SAUDI BANKING SECTOR

Good Value Despite Low Growth

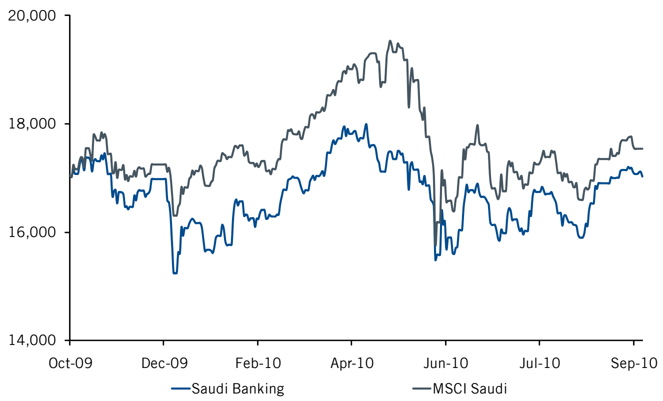
October 05, 2010

Valuation

	Price * (SAR)	Fair Value (SAR)	Upside / Downside	Recommendation	Market Cap. Million SAR
Samba	63.00	61.00	-3%	Hold	56,700
Riyad	28.10	32.60	16%	Accumulate	42,150
SABB	46.70	49.40	6%	Accumulate	35,025
BSF	48.80	55.90	15%	Accumulate	35,293
ANB	41.30	46.90	14%	Accumulate	26,845

**As of October 04, 2010. Sources: Reuters, Tadawul, and NBK Capital*

Rebased Performance



Sources: Reuters and NBK Capital

Forecasts

	2010 F					
	P/E	P/B	Net Profit Growth	Operating Income Growth	RoAE	Dividend Yield
Samba	12.1	2.2	2.7%	-0.7%	19.4%	2.8%
Riyad	13.9	1.4	0.3%	1.1%	10.6%	4.8%
SABB	17.2	2.3	0.3%	-3.1%	14.4%	1.9%
BSF	12.1	1.9	17.7%	5.3%	17.1%	2.9%
ANB	12.5	1.7	-9.1%	-2.3%	14.2%	2.4%

Sources: Banks' financial statements, Reuters, and NBK Capital

Key Ratios

	NPLs-to-Gross Loans	NPL Coverage	Risk Cost	Cost-to-Income	LDR	CAR
	Dec-2009		1H2010		Jun-2010	
Samba	3.32%	116%	0.52%	26.7%	61%	18.0%
Riyad	1.16%	141%	0.90%	38.6%	84%	18.4%
SABB	4.51%	50%	1.80%	32.2%	79%	13.6%
BSF	1.27%	127%	0.34%	27.7%	89%	13.7%
ANB	2.81%	76%	0.54%	35.9%	83%	17.7%

Sources: Banks' financial statements and NBK Capital

Analysts

Raja Ghoussoub, CFA

T. +971 4365 2857
E. raja.ghoussoub@nbkcapital.com

Munira Mukadam

T. +971 4365 2858
E. munira.mukadam@nbkcapital.com

Tariq van der Loo

T. +971 4365 2812
E. tariq.vanderloo@nbkcapital.com

Highlights

- We maintain our favorable view of the Saudi banking sector with "Accumulate" recommendations on Riyad, BSF, ANB, and SABB and a "Hold" recommendation on Samba. Saudi banks continued to exhibit resilience in 1H2010, following a relatively good performance in FY2009. Despite generally no growth in loan books, significant pressure on asset yields, and an on-going drop in brokerage activity, Saudi banks managed to defend operating income, benefiting from a steep drop in funding costs, an increase in trade-related fees, and an improvement in investment earnings.
- The sluggish economic activity, low demand for lending, and reduced risk-appetite on the part of banks continued to be the case so far in 2010. On the upside, Saudi banks managed to increase their already-abundant non-interest bearing (NIB) deposits, benefiting from the low interest rate environment. Moreover, significant deterioration in asset quality did not materialize, and there are encouraging signs that non-performing loans (NPLs) did not suffer a major jump so far in 2010. Capitalization showed even further improvement in 1H2010, resulting in very comfortable capital adequacy ratios for all banks.
- We believe loan growth in 2H2010 will be similar to that of 1H2010 (+3%), before improving in 2011 to average around 7%. We still see NIB deposits growing faster than interest-bearing ones in 2011. We forecast a slight improvement in interest margins in 2011, before a more meaningful increase occurs in 2012 and beyond, driven by higher interest rates and faster loan growth. We believe that fear from a significant deterioration in asset quality has greatly subsided, but we still expect a natural and moderate increase in NPLs going forward. We see that loan provisioning has already peaked for the majority of the banks in FY2009 and should peak for the rest of them in FY2010, although we expect provisioning to remain higher than pre-crisis levels as Saudi banks build again their NPL coverage ratios.
- We increase our fair value for BSF by 13% on higher forecasted earnings, and assign an "Accumulate" recommendation on the stock, which offers, we believe, an upside potential of 15%. We drop our fair value of Riyad, ANB, and SABB by 4%, 8%, and 3%, respectively, on lower forecasted earnings but which still offer an upside potential of 16%, 14%, and 6%, respectively, hence our "Accumulate" recommendations on these three stocks. We maintain our fair value for Samba at SAR 61.00 per share and assign the stock a "Hold" recommendation. We believe all covered banks will be able to increase both operating income and net profit in 2011 on the back of faster loan growth, slightly better interest margins, lower provisioning, and on-going cost efficiency.

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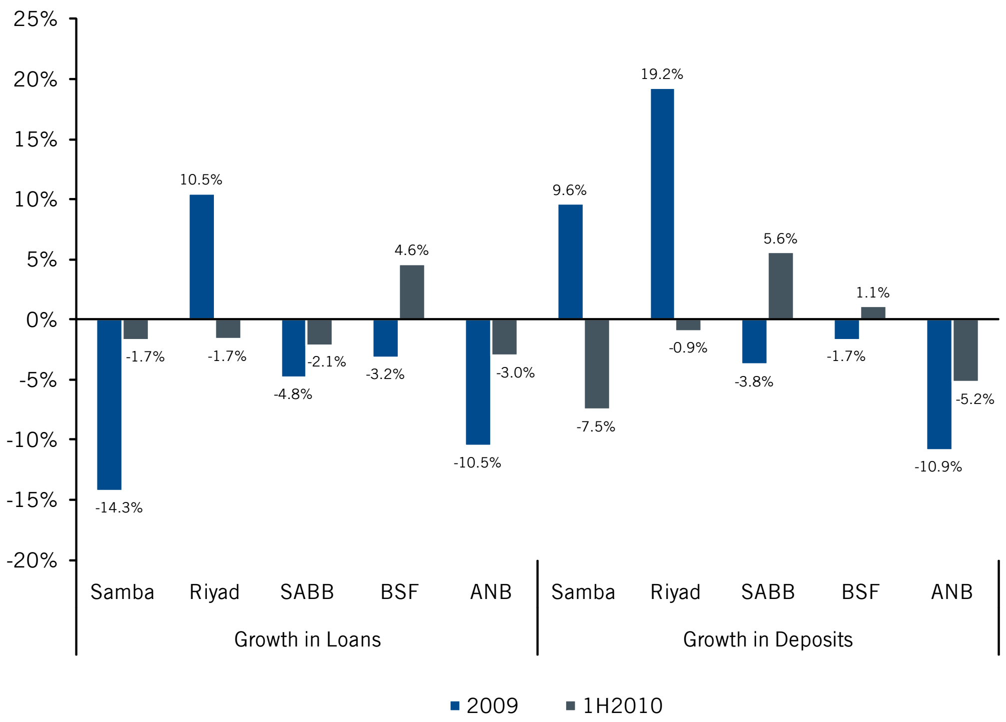
SECTOR HIGHLIGHTS

Lending and Deposit Growth

Lending in Saudi Arabia has remained weak so far in 2010, although improving slightly compared to 2009. Total sector loans grew by 3.4% between December 2009 and July 2010, after declining by 1% in FY2009. Although worries of asset quality weakening are currently lower than at the beginning of the year, Saudi banks have remained cautious in terms of their lending activities. Furthermore, the sluggish economic recovery coupled with increased spending by the government in the form of advance payment schemes resulted in the demand for loans remaining weak. Of the five banks under coverage, only BSF saw its loans increase in 1H2010, as they expanded by 4.6% (Figure 1). We believe this growth was mainly driven by the bank's retail business, which has a lot of room to expand as consumer loans represented only 8% of BSF's total loans at the end of 2009, compared to higher shares for the peers. ANB, in contrast, saw its loan book decline by 3% in 1H2010 (the most among the covered banks), and together with SABB, Riyad, and Samba, underperformed the sector in terms of loan growth.

BSF outperformed its peers in terms of loan growth in 1H2010 while SABB outperformed in terms of deposit accumulation

Figure 1 Growth in Loans and Deposits: FY2009 and 1H2010



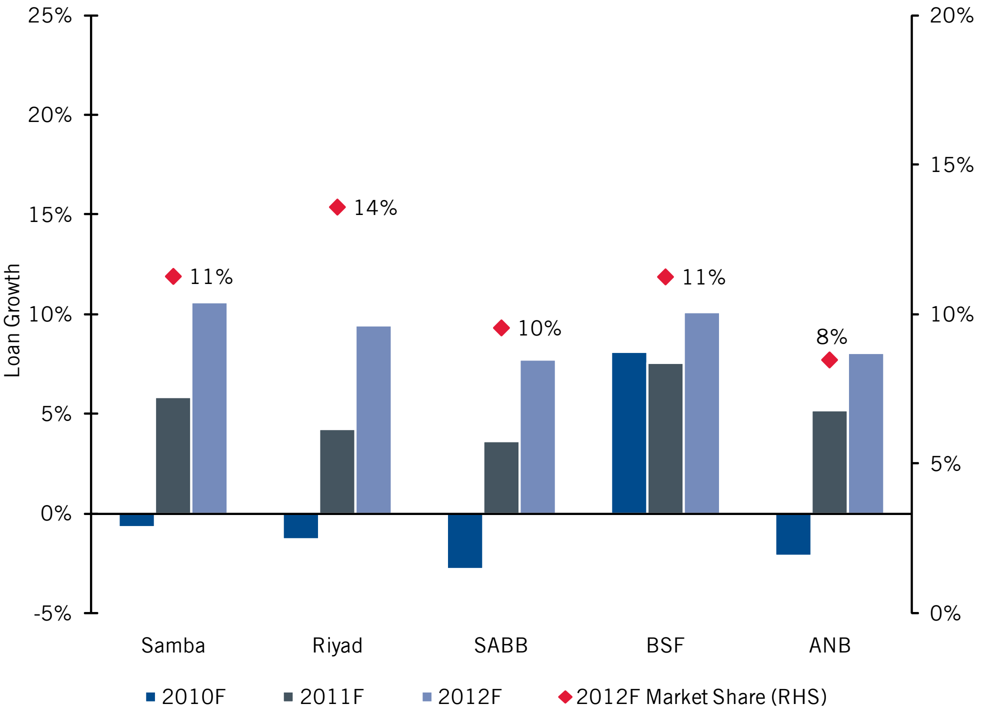
Sources: Banks' financial statements and NBK Capital

Total sector deposits remained flat between December 2009 and July 2010, unlike the 11% growth witnessed in FY2009. Only SABB and BSF saw their deposits grow in 1H2010, increasing by 5.6% and 1.1%, respectively, while Samba's deposits dropped by 7.5% and together with ANB and Riyad, underperformed the sector in terms of deposit growth. However, a low-interest-rate environment, slow loan growth, and the lackluster performance of the equity markets enabled Saudi banks to continue raising NIB deposits in 1H2010. As such, we believe NIB deposits grew much quicker than interest-bearing ones in 1H2010, similar to the trend seen in FY2009. In fact, we think that interest-bearing deposits actually dropped in 1H2010. We believe that NIB deposits will continue to increase as a share of total deposits in the remainder of 2010 and in 2011 as we expect interest rates to remain low and loan growth to remain weak, though higher than in 2009. We expect sector loans to grow by approximately 5% in FY2010, before growth accelerates to 7%

and 9.6% in 2011 and 2012, respectively, as demand for loans picks up and economic recovery becomes more sustained. We believe BSF will be the only bank to grow its loan book in FY2010, at 8%, and to maintain this outperformance in 2011 with a further 8% growth.

