8	20.8
Retained earnings	141.0	825.3	318.4	859.7	1,473.7
Proposed dividends	-	233.5	239.1	360.9	537.3
Total Equity	**4,546.8**	**5,715.2**	**6,024.6**	**6,988.3**	**8,162.5**
Total liabilities and shareholders' equity	**50,411.3**	**61,436.2**	**78,293.5**	**85,797.9**	**92,458.9**

Source: Company data, Credit Suisse estimates

Companies Mentioned *(Price as of 21 Sep 09)*
Abu Dhabi Commercial Bank (ADCB.AD, Dhs2.64, NEUTRAL [V], TP Dhs3.26)
Al Rajhi Bank (1120.SE, SRls69.75, OUTPERFORM, TP SRls88.00)
Arab National Bank (1080.SE, SRls44.00, NEUTRAL [V], TP SRls48.00)
Banque Saudi Fransi (1050.SE, SRls41.00, NEUTRAL [V], TP SRls43.00)
Commercial Bank of Qatar (COMB.QA, QR82.10, OUTPERFORM [V], TP QR95.22)
Doha Bank (DOBK.QA, QR48.20, OUTPERFORM [V], TP QR46.84)
Dubai Islamic Bank (DISB.DU, Dhs3.04, NEUTRAL [V], TP Dhs3.33)
Emirates NBD (ENBD.DU, Dhs4.15, NEUTRAL, TP Dhs5.13)
First Gulf Bank (FGB.AD, Dhs16.50, OUTPERFORM [V], TP Dhs21.50)
National Bank of Abu Dhabi (NBAD.AD, Dhs14.00, NEUTRAL [V], TP Dhs16.13)
Qatar National Bank (QNBK.QA, QR143.00, OUTPERFORM, TP QR144.85)
Riyad Bank (1010.SE, SRls24.15, OUTPERFORM, TP SRls30.00)
Samba Financial Group (1090.SE, SRls46.30, OUTPERFORM [V], TP SRls60.00)
Saudi Hollandi Bank (1040.SE, SRls32.50, NEUTRAL [V], TP SRls38.00)
The Saudi British Bank (1060.SE, SRls46.60, OUTPERFORM [V], TP SRls60.00)
Union National Bank (UNB.AD, Dhs4.42, OUTPERFORM [V], TP Dhs5.66)

Disclosure Appendix

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