We forecast sector loans to grow by 5% in 2010, before growth picks up to 7% and 9.6% in 2011 and 2012, respectively, with no major changes in market shares

Figure 2 Loan Growth and Market Share Forecasts



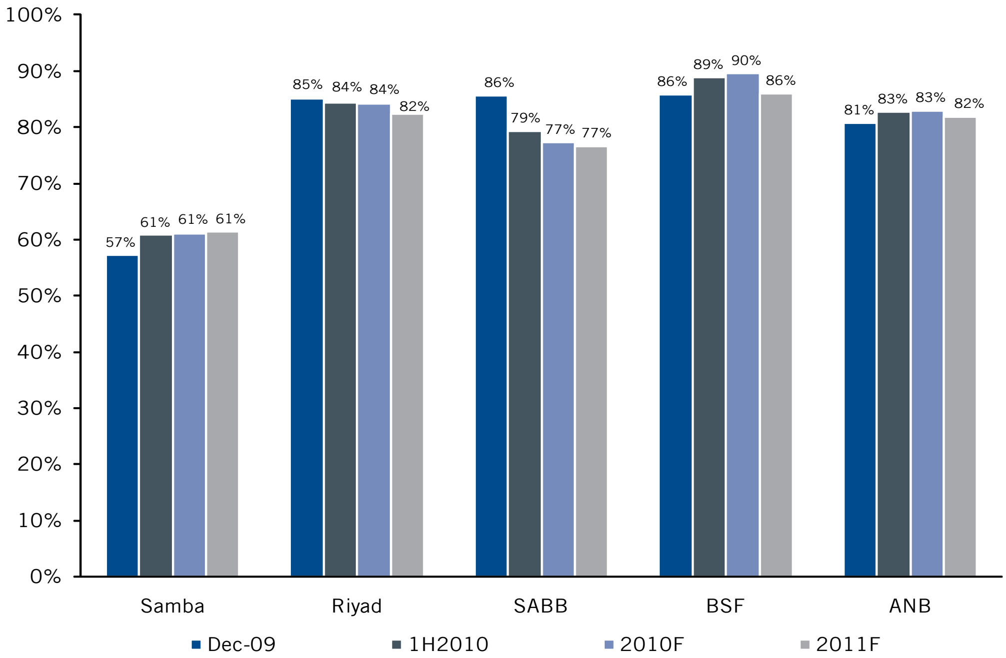
Sources: Banks' financial statements and NBK Capital

Liquidity

The quicker growth in lending than in deposits in 1H2010 resulted in a slight weakening in the liquidity indicators of the Saudi banking sector in 1H2010. The sector's simple loans-to-deposits ratio (LDR) rose from 78% in December 2009 to 81% in June 2010. Only SABB had a notable decline in its LDR from 86% in December 2009 to 79% in June 2010. The other banks witnessed increasing or nearly flat LDRs in 1H2010, as seen in Figure 3. Even as its LDR increased in 1H2010, Samba maintained one of the lowest LDRs in the Saudi banking sector at 61% as of June 2010, which will eventually allow the bank to increase lending without needing to raise additional deposits. However, Samba has suffered more than its peers in terms of dropping interest margins. Going forward, we expect deposits to grow more or less in-line with loans in 2011.

Figure 3 Loans-to-Deposits Ratios

Most banks had flat or increasing LDRs in 1H2010

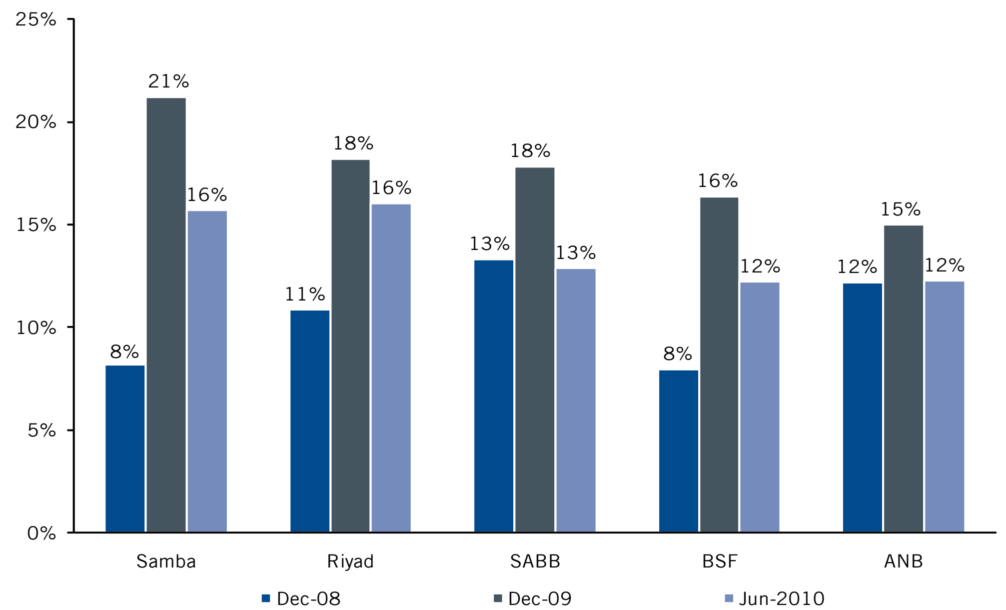


Sources: Banks' financial statements and NBK Capital

The decline in liquidity in 1H2010 is more obvious when looking at the ratio of liquid assets (defined here as cash and balances with SAMA plus interbank deposits) to total assets (Figure 4). After this ratio increased for all banks in 2009, it decreased in 1H2010, with Samba and SABB posting the most notable drops. Data from SAMA shows that bank deposits with SAMA (other than statutory deposits) have declined from approximately SAR 99 billion in December 2009 to SAR 59 billion in July 2010. Nevertheless, the liquid assets-to-total assets ratios at the end of June 2010 were still higher than those seen at the end of 2008. In all cases, we believe the overall liquidity situation of Saudi banks is still very adequate.

Figure 4 Liquid Assets-to-Total Assets Ratios

After a sharp improvement in liquidity in 2009, there was a weakening in 1H2010, although liquidity is still adequate



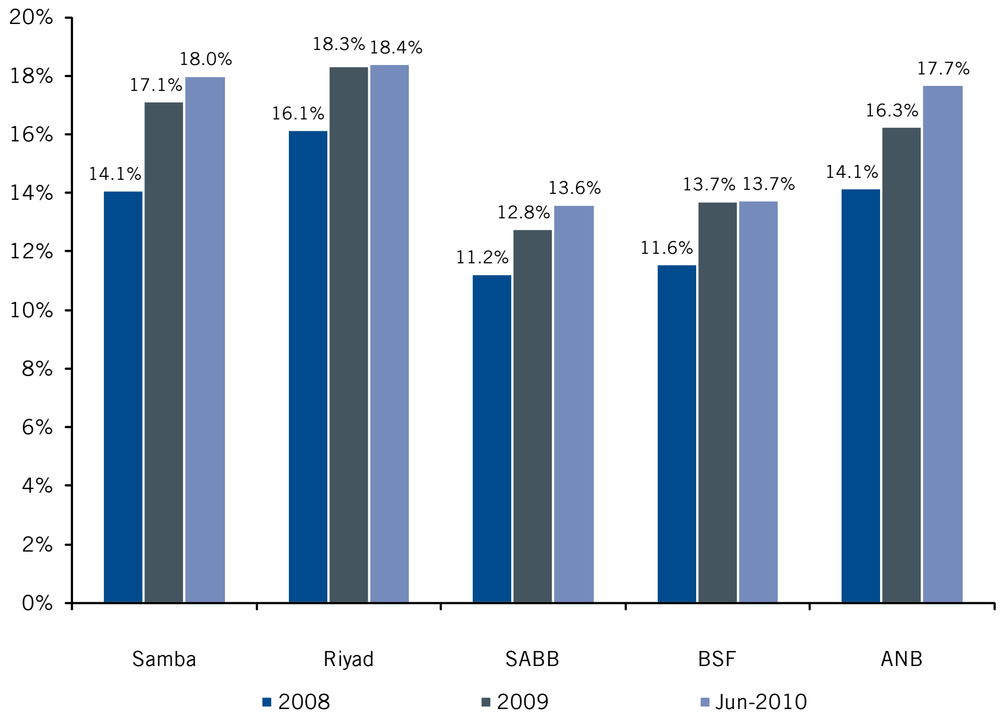
Sources: Banks' financial statements and NBK Capital

Capitalization

Capitalization continued to increase in 1H2010, following strong improvement in 2009. The capital adequacy ratios (CARs) of all the banks increased in 1H2010, as seen in Figure 5. CARs in Saudi Arabia are significantly higher than the minimum requirement of 8% and are also above the level that SAMA will not want banks to fall behind, which is around the 12% level. This gives most banks ample room to grow their loan books without being constrained by capitalization issues. Riyad has held the highest CAR among its peers in the past few years, which stood at 18.4% at the end of June 2010, followed closely by Samba at 18% and ANB at 17.7%. We expect Saudi banks to be able to maintain these high CARs going forward, even when loan growth picks up again as earnings retention is expected to be fairly high in the Saudi banking sector, as has been the case in the past few years.

Following a jump in 2009, capitalization continued to improve in 1H2010, and currently stands at more than adequate levels

Figure 5 Capital Adequacy Ratios



Sources: Banks' financial statements and NBK Capital

Earnings

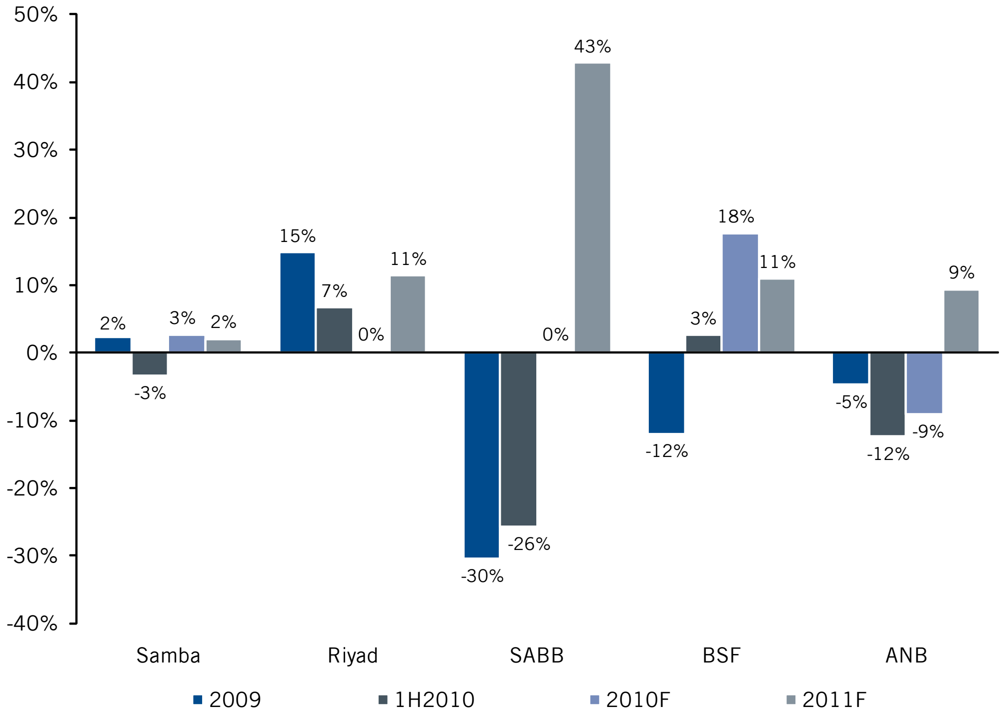
The banks recorded an 8% decline in their combined net interest income (NII) in 1H2010, as loan growth was weak and interest margins remained under pressure. Growth in the combined fees and commissions was better than in FY2009 but was still a modest 4% in 1H2010, while investment earnings improved slightly compared to 1H2009. The combined operating income of the covered banks declined by 2.5% in 1H2010. Costs were very much under control, as was the case in FY2009, registering a growth of merely 2% in 1H2010. The loan loss provisioning charges increased from SAR 1.31 billion in 1H2009 to SAR 1.69 billion in 1H2010. Loan provisioning charges increased for SABB, Riyad, and ANB, while decreasing for Samba and BSF. The increase in provisions was led by SABB, which saw its charges grow from SAR 431 million in 1H2009 to SAR 680 million in 1H2010, accounting for 65% of the increase in the loan loss provisioning charges of the covered banks. SABB incurring high provisions in FY2010 was expected, since the bank had the lowest NPL coverage ratio (50%) at the end of 2009, combined with the highest NPLs to gross loans ratio (4.5%).

Overall, the combined net profit of the covered banks decreased by 6% in 1H2010 driven by the drop in NII and the increase in provisions. Riyad posted the highest growth in net profit among the covered banks, at 7% in 1H2010, despite nearly flat operating income as the reversal of investment provisions more than offset a sharp increase in loan provisioning in 1H2010. BSF was the only other bank to post an increase in net profit in 1H2010 (3%) as the 2% increase in operating income was supported by a 17% drop in loan provisioning. SABB's net profit declined by 26% in 1H2010 following a 30% drop in FY2009 driven by the increase in provisioning as previously mentioned.

We expect BSF to record the highest growth in net profit (+18%) in FY2010, followed by Samba (+3%). However, we expect SABB and Riyad to end 2010 with nearly flat net profit growth while we see net profit for ANB dropping by 9% in 2010. We expect all banks to increase their net profit in 2011, with SABB recording the highest growth as loan provisioning charges drop significantly for that bank. However, the steep expected growth in net profit for SABB in FY2011 would follow a sharp drop in FY2009 (30%) and a flat forecasted growth in FY2010.

We expect all banks to increase their net profit in 2011

Figure 6 Growth in Net Profit

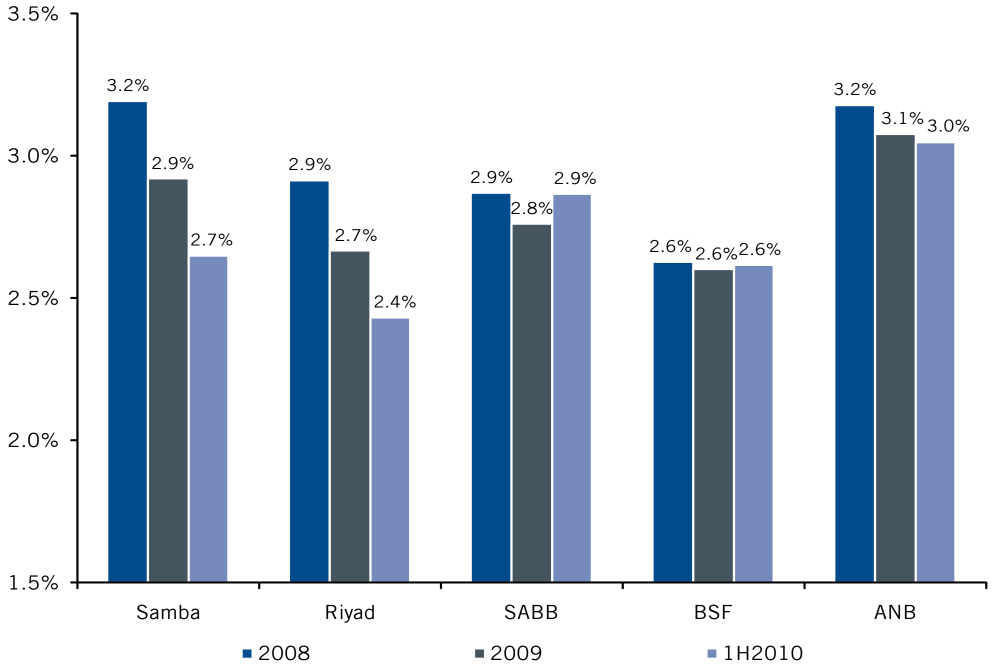


Sources: Banks' financial statements and NBK Capital

Interest margins remained under pressure in 1H2010 following a prior drop in FY2009 as can be seen in Figure 7. The rapid growth in NIB deposits helped support margins to a certain extent. In other words, the drop in the NIM would have been more pronounced had Saudi banks not succeeded in increasing their NIB deposits and decreasing those that are interest-bearing. The banks' fixed income investment portfolios, which continued to mature or re-price to lower yields was one of the main reasons for the drop in NIMs. Going forward, we expect margins to remain under pressure for the remainder of 2010, before a slight improvement occurs in FY2011. We expect a more meaningful improvement in interest margins in 2012 driven by higher interest rates and faster loan growth.

Figure 7 Net Interest Margins

Net interest margins remained under pressure in 1H2010 following a drop in 2009

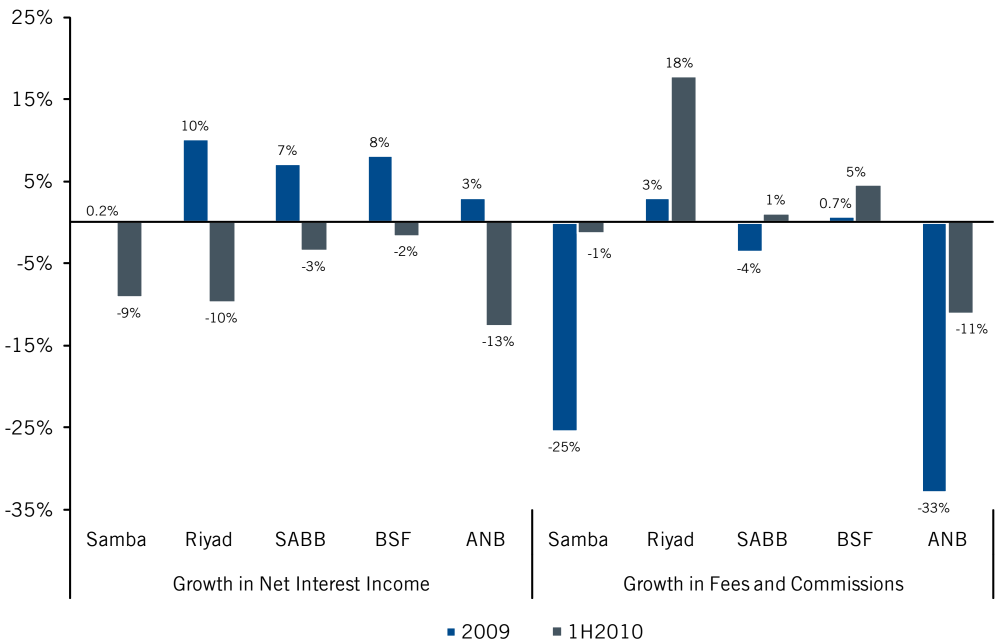


Sources: Banks' financial statements and NBK Capital

In Figure 8, we see that net interest income dropped for all banks in 1H2010. BSF witnessed the lowest drop due to higher loan growth and better performance of interest margins driven by the growth of the high-yielding consumer business. Income from fees and commissions growth was also under pressure but performed better for all banks than in FY2009. Higher trade-related fees offset the continuous drop in brokerage commissions with trading on the Saudi Stock Exchange (Tadawul) dropping by 42% in 1H2010, compared to the same period of 2009. ANB was the hardest hit, as the bank witnessed the sharpest drop in fees and commissions at 11%.

Figure 8 Growths in Net Interest Income and in Fees and Commissions: FY2009 and 1H2010

BSF experienced the smallest drop in net interest income in 1H2010, while Riyad significantly outperformed its peers in terms of growth in fees and commissions

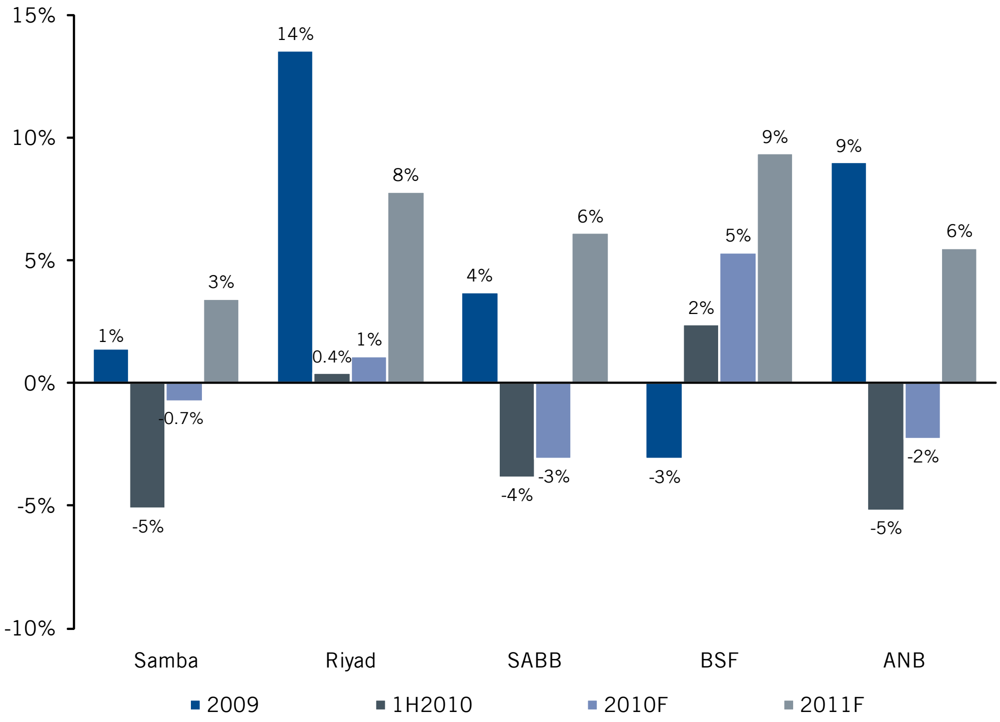


Sources: Banks' financial statements and NBK Capital

With the exception of SABB, all the banks were able to increase their net investment earnings in 1H2010, which helped support operating income. We expect the banks to end 2010 with a modest performance in terms of operating income, ranging from a 3% drop for SABB to a 5% increase for BSF. We forecast that all banks will be able to increase their operating income in 2011, supported by higher loan growth, slightly better interest margins, and normalization of fee income growth.

We believe all banks will be able to increase their operating income in FY2011 following a weaker performance in 2010

Figure 9 Growth in Operating Income



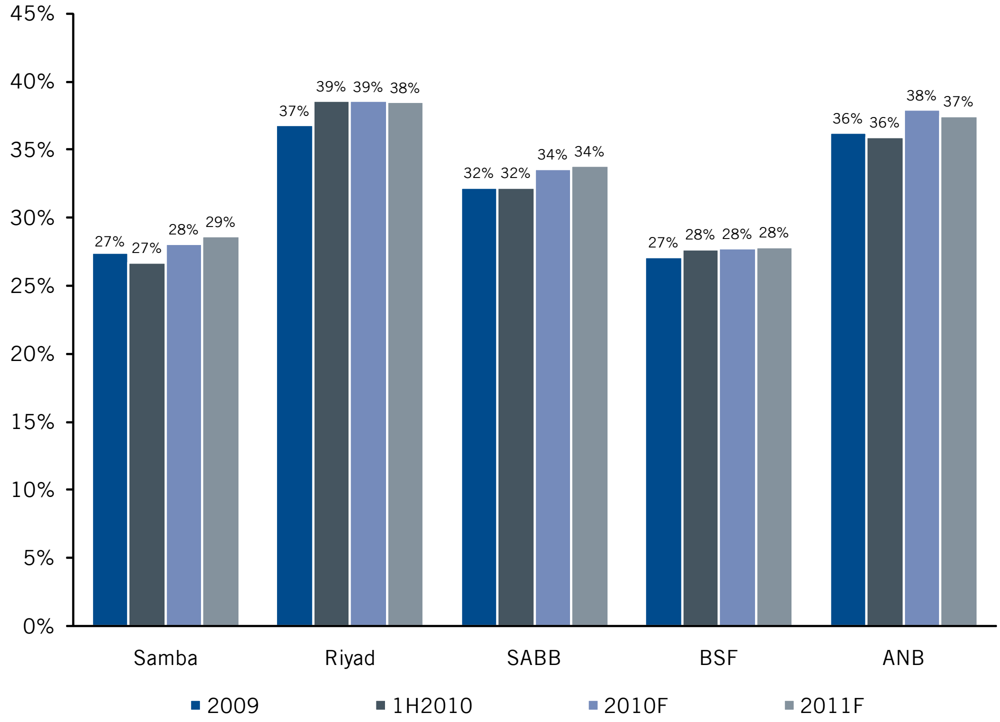
Sources: Banks' financial statements and NBK Capital

Cost Efficiency

As mentioned previously, the banks did a good job in controlling cost expansion in 1H2010, resulting in only a slight increase in combined costs of around 2% in 1H2010. However, relatively weak operating income led to a slight increase in most banks' cost-to-income ratios (CIR) in 1H2010 in comparison to FY2009 (Figure 10). Samba, historically one of the most cost-efficient banks in Saudi Arabia, was the only bank that was able to reduce costs (-3%) in 1H2010. Consequently, Samba maintained its advantage over its peers, lowering its cost-to-income ratio to 26.7% in 1H2010 from 27.4% in FY2009. BSF witnessed the largest increase in costs (+7%) in 1H2010, but remained the most cost-efficient bank after Samba, with a CIR of 27.7% in 1H2010, compared to 27% in FY2009. While we do not expect major changes in the banks' cost-to-income ratios going forward, we do believe there is room to improve cost efficiency at Riyad and ANB. At the same time, we expect Samba and BSF to continue to outperform their peers over the forecast horizon, maintaining the lowest cost-to-income ratios.

We expect Samba and BSF to continue to maintain the lowest cost-to-income ratios over the forecast horizon

Figure 10 Cost-to-Income Ratios



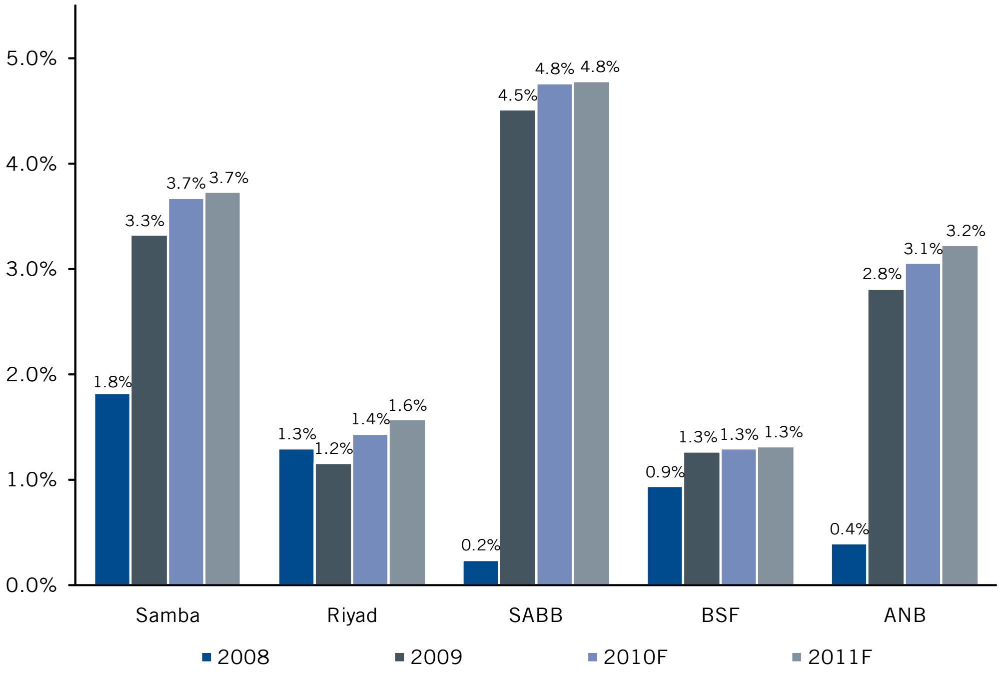
Sources: Banks' financial statements and NBK Capital

Asset Quality

The year 2009 was characterized by financial trouble at two major Saudi conglomerates early in the year, followed by the announcement of the Dubai World debt restructuring in the UAE at the end of the year. Fear of a ripple effect on an already weak economy and a vulnerable operating environment was the primary concern for Saudi banks. Consequently, the banks became very cautious in their lending practices. However, thus far in 2010, there have been positive signs, as NPL formation has slowed down and we believe that fear from a sharp deterioration in asset quality has greatly subsided. Nevertheless, we still expect a natural and moderate increase in NPLs going forward and see the NPL ratios starting to decrease in 2012.

After the jumps seen in 2009, we believe the NPL ratios will stabilize in 2010 and 2011 before starting to drop in 2012

Figure 11 NPLs-to-Gross Loans Ratio

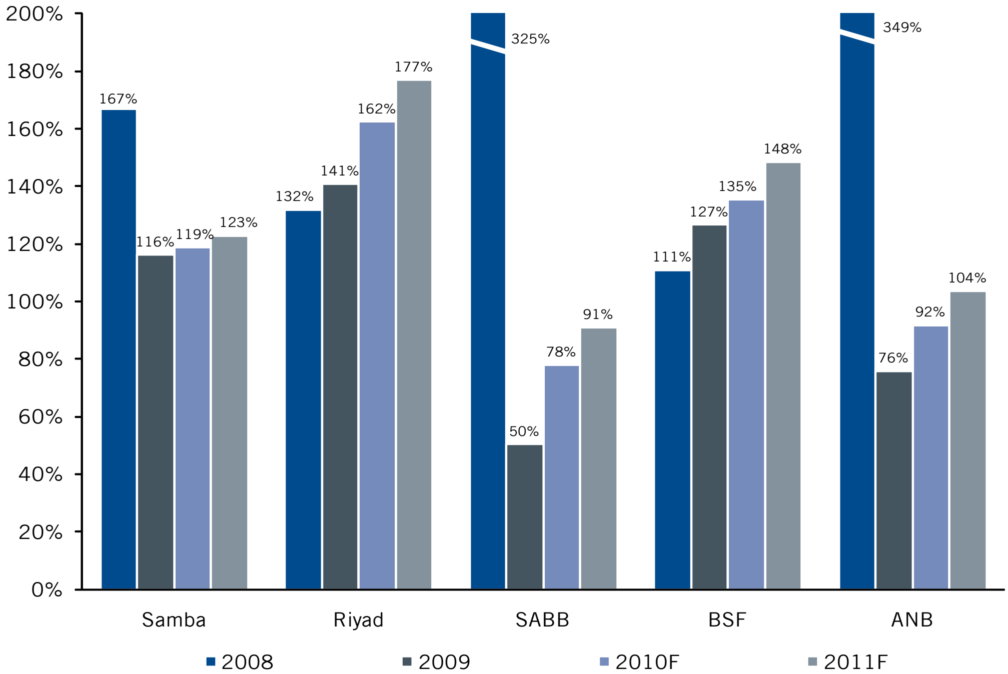


Sources: Banks' financial statements and NBK Capital

We believe that provisioning has already peaked for the majority of the banks in FY2009 and should peak for the rest of them in FY2010. In 1H2010, provisioning has remained relatively high for the covered banks. We believe that this will be the case for the remainder of 2010, as the banks again build their NPL coverage ratios. Hence, we forecast the NPL coverage ratios of all the banks to increase in FY2010 and beyond, as those banks will want to come close to pre-crisis NPL coverage ratios that were comfortably over 100%.

We expect the NPL coverage ratios for the banks to increase in FY2010 and beyond, and to surpass the 100% mark during our forecast horizon

Figure 12 NPL Coverage Ratios

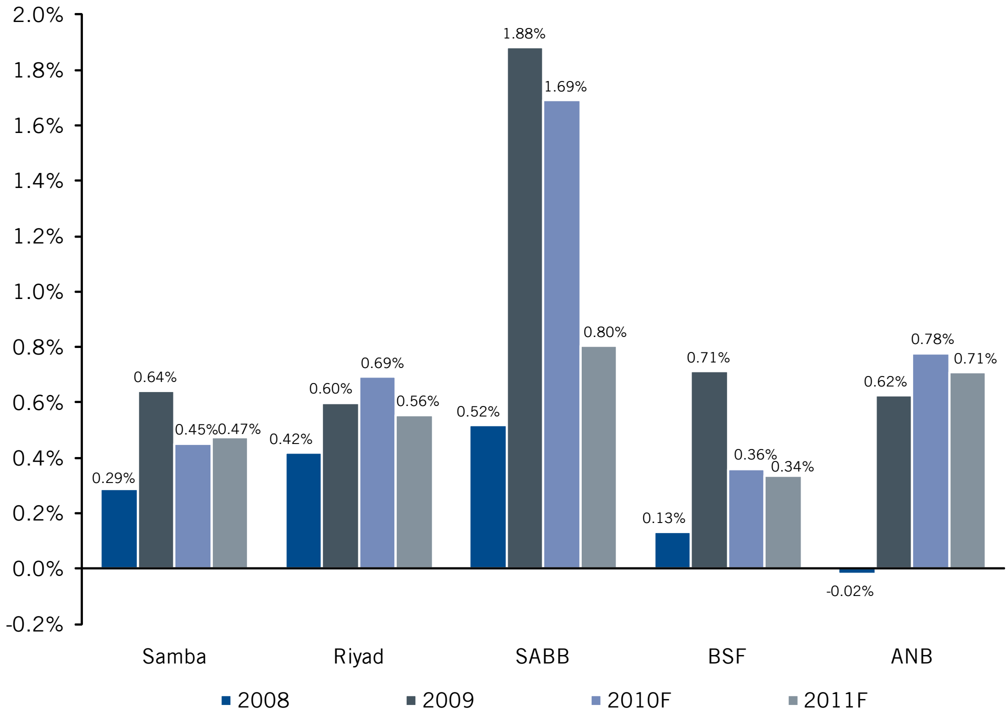


Sources: Banks' financial statements and NBK Capital

All banks witnessed an increase in the ratio of net provisioning charges-to-average gross loans (risk cost) in 2009, as loan loss provisioning jumped in that year. With the exception of Riyad, all the banks' risk costs declined slightly in 1H2010 as provisioning slowed down compared to FY2009. For FY2010, we see the risk cost ranging from 0.36% for BSF to 1.69% for SABB. In FY2011 and beyond, we expect the risk cost of all the banks to drop towards pre-crisis levels.

We expect the risk cost of all the banks to drop in FY2011 and beyond

Figure 13 Provisioning Charges-to-Average Gross Loans Ratio

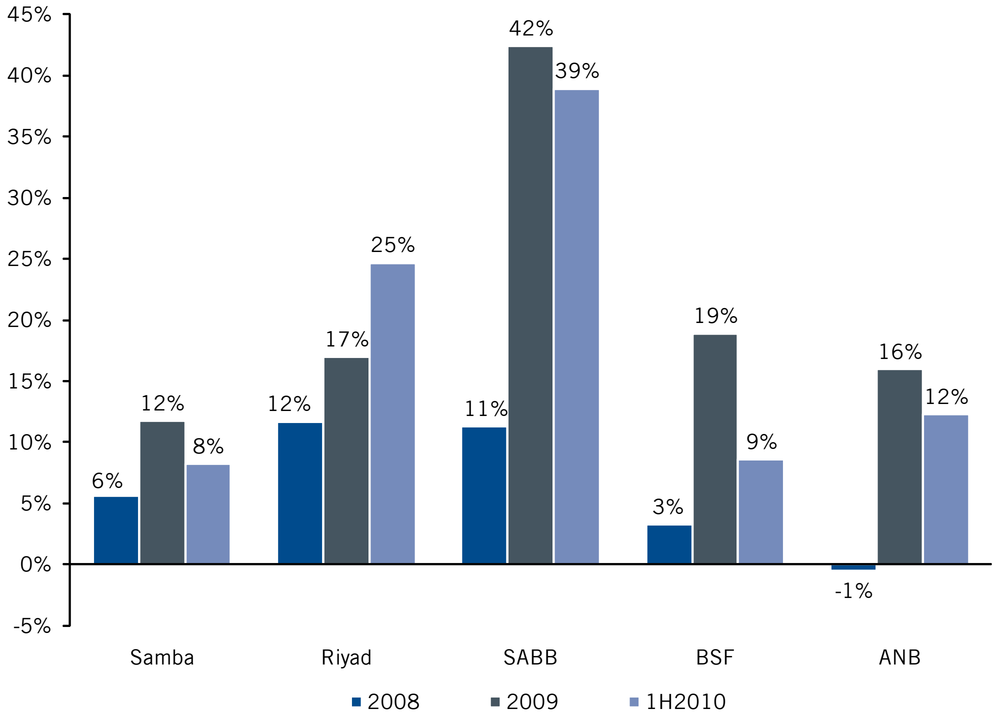


Sources: Banks' financial statements and NBK Capital

To get a clearer picture of the impact of provisioning on the bottom line, we plot the net provisioning charges-to-income before provisions (IBP) (Figure 14). In 1H2010, the measure decreased for all banks with the exception of Riyad. SABB's measure remained the highest among the covered banks, as loan provisions accounted for 39% of IBP, following a 58% surge in provisioning charges in 1H2010. Riyad had the next highest ratio of 25%, as loan provisions rose by 70% in 1H2010, while Samba maintained the lowest ratio for the period at 8%. We expect this measure to remain relatively high for all banks in FY2010, ranging from 7% for Samba to 29% for SABB, and then gradually decline over the forecast horizon.

Net provisioning charges-to-IBP decreased for all banks in 1H2010 with the exception of Riyad

Figure 14 Net Provisioning Charges-to-IBP*



**Note: IBP = Income before Loan Loss Provisions Sources: Banks' financial statements and NBK Capital*

To conclude, despite low or no-growth in loan books, pressure on asset yields, and weak brokerage activity, Saudi banks were able to support operating income in 1H2010 via a reduction in funding costs and improvements in non-interest income components. Furthermore, the controlled cost growth and lower provisioning charges for some of the banks helped defend net profit. We expect most banks to end FY2010 with operating income and net profit levels that are close to those witnessed in FY2009 while only BSF achieves some earnings improvement, which we forecast at 5% for operating income and 18% for net profit. We expect that all covered banks will be able to increase both operating income and net profit in 2011 supported by faster loan growth, slightly better interest margins, lower provisioning, and on-going cost efficiency.

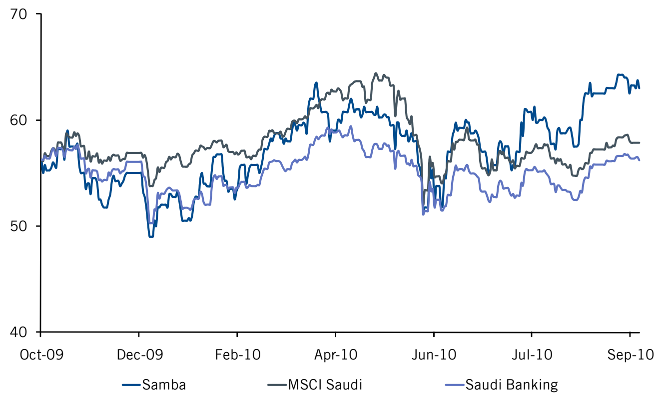
Samba Financial Group (Samba)

Valuation

Valuation Method	Value (SAR)	Weight (%)
Discounted Equity Cash Flow (DECF)	84.00	40%
Dividend Discount Model (DDM)	53.20	40%
Peer-Based Valuation	30.80	20%
Weighted Average Fair Value	**61.00**	**100%**

Source: NBK Capital

Rebased Performance



Sources: Reuters and NBK Capital

Historical Performance

SAR Thousands	2009	% Change in 2009	Jun-10		YTD Change %
Net Loans and Advances	84,146,523	-14.3%	82,716,168		-1.7%
Customer Deposits	147,128,762	9.6%	136,067,177		-7.5%
Shareholders' Equity	22,310,078	12.4%	24,578,874		10.2%
Total Assets	185,518,269	3.7%	188,356,881		1.5%
SAR Thousands	**2009**	**% Change in 2009**	**1H2009**	**1H2010**	**Y-o-Y Change %**
Net Interest Income	5,069,513	0.2%	2,613,380	2,374,069	-9.2%
Net Fees and Commissions	1,209,881	-25.5%	647,174	638,222	-1.4%
Net Invest. Gains/(Losses)	466,811	n/m	351,198	393,833	12.1%
Total Operating Income	7,109,640	1.4%	3,807,415	3,612,698	-5.1%
Total Costs	(1,951,474)	-7.6%	(997,760)	(965,893)	-3.2%
Prov. for Credit Losses, net	(604,822)	126.5%	(300,262)	(217,540)	-27.5%
Net Profit	**4,560,176**	**2.4%**	**2,514,784**	**2,430,976**	**-3.3%**

Sources: Bank's financial statements and NBK Capital

Forecasts

SAR Thousands	2010 Forecasts			2010f versus 2009a	5-year CAGR *
	Old	New	Diff %		
Net Loans and Advances	90,069,394	83,549,303	-7.2%	-0.7%	9.8%
Customer Deposits	155,498,079	136,907,594	-12.0%	-6.9%	7.5%
Net Interest Income	5,033,223	4,812,680	-4.4%	-5.1%	10.2%
Net Fees and Commissions	1,296,215	1,220,244	-5.9%	0.9%	10.1%
Total Operating Income	7,192,266	7,056,789	-1.9%	-0.7%	9.2%
Total Costs	(1,993,566)	(1,981,805)	-0.6%	1.6%	10.2%
Prov. for Credit Losses, net	(491,324)	(395,320)	-19.5%	-34.6%	8.8%
Net Profit	**4,712,969**	**4,683,517**	**-0.6%**	**2.7%**	**8.7%**

SAR Millions	3Q2009A	2Q2010A	3Q2010F	4Q2010F
Operating Income	1,755	1,772	1,750	1,694
Income before Provisions	1,287	1,278	1,265	1,165

**CAGR: 2010–2015. Sources: Bank's financial statements and NBK Capital*

12-Month Fair Value: SAR 61.00

Recommendation: Hold – Risk Level**: 2

- Our new estimate of Samba's 12-month fair value per share stands at SAR 61.00, which is 3% lower than the share's closing price on October 04, 2010. Hence, our recommendation on the stock is "Hold". Samba achieved a net profit of SAR 2.43 billion in 1H2010, 3% below 1H2009. The decline in net profit was driven by a 5% decline in operating income in 1H2010 which came 3% above our forecast. The weaker operating income was on the back of a 9% decrease in net interest income, as interest margins dropped and loan growth continues to be in negative territory. Trading income, exchange income, and income from fees and commissions were under pressure in 1H2010, decreasing by 79%, 16%, and 1%, respectively. An increase in gains on non-trading investments from SAR 191 million in 1H2009 to SAR 330 million in 1H2010 (+73%) was the means by which Samba increased its non-interest earnings in 1H2010. Samba continued to be one of the most cost efficient banks in the Saudi banking sector with a cost reduction of 3% in 1H2010 resulting in a CIR of 27%, which is slightly better than the ratio for 2009.
- Samba's loan growth continues to be weak, with net loans declining by 2% in 1H2010 following a 14% drop in 2009. Deposits dropped by 8% in 1H2010, resulting in an LDR of 61% as of June 2010, the lowest among the covered banks. Capitalization benefited from the low-growth environment of 1H2010, with the CAR increasing to 18% from 17% in December 2009. These very comfortable liquidity and capitalization indicators give Samba an advantage over its peers in the ability to grow the loan book going forward. Loan loss provisioning charges dropped to SAR 218 million in 1H2010, 28% below 1H2009. However, provisioning differed drastically between 1Q2010 and 2Q2010, standing at SAR 160 million and SAR 57 million, respectively.
- We expect Samba' loan growth to remain slow in 2H2010 before improving to 6% in 2011. We do not expect a surge in provisioning in 2H2010, and we see the risk cost at 0.45% in FY2010 compared with 0.64% in FY2009. We see only a marginal growth in NPLs in 2010 and for the NPLs-to-gross loans ratio to reach 3.7% by December 2010 compared with 3.3% for December 2009. We expect Samba to end 2010 with a flat operating income growth compared with 2009, while the forecasted drop in provisioning will result in a 3% growth in net profit in that year. We do not see a rebound in net profit in 2011, as we expect only a marginal increase (+3%) in operating income in that year. We expect a more meaningful growth in net profit (+12%) in 2012, as loan growth picks up and interest margins improve.

***Please refer to page 24 for recommendations and risk ratings.*

FINANCIAL STATEMENTS

Balance Sheet (SAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
ASSETS							
Cash and balances with central banks	13,799,946	35,847,246	25,976,004	26,774,424	25,382,273	23,905,043	20,657,210
Due from Banks	877,977	3,499,406	5,041,284	5,754,182	6,918,384	7,990,467	9,089,845
Net Investments	54,237,338	54,993,673	68,308,649	73,048,608	79,135,958	85,738,917	93,131,330
Net Loans and Advances	98,147,182	84,146,523	83,549,303	88,413,789	97,768,305	108,806,232	120,626,194
Net Fixed Assets	870,086	895,873	916,610	936,229	1,005,994	1,077,498	1,155,438
Other Assets	10,958,661	6,135,548	7,759,403	8,205,573	8,778,984	9,356,390	9,940,338
Total Assets	**178,891,190**	**185,518,269**	**191,551,252**	**203,132,805**	**218,989,899**	**236,874,546**	**254,600,355**
LIABILITIES & EQUITY							
Due to Banks	12,089,957	7,319,219	19,711,419	21,865,890	22,138,830	22,373,306	21,815,627
Customer Deposits	134,228,465	147,128,762	136,907,594	143,935,770	155,474,974	168,744,903	182,353,409
Other Purchased Funds	1,873,041	1,873,880	1,874,300	-	-	-	-
Other Liabilities	10,637,862	6,694,761	6,926,804	7,152,087	7,542,987	7,846,381	8,091,817
Total Liabilities	**158,829,325**	**163,016,622**	**165,420,117**	**172,953,747**	**185,156,791**	**198,964,590**	**212,260,854**
Minority Interest	**216,080**	**191,569**	**174,720**	**174,929**	**175,627**	**176,465**	**177,470**
Total Shareholders' Equity	**19,845,785**	**22,310,078**	**25,956,415**	**30,004,129**	**33,657,480**	**37,733,491**	**42,162,030**
TOTAL LIABILITIES & EQUITY	**178,891,190**	**185,518,269**	**191,551,252**	**203,132,805**	**218,989,899**	**236,874,546**	**254,600,355**

Income Statement (SAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Net Special Commission Income *	5,061,243	5,069,513	4,812,680	4,950,264	5,618,390	6,346,950	7,055,531
Income from Fees and Commissions	1,623,867	1,209,881	1,220,244	1,339,086	1,504,108	1,659,740	1,810,508
Other Operating Income	326,791	830,246	1,023,865	1,010,774	1,054,205	1,086,563	1,120,585
Total Operating Income	**7,011,901**	**7,109,640**	**7,056,789**	**7,300,124**	**8,176,703**	**9,093,253**	**9,986,623**
Provisions for Credit Losses	(267,082)	(604,822)	(395,320)	(427,007)	(463,458)	(491,286)	(525,172)
Salaries and Employee Related Expenses	(1,366,115)	(1,265,913)	(1,269,162)	(1,338,309)	(1,505,701)	(1,689,536)	(1,872,420)
General and Administrative Expenses	(607,984)	(542,405)	(570,917)	(599,168)	(674,110)	(756,414)	(838,292)
Depreciation	(136,941)	(143,156)	(141,727)	(154,218)	(169,384)	(189,169)	(206,194)
Other Provisions	(190,908)	-	-	-	-	-	-
Total Operating Expenses	**(2,569,030)**	**(2,556,296)**	**(2,377,126)**	**(2,518,701)**	**(2,812,653)**	**(3,126,405)**	**(3,442,078)**
Net Operating Profit	**4,442,871**	**4,553,344**	**4,679,663**	**4,781,423**	**5,364,050**	**5,966,848**	**6,544,545**
Other Income / (Expenses)	-	-	-	-	-	-	-
Minority Interest	10,968	6,832	3,854	(209)	(698)	(838)	(1,005)
Net Profit	**4,453,839**	**4,560,176**	**4,683,517**	**4,781,214**	**5,363,352**	**5,966,010**	**6,543,540**
EPS (SAR)	**4.95**	**5.07**	**5.20**	**5.31**	**5.96**	**6.63**	**7.27**

Key Ratios	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Growth in Loans	21.8%	-14.3%	-0.7%	5.8%	10.6%	11.3%	10.9%
Growth in Deposits	15.9%	9.6%	-6.9%	5.1%	8.0%	8.5%	8.1%
Growth in Net Profit	-7.8%	2.4%	2.7%	2.1%	12.2%	11.2%	9.7%
Growth in Operating Income	-2.6%	1.4%	-0.7%	3.4%	12.0%	11.2%	9.8%
Loans-to-Assets	54.9%	45.4%	43.6%	43.5%	44.6%	45.9%	47.4%
Loans-to-Deposits	73.1%	57.2%	61.0%	61.4%	62.9%	64.5%	66.1%
NPLs-to-Gross Loans	1.8%	3.3%	3.7%	3.7%	3.6%	3.5%	3.3%
NPL Coverage	167.0%	116.1%	118.8%	122.9%	127.3%	131.9%	137.0%
Capital Adequacy	14.1%	17.1%	18.6%	19.7%	19.9%	19.9%	20.0%
Growth in Costs	7.4%	-7.6%	1.6%	5.5%	12.3%	12.2%	10.7%
Non-Interest Expense-to-Average Assets	1.5%	1.4%	1.3%	1.3%	1.3%	1.4%	1.4%
Cost-to-Income	30.1%	27.4%	28.1%	28.7%	28.7%	29.0%	29.2%
Non-Interest Income-to-Operating Income	27.8%	28.7%	31.8%	32.2%	31.3%	30.2%	29.4%
Dividend Payout	36.1%	35.2%	34.3%	35.8%	35.2%	35.5%	35.8%
Net Interest Margin	3.2%	2.9%	2.7%	2.6%	2.8%	2.9%	3.0%
RoAE	23.6%	21.6%	19.4%	17.1%	16.8%	16.7%	16.4%
RoAA	2.7%	2.5%	2.5%	2.4%	2.5%	2.6%	2.7%

** Equivalent to net interest income. Sources Bank's financial statements and NBK Capital*

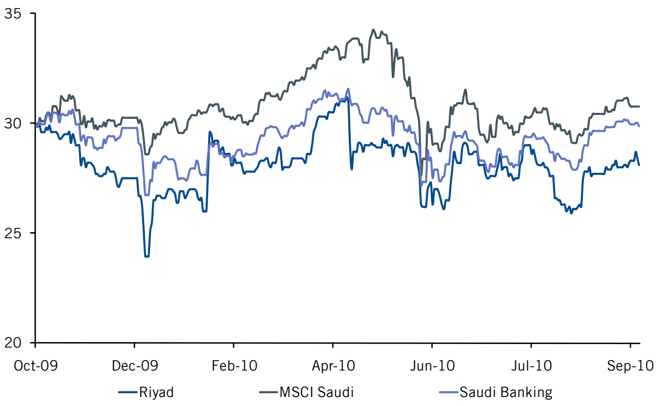
Riyad Bank (Riyad)

Valuation

Valuation Method	Value (SAR)	Weight (%)
Discounted Equity Cash Flow (DECF)	37.90	40%
Dividend Discount Model (DDM)	34.60	40%
Peer-Based Valuation	18.00	20%
Weighted Average Fair Value	**32.60**	**100%**

Source: NBK Capital

Rebased Performance



Sources: Reuters and NBK Capital

Historical Performance

SAR Thousands	2009	% Change in 2009	Jun-2010		YTD Change %
Net Loans and Advances	106,514,613	10.5%	104,743,992		-1.7%
Customer Deposits	125,278,106	19.2%	124,100,691		-0.9%
Shareholders' Equity	28,235,444	9.9%	28,492,830		0.9%
Total Assets	176,399,258	10.5%	169,337,075		-4.0%
SAR Thousands	**2009**	**% Change in 2009**	**1H2009**	**1H2010**	**Y-o-Y Change %**
Net Interest Income	4,347,186	10.1%	2,259,848	2,040,093	-9.7%
Net Fees and Commissions	1,222,513	3.0%	640,432	754,545	17.8%
Net Invest. Gains/(Losses)	(24,621)	-89.3%	(41,642)	53,735	-229.0%
Total Operating Income	5,960,109	13.6%	2,983,769	2,996,671	0.4%
Total Costs	(2,193,242)	5.1%	(1,111,522)	(1,156,259)	4.0%
Prov. for Credit Losses, net	(618,539)	77.2%	(280,346)	(475,148)	69.5%
Prov. for Investments	(117,843)	-32.3%	(232,843)	85,000	n/m
Net Profit	**3,030,485**	**14.8%**	**1,359,058**	**1,450,264**	**6.7%**

Sources: Bank's financial statements and NBK Capital

Forecasts

SAR Thousands	2010 Forecasts Old	2010 Forecasts New	Diff %	2010f versus 2009a	5-year CAGR *
Net Loans and Advances	115,933,299	105,124,155	-9.3%	-1.3%	8.6%
Customer Deposits	140,370,359	124,838,773	-11.1%	-0.4%	9.1%
Net Interest Income	4,615,044	4,147,926	-10.1%	-4.6%	10.6%
Net Fees and Commissions	1,318,088	1,457,406	10.6%	19.2%	10.5%
Total Operating Income	6,278,856	6,026,180	-4.0%	1.1%	10.4%
Total Costs	(2,326,581)	(2,323,920)	-0.1%	6.0%	9.9%
Prov. for Credit Losses, net	(683,703)	(747,846)	9.4%	20.9%	-5.3%
Net Profit	**3,268,572**	**3,039,414**	**-7.0%**	**0.3%**	**12.9%**

SAR Millions	3Q2009A	2Q2010A	3Q2010F	4Q2010F
Operating Income	1,401	1,527	1,506	1,524
Income Before Provisions	848	962	934	928

**CAGR: 2010–2015. Sources: Bank's financial statements and NBK Capital*

12-Month Fair Value: SAR 32.60

Recommendation: Accumulate – Risk Level**: 2

- Our new estimate of Riyad's 12-month fair value per share stands at SAR 32.60, which is 16% higher than the share's closing price on October 04, 2010. Hence, our recommendation on the stock is "Accumulate". This value is 4% lower than our prior fair value of SAR 34.10 per share. The decrease in fair value is driven by lower operating income and net profit at the end of our forecast horizon than was previously forecasted. However, we expect Riyad to continue to pay rich dividends as has been the case historically. We forecast the dividend payout ratio to average around 51% in our forecast horizon, with the 2010 dividend yield standing at 4.8% using the closing price as of October 04, 2010.
- Riyad achieved a net profit of SAR 1.45 billion in 1H2010, 7% over 1H2009, making the bank the best performer among the covered Saudi banks. The increase in net profit was driven by a reversal of investment impairments, which amounted to SAR 85 million in 1H2010 compared to an impairment of SAR 233 million in 1H2009. Operating income in 1H2010 matched our forecast, and was nearly unchanged, compared to 1H2009, as the 10% drop in net interest income was compensated for by higher non-interest earnings. Specifically, fee income increased by 18% in 1H2010, making Riyad the best performer among the covered banks. Investment gains supported operating income, reaching SAR 57 million in 1H2010 versus a SAR 38 million loss in 1H2009.
- After four consecutive years of outperforming the overall sector, Riyad underperformed in terms of balance sheet growth, as their loans and deposits dropped in 1H2010 by 2% and 1%, respectively. Riyad demonstrated fairly stable liquidity and capitalization indicators in 1H2010. Riyad's CAR stood at 18.4% as of June 2010, the highest level among the covered banks. Conversely, Riyad's cost-to-income ratio increased from 37% in 2009 to 39% in 1H2010, the highest level among the covered banks. We believe Riyad has room to improve cost efficiency going forward and we expect a gradual drop in the bank's CIR in the forecast horizon.
- We expect loan growth to remain muted in 2H2010 before improving slightly to 4% in 2011. We expect provisioning in 2H2010 to be lower than 1H2010, resulting in a risk cost of 0.7% in FY2010 compared with 0.6% in FY2009, which was the lowest measure among the covered banks. We see a rebound in net profit in FY2011 (+11%) on the back of an 8% increase in operating income and a drop in loan loss provisioning. Between 2011 and 2015, we see operating income and net profit increasing by a CAGR of 11% and 13%, respectively, driven by an improvement in loan growth, higher interest rates, and lower loan provisioning.

***Please refer to page 24 for recommendations and risk ratings.*

FINANCIAL STATEMENTS

Balance Sheet (SAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
ASSETS							
Cash and balances with SAMA	11,078,032	23,419,303	17,816,356	18,538,112	19,405,093	20,408,291	20,815,522
Due from Banks	6,257,050	8,704,462	10,083,602	10,504,254	11,148,993	11,895,321	12,680,563
Net Investments	40,842,628	32,715,209	33,661,900	36,564,975	40,053,766	43,883,817	48,487,890
Net Loans and Advances	96,429,846	106,514,613	105,124,155	109,566,334	119,894,764	132,069,062	144,963,394
Net Fixed Assets	1,630,306	1,830,157	1,817,132	1,891,056	1,972,372	2,061,820	2,160,213
Other Assets	3,414,663	3,215,514	3,028,934	3,359,691	3,670,411	3,953,657	4,218,402
Total Assets	**159,652,525**	**176,399,258**	**171,532,079**	**180,424,422**	**196,145,400**	**214,271,967**	**233,325,983**
LIABILITIES & EQUITY							
Due to Banks	21,213,194	16,163,012	10,991,126	11,029,467	11,762,188	12,549,564	13,187,786
Customer Deposits	105,055,546	125,278,106	124,838,773	133,090,384	145,807,568	160,538,784	176,028,744
Other Purchased Funds	1,873,932	1,873,403	1,873,403	-	-	-	-
Other Liabilities	5,819,402	4,849,293	4,646,796	4,876,394	5,220,121	5,524,936	5,806,148
Total Liabilities	**133,962,074**	**148,163,814**	**142,350,098**	**148,996,245**	**162,789,877**	**178,613,284**	**195,022,677**
Total Shareholders' Equity	**25,690,451**	**28,235,444**	**29,181,980**	**31,428,177**	**33,355,523**	**35,658,683**	**38,303,306**
TOTAL LIABILITIES & EQUITY	**159,652,525**	**176,399,258**	**171,532,079**	**180,424,422**	**196,145,400**	**214,271,967**	**233,325,983**

Income Statement (SAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Net Special Commission Income *	3,946,814	4,347,186	4,147,926	4,424,346	5,048,863	5,657,411	6,240,081
Income from Fees and Commissions	1,187,288	1,222,513	1,457,406	1,627,895	1,807,173	2,000,617	2,192,492
Other Operating Income	114,260	390,410	420,848	445,301	483,586	520,828	561,024
Total Operating Income	**5,248,362**	**5,960,109**	**6,026,180**	**6,497,542**	**7,339,622**	**8,178,856**	**8,993,598**
Provisions for Credit Losses	(349,070)	(618,539)	(747,846)	(611,664)	(507,413)	(515,753)	(540,997)
Salaries and Employee Related Expenses	(1,052,708)	(1,118,172)	(1,144,545)	(1,229,492)	(1,383,916)	(1,536,621)	(1,683,546)
General and Administrative Expenses	(792,511)	(805,317)	(894,776)	(961,186)	(1,081,910)	(1,201,291)	(1,316,154)
Depreciation	(230,756)	(262,248)	(268,088)	(291,667)	(320,834)	(352,917)	(388,209)
Other Provisions & Operating Expenses	(184,560)	(125,348)	68,489	(17,337)	(18,203)	(19,114)	(20,069)
Total Operating Expenses	**(2,609,605)**	**(2,929,624)**	**(2,986,766)**	**(3,111,345)**	**(3,312,276)**	**(3,625,696)**	**(3,948,975)**
Net Operating Profit	**2,638,757**	**3,030,485**	**3,039,414**	**3,386,197**	**4,027,346**	**4,553,160**	**5,044,623**
Income Taxes	-	-	-	-	-	-	-
Net Profit	**2,638,757**	**3,030,485**	**3,039,414**	**3,386,197**	**4,027,346**	**4,553,160**	**5,044,623**
EPS (SAR)	**4.22**	**2.02**	**2.03**	**2.26**	**2.68**	**3.04**	**3.36**

Key Ratios	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Growth in Loans	43.2%	10.5%	-1.3%	4.2%	9.4%	10.2%	9.8%
Growth in Deposits	24.6%	19.2%	-0.4%	6.6%	9.6%	10.1%	9.6%
Growth in Net Profit	-12.4%	14.8%	0.3%	11.4%	18.9%	13.1%	10.8%
Growth in Operating Income	1.3%	13.6%	1.1%	7.8%	13.0%	11.4%	10.0%
Loans-to-Assets	60.4%	60.4%	61.3%	60.7%	61.1%	61.6%	62.1%
Loans-to-Deposits	91.8%	85.0%	84.2%	82.3%	82.2%	82.3%	82.4%
NPLs-to-Gross Loans	1.3%	1.2%	1.4%	1.6%	1.6%	1.6%	1.6%
NPL Coverage	131.9%	140.9%	162.4%	176.9%	184.1%	191.8%	198.6%
Capital Adequacy	16.1%	18.3%	18.5%	18.9%	18.4%	17.8%	17.5%
Growth in Costs	14.4%	5.1%	6.0%	7.6%	12.2%	10.9%	9.6%
Non-Interest Expense-to-Average Assets	1.9%	1.7%	1.7%	1.8%	1.8%	1.8%	1.8%
Cost-to-Income	39.8%	36.8%	38.6%	38.5%	38.2%	38.0%	37.9%
Non-Interest Income-to-Operating Income	24.8%	27.1%	31.2%	31.9%	31.2%	30.8%	30.6%
Dividend Payout	82.7%	67.2%	67.1%	62.0%	55.9%	52.7%	50.5%
Net Interest Margin	2.9%	2.7%	2.4%	2.6%	2.7%	2.8%	2.8%
RoAE	13.6%	11.2%	10.6%	11.2%	12.4%	13.2%	13.6%
RoAA	1.9%	1.8%	1.7%	1.9%	2.1%	2.2%	2.3%

**Equivalent to net interest income. Sources Bank's financial statements and NBK Capital*

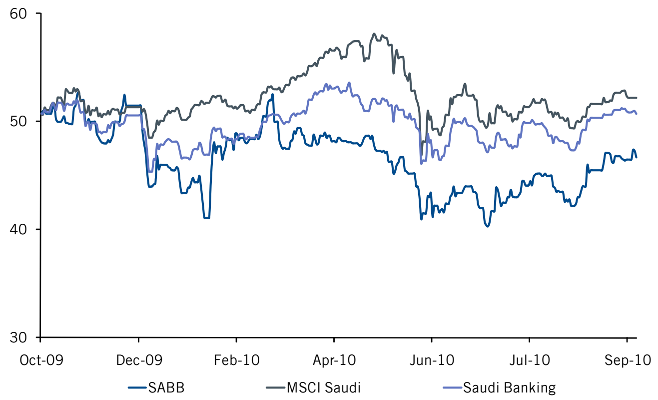
The Saudi British Bank (SABB)

Valuation

Valuation Method	Value (SAR)	Weight (%)
Discounted Equity Cash Flow (DECF)	66.50	40%
Dividend Discount Model (DDM)	37.70	40%
Peer-Based Valuation	38.70	20%
Weighted Average Fair Value	**49.40**	**100%**

Source: NBK Capital

Rebased Performance



Sources: Reuters and NBK Capital

Historical Performance

SAR Thousands	2009	% Change in 2009	Jun-2010	YTD Change %
Net Loans and Advances	76,381,599	-4.8%	74,753,224	-2.1%
Customer Deposits	89,186,861	-3.8%	94,155,842	5.6%
Shareholders' Equity	13,045,289	12.1%	14,216,550	9.0%
Total Assets	126,837,962	-3.7%	120,309,231	-5.1%

SAR Thousands	2009	% Change in 2009	1H2009	1H2010	Y-o-Y Change %
Net Interest Income	3,436,742	7.2%	1,774,995	1,712,987	-3.5%
Net Fees and Commissions	1,210,734	-3.7%	604,036	610,712	1.1%
Net Invest. Gains/(Losses)	352,830	15.3%	204,834	162,463	-20.7%
Total Operating Income	5,206,327	3.7%	2,682,620	2,579,422	-3.8%
Total Costs	(1,677,549)	2.2%	(815,996)	(831,358)	1.9%
Prov. for Credit Losses, net	(1,496,483)	303.1%	(430,664)	(680,489)	58.0%
Net Profit	**2,032,277**	**-30.4%**	**1,435,942**	**1,067,575**	**-25.7%**

Sources: Bank's financial statements and NBK Capital

Forecasts

SAR Thousands	2010 Forecasts			2010f versus 2009a	5-year CAGR *
	Old	New	Diff %		
Net Loans and Advances	79,550,699	74,267,672	-6.6%	-2.8%	8.2%
Customer Deposits	95,318,809	96,047,863	0.8%	7.7%	8.2%
Net Interest Income	3,510,182	3,343,492	-4.7%	-2.7%	9.0%
Net Fees and Commissions	1,280,462	1,200,238	-6.3%	-0.9%	12.2%
Total Operating Income	5,346,342	5,045,564	-5.6%	-3.1%	9.7%
Total Costs	(1,729,987)	(1,695,327)	-2.0%	1.1%	10.2%
Prov. for Credit Losses, net	(1,074,051)	(1,312,588)	22.2%	-12.3%	-19.2%
Net Profit	**2,542,304**	**2,037,650**	**-19.9%**	**0.3%**	**18.7%**

SAR Millions	3Q2009A	2Q2010A	3Q2010F	4Q2010F
Operating Income	1,323	1,370	1,244	1,222
Income before Provisions	922	951	826	776

**CAGR: 2010–2015. Sources: Bank's financial statements and NBK Capital*

12-Month Fair Value: SAR 49.40

Recommendation: Accumulate – Risk Level**: 2

- Our new estimate of SABB's fair value per share stands at SAR 49.40, which is 6% higher than the share's closing price on October 04, 2010. Hence, our recommendation on the stock is "Accumulate". This value is 3% below our prior fair value of SAR 51.10. The drop in fair value is mainly driven by lower operating income and net profit at the end of our forecast horizon than previously forecasted.
- SABB achieved a net profit of SAR 1.07 billion in 1H2010, 26% below 1H2009, largely due to surging loan loss provisioning charges. Total operating income in 1H2010 was in-line with our forecast, dropping by 4%, on the back of a 3% decline in net interest income and a 21% drop in investment earnings. Fee and commission income, however, experienced a slight improvement of 1% in 1H2010 to reach SAR 611 million. Cost expansion was kept under control, with costs inching up by 2% in 1H2010, resulting in a CIR of 32%, which was in-line with FY2009. However, SABB had a massive jump in loan loss provision charges that reached SAR 680 million in 1H2010 compared with SAR 431 million in 1H2009, which was the primary driver of the decline in the bottom line.
- SABB's loan growth was weak as net loans declined by 2% in 1H2010. However, SABB significantly outperformed its Saudi peers in terms of deposit accumulation, which stood at 6% in 1H2010 in comparison to flat growth in the overall sector. Consequently, SABB demonstrated an improved liquidity position, with an LDR of 79% as of June 2010 down from 86% as of December 2009. Capitalization also improved during 1H2010 with a CAR of 13.6% as of June 2010, in comparison to 12.8% in December 2009. SABB currently has the lowest CAR among the covered Saudi banks.
- We forecast loan growth to remain muted in 2H2010, followed by a moderate 4% growth in 2011. We forecast operating income to drop by 3% in FY2010 on the back of a drop in both interest income and non-interest income, before growth turns positive in 2011 at 6%. We expect the NPLs-to-Gross loans ratio to reach 4.8% by December 2010, compared with 4.5% one year earlier. We expect provisioning to remain high in 2H2010 resulting in a flat net profit growth in FY2010 at SAR 2 billion. SABB had provisioned the most out of the covered banks in FY2009 (risk cost of 1.9%) and we expect that to be the case also in FY2010 with a forecasted risk cost of 1.7%. Hence, we see a rebound in net profit in 2011 as loan provisioning declines from the highs recorded in 2009 and 2010. However, the expected steep growth in net profit for SABB in FY2011 would follow a sharp drop in FY2009 (30%) and a flat forecasted growth in FY2010.

***Please refer to page 24 for recommendations and risk ratings.*

FINANCIAL STATEMENTS

Balance Sheet (SAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
ASSETS							
Cash and balances with central banks	11,328,253	16,614,885	9,702,022	10,358,149	11,256,115	11,687,595	13,464,406
Due from Banks	6,200,466	6,004,593	8,699,515	9,016,449	9,519,215	10,235,561	10,988,708
Net Investments	29,756,979	24,002,285	28,297,689	30,827,656	33,899,646	36,945,976	40,541,234
Net Loans and Advances	80,236,757	76,381,599	74,267,672	76,965,399	82,914,053	91,403,548	100,408,481
Net Fixed Assets	561,460	594,042	592,572	590,999	589,316	606,894	625,878
Other Assets	3,576,778	3,240,558	3,372,330	3,584,477	3,896,093	4,196,792	4,495,378
Total Assets	**131,660,693**	**126,837,962**	**124,931,799**	**131,343,129**	**142,074,438**	**155,076,366**	**170,524,085**
LIABILITIES & EQUITY							
Due to Banks	16,069,492	13,605,744	4,001,777	4,327,896	4,664,415	5,220,136	5,714,128
Customer Deposits	92,677,537	89,186,861	96,047,863	100,375,286	107,752,156	118,638,561	130,085,680
Other Purchased Funds	5,844,300	5,896,987	4,515,033	3,766,233	3,766,233	2,061,233	2,061,233
Other Liabilities	5,435,533	5,103,081	5,180,503	5,451,796	5,811,952	6,140,561	6,458,138
Total Liabilities	**120,026,862**	**113,792,673**	**109,745,175**	**113,921,211**	**121,994,757**	**132,060,491**	**144,319,179**
Total Shareholders' Equity	**11,633,831**	**13,045,289**	**15,186,625**	**17,421,918**	**20,079,681**	**23,015,875**	**26,204,906**
TOTAL LIABILITIES & EQUITY	**131,660,693**	**126,837,962**	**124,931,799**	**131,343,129**	**142,074,438**	**155,076,366**	**170,524,085**

Income Statement (SAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Net Special Commission Income *	3,207,044	3,436,742	3,343,492	3,450,254	3,875,041	4,305,373	4,718,378
Income from Fees and Commissions	1,257,222	1,210,734	1,200,238	1,366,990	1,570,417	1,762,029	1,937,531
Other Operating Income	555,583	558,851	501,835	537,806	580,745	629,208	683,432
Total Operating Income	**5,019,849**	**5,206,327**	**5,045,564**	**5,355,050**	**6,026,204**	**6,696,610**	**7,339,341**
Provisions for Credit Losses	(371,280)	(1,496,483)	(1,312,588)	(633,381)	(425,110)	(431,192)	(439,660)
Salaries and Employee Related Expenses	(898,078)	(919,395)	(919,395)	(982,225)	(1,112,204)	(1,243,720)	(1,371,797)
General and Administrative Expenses	(636,071)	(646,865)	(659,802)	(704,892)	(798,171)	(892,554)	(984,468)
Depreciation	(107,395)	(111,289)	(116,129)	(124,258)	(132,956)	(142,951)	(154,387)
Other Provisions and Operating Expenses	(87,006)	(18)	-	-	-	-	-
Total Operating Expenses	**(2,099,830)**	**(3,174,050)**	**(3,007,914)**	**(2,444,756)**	**(2,468,441)**	**(2,710,416)**	**(2,950,310)**
Net Operating Profit	**2,920,019**	**2,032,277**	**2,037,650**	**2,910,294**	**3,557,763**	**3,986,194**	**4,389,031**
Other Income / (Expenses)	-	-	-	-	-	-	-
Net Profit	**2,920,019**	**2,032,277**	**2,037,650**	**2,910,294**	**3,557,763**	**3,986,194**	**4,389,031**
EPS (SAR)	**6.23**	**2.71**	**2.72**	**3.88**	**4.74**	**5.31**	**5.85**

Key Ratios	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Growth in Loans	29.4%	-4.8%	-2.8%	3.6%	7.7%	10.2%	9.9%
Growth in Deposits	29.0%	-3.8%	7.7%	4.5%	7.3%	10.1%	9.6%
Growth in Net Profit	12.0%	-30.4%	0.3%	42.8%	22.2%	12.0%	10.1%
Growth in Operating Income	13.3%	3.7%	-3.1%	6.1%	12.5%	11.1%	9.6%
Loans-to-Assets	60.9%	60.2%	59.4%	58.6%	58.4%	58.9%	58.9%
Loans-to-Deposits	86.6%	85.6%	77.3%	76.7%	76.9%	77.0%	77.2%
NPLs-to-Gross Loans	0.2%	4.5%	4.8%	4.8%	4.6%	4.4%	4.1%
NPL Coverage	325.0%	50.3%	78.0%	90.9%	97.5%	103.8%	110.3%
Capital Adequacy	11.2%	12.8%	14.2%	15.4%	16.2%	16.7%	17.0%
Growth in Costs	14.9%	2.2%	1.1%	6.8%	12.8%	11.5%	10.2%
Non Interest Expense-to-Average Assets	1.8%	2.5%	2.4%	1.9%	1.8%	1.8%	1.8%
Cost-to-Income	32.7%	32.2%	33.6%	33.8%	33.9%	34.0%	34.2%
Non-Interest Income-to-Operating Income	36.1%	34.0%	33.7%	35.6%	35.7%	35.7%	35.7%
Dividend Payout	22.6%	32.5%	33.1%	30.9%	29.5%	30.1%	32.5%
Net Interest Margin	2.9%	2.8%	2.8%	2.8%	2.9%	3.0%	3.0%
RoAE	26.5%	16.5%	14.4%	17.8%	19.0%	18.5%	17.8%
RoAA	2.5%	1.6%	1.6%	2.3%	2.6%	2.7%	2.7%

**Equivalent to net interest income. Sources Bank's financial statements and NBK Capital*

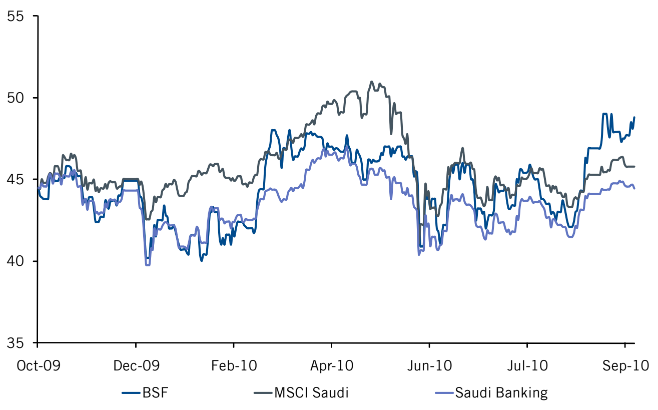
Banque Saudi Fransi (BSF)

Valuation

Valuation Method	Value (SAR)	Weight (%)
Discounted Equity Cash Flow (DECF)	73.30	40%
Dividend Discount Model (DDM)	45.40	40%
Peer-Based Valuation	42.10	20%
Weighted Average Fair Value	**55.90**	**100%**

Source: NBK Capital

Rebased Performance



Sources: Reuters and NBK Capital

Historical Performance

SAR Thousands	2009	% Change in 2009	Jun-2010	YTD Change %
Net Loans and Advances	78,315,196	-3.2%	81,935,892	4.6%
Customer Deposits	91,237,118	-1.7%	92,226,737	1.1%
Shareholders' Equity	15,732,673	12.0%	16,896,436	7.4%
Total Assets	120,572,438	-4.2%	120,562,065	0.0%

SAR Thousands	2009	% Change in 2009	1H2009	1H2010	Y-o-Y Change %
Net Interest Income	3,050,289	8.1%	1,524,638	1,499,386	-1.7%
Net Fees and Commissions	840,254	0.7%	446,742	467,047	4.5%
Net Invest. Gains/(Losses)	208,215	-53.3%	104,871	150,295	43.3%
Total Operating Income	4,267,468	-3.1%	2,172,652	2,224,775	2.4%
Total Costs	(1,148,004)	5.7%	(574,949)	(613,332)	6.7%
Prov. for Credit Losses, net	(574,621)	509.6%	(165,980)	(137,859)	-16.9%
Prov. for Investments	(67,000)	-83.7%	-	-	n/m
Net Profit	**2,470,615**	**-11.9%**	**1,432,510**	**1,470,545**	**2.7%**

Sources: Bank's financial statements and NBK Capital

Forecasts

SAR Thousands	2010 Forecasts Old	New	Diff %	2010f versus 2009a	5-year CAGR *
Net Loans and Advances	83,003,591	84,646,436	2.0%	8.1%	9.4%
Customer Deposits	99,302,925	94,512,086	-4.8%	3.6%	10.4%
Net Interest Income	3,035,733	3,070,620	1.1%	0.7%	11.8%
Net Fees and Commissions	901,043	925,547	2.7%	10.2%	10.1%
Total Operating Income	4,376,215	4,495,526	2.7%	5.3%	11.1%
Total Costs	(1,187,186)	(1,247,897)	5.1%	7.8%	11.5%
Prov. for Credit Losses, net	(431,339)	(299,331)	-30.6%	-47.9%	2.6%
Net Profit	**2,727,269**	**2,908,158**	**6.6%**	**17.7%**	**12.0%**

SAR Millions	3Q2009A	2Q2010A	3Q2010F	4Q2010F
Operating Income	1,051	1,153	1,131	1,139
Income Before Provisions	772	841	820	819

**CAGR: 2010–2015. Sources: Bank's financial statements and NBK Capital*

12-Month Fair Value: SAR 55.90

Recommendation: Accumulate – Risk Level**: 2

- Our new estimate of BSF's fair value per share stands at SAR 55.90, which is 15% higher than the share's closing price on October 04, 2010. Hence, our recommendation on the stock is "Accumulate". This value is 13% higher than our prior fair value of SAR 49.30, driven by higher operating income and higher net profit at the end of our forecast horizon than previously expected.
- BSF achieved a net profit of SAR 1.47 billion in 1H2010, 3% higher than 1H2009, on slightly higher (2%) operating income (which was 3% higher than our forecast) and a decrease in loan provisioning. BSF was the only covered bank that was able to increase operating income in 1H2010, as the bank's NII declined by only 2% (the lowest drop among the covered banks) while all components of non-interest income expanded in 1H2010. The outperformance in terms of net interest income was driven by a better performance in terms of loan growth as well as a better defending of interest margins in 1H2010. Fees and commissions and exchange income inched up 5% and 7%, respectively, in 1H2010 while trading income surged by 37%. Cost expansion at 7% surpassed growth in operating income, resulting in a slight increase in BSF's CIR to 28% remaining, however, one of the lowest ratios in the Saudi banking sector.
- BSF was the only bank that was able to increase its loans in 1H2010, as they grew by 5%. We believe loan growth is mainly being driven by consumer loans, which represented only 8% of BSF's loan book at the end of 2009, hence, having ample potential to grow. Deposit growth was modest at 1%, though in-line with the overall deposit growth at the sector level. BSF's CAR stood at 13.74% at the end of June 2010, nearly unchanged compared with December 2009.
- We expect loan growth to reach 8% in FY2010, the highest among the covered banks. As was previously mentioned, BSF has ample room to expand its consumer loans. The increase in consumer loans will support BSF's interest margins, and hence net interest income, which we see growing by 9% in 2011. We do not expect a surge in provisioning in 2H2010, and we see the risk cost at 0.36% in FY2010 compared with 0.71% in FY2009. We see only a moderate growth (+10%) in NPLs in 2010 and for the NPLs-to-gross loans ratio to stand at 1.3% by December 2010, almost unchanged compared with December 2009. We expect BSF to end 2010 with a 5% growth in operating income while the forecasted drop in provisioning in FY2010 will result in an 18% growth in net profit in that year. This makes BSF the best performer among our covered banks in 2010. For 2011, we expect BSF to maintain that good performance, with a 9% and 11% increase in operating income and net profit, respectively.

***Please refer to page 24 for recommendations and risk ratings.*

FINANCIAL STATEMENTS

Balance Sheet (SAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
ASSETS							
Cash and balances with central banks	5,772,857	12,630,968	9,579,297	11,906,326	13,478,704	14,349,137	15,512,378
Due from Banks	4,246,065	7,110,607	6,295,772	7,331,979	8,137,394	8,986,234	9,878,762
Net Investments	27,891,682	17,630,370	16,935,065	20,102,006	22,675,575	25,758,871	28,799,435
Net Loans and Advances	80,866,475	78,315,196	84,646,436	91,045,309	100,216,238	110,420,866	121,227,039
Net Fixed Assets	590,645	606,185	608,701	629,147	654,381	684,387	719,947
Other Assets	6,497,037	4,279,112	6,157,956	6,544,204	7,002,857	7,464,966	7,934,716
Total Assets	**125,864,761**	**120,572,438**	**124,223,227**	**137,558,970**	**152,165,149**	**167,664,461**	**184,072,277**
LIABILITIES & EQUITY							
Due to Banks	8,402,002	4,831,799	2,014,647	2,199,594	2,522,592	2,875,595	3,259,992
Customer Deposits	92,791,281	91,237,118	94,512,086	105,812,063	117,029,867	128,853,617	141,286,359
Other Purchased Funds	4,927,200	4,946,231	4,858,478	4,172,228	4,172,228	4,172,228	4,172,228
Other Liabilities	5,675,142	3,805,510	4,484,719	4,807,881	5,215,017	5,615,737	6,012,933
Total Liabilities	**111,795,625**	**104,820,658**	**105,869,931**	**116,991,765**	**128,939,705**	**141,517,177**	**154,731,511**
Minority Interest	**21,917**	**19,107**	**19,248**	**19,402**	**19,572**	**19,759**	**19,965**
Total Shareholders' Equity	**14,047,219**	**15,732,673**	**18,334,049**	**20,547,804**	**23,205,873**	**26,127,525**	**29,320,801**
TOTAL LIABILITIES & EQUITY	**125,864,761**	**120,572,438**	**124,223,227**	**137,558,970**	**152,165,149**	**167,664,461**	**184,072,277**

Income Statement (SAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Net Special Commission Income *	2,820,590	3,050,289	3,070,620	3,357,852	3,912,979	4,395,115	4,829,738
Income from Fees and Commissions	834,480	840,254	925,547	1,011,022	1,131,927	1,247,585	1,368,218
Other Operating Income	749,014	376,925	499,360	547,665	601,683	658,393	713,586
Total Operating Income	**4,404,084**	**4,267,468**	**4,495,526**	**4,916,539**	**5,646,589**	**6,301,094**	**6,911,543**
Provisions for Credit Losses	(94,265)	(574,621)	(299,331)	(299,994)	(302,507)	(307,379)	(323,197)
Salaries and Employee Related Expenses	(624,223)	(642,589)	(702,633)	(771,949)	(890,434)	(998,098)	(1,099,784)
General and Administrative Expenses	(378,271)	(391,434)	(408,438)	(448,731)	(517,607)	(580,191)	(639,301)
Depreciation	(87,324)	(113,981)	(124,779)	(136,928)	(151,024)	(167,403)	(185,538)
Other Provisions and Operating Expenses	(416,065)	(77,038)	(52,046)	(32,527)	(13,029)	(13,550)	(14,092)
Total Operating Expenses	**(1,600,148)**	**(1,799,663)**	**(1,587,228)**	**(1,690,129)**	**(1,874,600)**	**(2,066,621)**	**(2,261,912)**
Net Operating Profit	**2,803,936**	**2,467,805**	**2,908,298**	**3,226,409**	**3,771,989**	**4,234,473**	**4,649,630**
Other Income / (Expenses)	-	-	-	-	-	-	-
Income Taxes	-	-	-	-	-	-	-
Minority Interest	1,723	2,810	(141)	(155)	(170)	(187)	(206)
Net Profit	**2,805,659**	**2,470,615**	**2,908,158**	**3,226,255**	**3,771,819**	**4,234,286**	**4,649,425**
EPS (SAR)	**3.88**	**3.42**	**4.02**	**4.46**	**5.22**	**5.85**	**6.43**

Key Ratios	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Growth in Loans	35.1%	-3.2%	8.1%	7.6%	10.1%	10.2%	9.8%
Growth in Deposits	25.4%	-1.7%	3.6%	12.0%	10.6%	10.1%	9.6%
Growth in Net Profit	3.5%	-11.9%	17.7%	10.9%	16.9%	12.3%	9.8%
Growth in Operating Income	19.0%	-3.1%	5.3%	9.4%	14.8%	11.6%	9.7%
Loans-to-Assets	64.2%	65.0%	68.1%	66.2%	65.9%	65.9%	65.9%
Loans-to-Deposits	87.1%	85.8%	89.6%	86.0%	85.6%	85.7%	85.8%
NPLs-to-Gross Loans	0.93%	1.27%	1.29%	1.3%	1.3%	1.3%	1.3%
NPL Coverage	111.0%	126.6%	135.5%	148.4%	159.1%	167.7%	175.5%
Capital Adequacy	11.6%	13.7%	14.5%	14.7%	14.9%	15.1%	15.5%
Growth in Costs	15.6%	5.3%	7.7%	9.9%	14.8%	12.0%	10.2%
Non Interest Expense-to-Average Assets	1.4%	1.5%	1.3%	1.3%	1.3%	1.3%	1.3%
Cost-to-Income	24.9%	27.1%	27.8%	27.9%	27.8%	27.9%	28.1%
Non Interest Income-to-Operating Income	36.0%	28.5%	31.7%	31.7%	30.7%	30.2%	30.1%
Dividend Payout	27.7%	40.1%	34.8%	34.5%	34.8%	34.4%	35.2%
Net Interest Margin	2.6%	2.6%	2.6%	2.7%	2.8%	2.9%	2.9%
RoAE	22.2%	16.6%	17.1%	16.6%	17.2%	17.2%	16.8%
RoAA	2.5%	2.0%	2.4%	2.5%	2.6%	2.6%	2.6%

**Equivalent to net interest income. Sources Bank's financial statements and NBK Capital*

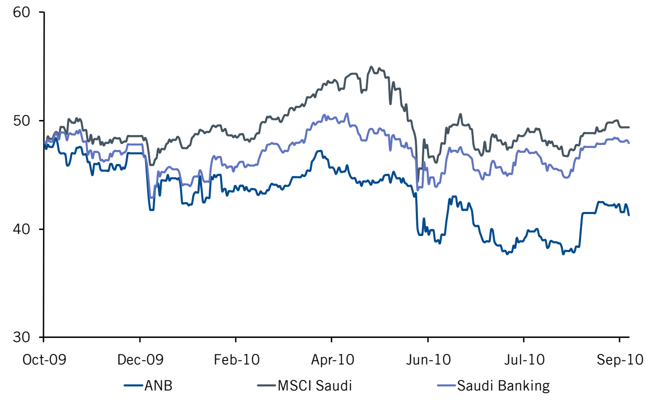
Arab National Bank (ANB)

Valuation

Valuation Method	Value (SAR)	Weight (%)
Discounted Equity Cash Flow (DECF)	72.10	40%
Dividend Discount Model (DDM)	32.90	40%
Peer-Based Valuation	24.50	20%
Weighted Average Fair Value	**46.90**	**100%**

Source: NBK Capital

Rebased Performance



Sources: Reuters and NBK Capital

Historical Performance

SAR Thousands	2009	% Change in 2009	Jun-2010	YTD Change %
Net Loans and Advances	66,811,033	-10.5%	64,787,165	-3.0%
Customer Deposits	82,680,240	-10.9%	78,348,308	-5.2%
Shareholders' Equity	14,368,767	13.4%	15,156,960	5.5%
Total Assets	110,297,320	-9.1%	106,208,632	-3.7%

SAR Thousands	2009	% Change in 2009	1H2009	1H2010	Y-o-Y Change %
Net Interest Income	3,456,283	3.1%	1,806,187	1,578,368	-12.6%
Net Fees and Commissions	563,002	-32.9%	320,277	284,682	-11.1%
Net Invest. Gains/(Losses)	55,554	n/m	22,454	148,891	563.1%
Total Operating Income	4,418,024	9.0%	2,367,531	2,244,731	-5.2%
Total Costs	(1,601,465)	1.2%	(798,213)	(806,533)	1.0%
Prov. for Credit Losses, net	(449,547)	n/m	(128,617)	(176,284)	37.1%
Net Profit	**2,370,012**	**-4.7%**	**1,440,701**	**1,263,123**	**-12.3%**

Sources: Bank's financial statements and NBK Capital

Forecasts

SAR Thousands	2010 Forecasts Old	2010 Forecasts New	2010 Forecasts Diff %	2010f versus 2009a	5-year CAGR *
Net Loans and Advances	68,334,907	65,390,362	-4.3%	-2.1%	8.5%
Customer Deposits	86,161,256	78,778,661	-8.6%	-4.7%	9.1%
Net Interest Income	3,442,872	3,106,532	-9.8%	-10.1%	9.7%
Net Fees and Commissions	611,871	571,322	-6.6%	1.5%	11.6%
Total Operating Income	4,440,767	4,317,523	-2.8%	-2.3%	9.5%
Total Costs	(1,638,353)	(1,637,276)	-0.1%	2.2%	8.4%
Prov. for Credit Losses, net	(514,585)	(527,553)	2.5%	17.4%	-6.5%
Net Profit	**2,338,538**	**2,155,185**	**-7.8%**	**-9.1%**	**12.8%**

SAR Millions	3Q2009A	2Q2010A	3Q2010F	4Q2010F
Operating Income	1,068	1,118	1,056	1,017
Income Before Provisions	685	709	644	599

**CAGR: 2010–2015. Sources: Bank's financial statements and NBK Capital*

12-Month Fair Value: SAR 46.90

Recommendation: Accumulate – Risk Level**: 2

- Our new estimate of ANB's fair value per share stands at SAR 46.90, which is 14% higher than the share's closing price on October 04, 2010. Hence, our recommendation on the stock is "Accumulate". This value is 8% lower than our prior fair value of SAR 51.20. The decrease in fair value is driven by lower operating income and net profit at the end of our forecast horizon than previously forecasted.
- ANB recorded a net profit of SAR 1.26 billion in 1H2010, 12% lower than that of 1H2009, on lower net interest income and income from fees and commissions, and an increase in loan loss provisioning. Operating income decreased by 5% in 1H2010 and was 5% ahead of our forecast. Net interest income witnessed a drop of 13% in 1H2010 as interest margins decreased and loans continued their downward trend. Despite a quarter-on-quarter improvement in income from fees and commissions in 1Q2010 and 2Q2010, income from fees and commissions in 1H2010 was still 11% below 1H2009. Conversely, exchange income recovered, growing by 41% in 1H2010. Total investment income increased substantially in 1H2010 to reach SAR 149 million (representing 7% of operating income), primarily driven by gains in non-trading investments. Cost expansion was well-controlled in 1H2010, standing at a mere 1%. Nevertheless, ANB's CIR of 36% remains generally higher than the ratios of the bank's peers.
- ANB underperformed its Saudi peers in terms of both loan and deposit growth in 1H2010 (similar to the case in 2009) as loans and deposits declined by 3% and 5%, respectively, reflecting what we believe to be ANB's conservative nature. Capitalization benefited from the low-growth environment of 1H2010, with the CAR increasing to 17.7% from 16.3% in December 2009. Loan loss provisioning dropped from the high it reached in 4Q2009, and amounted to SAR 176 million in 1H2010 but was still 37% above 1H2009.
- We expect loan growth to remain sluggish in 2H2010, although showing an improvement compared to 1H2010, resulting in a 2% drop in net loans in FY2010. We expect ANB to end FY2010 with a 2% and a 9% drop in operating income and net profit, respectively, albeit better than the 5% and 12% decline witnessed in 1H2010. We expect NPLs to show a moderate increase in FY2010 with the NPLs-to-gross loans ratio reaching 3.1% in December 2010 compared with 2.8% one year earlier. We see net profit growing by 9% in 2011, driven by a 6% increase in operating income and a slight drop in loan provisioning. We see risk cost remaining high, standing at 0.71% in FY2011 compared to 0.78% in FY2010. We believe ANB has yet to reap the benefits of the extensive branch overhaul, which will help increase revenues and improve cost efficiency.

***Please refer to page 24 for recommendations and risk ratings.*

FINANCIAL STATEMENTS

Balance Sheet (SAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
ASSETS							
Cash and balances with SAMA	12,050,836	10,457,455	11,693,614	12,169,465	13,824,087	14,984,489	15,797,872
Due from Banks	2,747,396	6,082,423	2,586,748	3,016,443	3,671,839	4,429,178	5,225,094
Net Investments	28,524,284	23,676,548	23,886,059	26,261,569	28,851,979	31,787,461	35,057,124
Net Loans and Advances	74,661,610	66,811,033	65,390,362	68,784,862	74,313,101	81,859,586	89,869,868
Net Fixed Assets	934,851	1,239,681	1,239,165	1,216,192	1,187,041	1,155,559	1,121,558
Other Assets	2,388,165	2,030,180	3,983,317	4,175,523	4,457,892	4,730,707	4,996,948
Total Assets	**121,307,142**	**110,297,320**	**108,779,264**	**115,624,053**	**126,305,940**	**138,946,979**	**152,068,465**
LIABILITIES & EQUITY							
Due to Banks	10,509,073	8,714,228	7,630,906	7,239,464	7,343,678	7,972,520	8,360,150
Customer Deposits	92,743,453	82,680,240	78,778,661	83,985,784	92,010,877	101,306,911	111,081,745
Other Purchased Funds	1,875,000	1,687,500	1,675,000	1,675,000	1,675,000	1,675,000	1,675,000
Other Liabilities	3,508,318	2,737,085	4,538,666	4,726,585	4,993,553	5,234,197	5,459,222
Total Liabilities	**108,635,844**	**95,819,053**	**92,623,233**	**97,626,833**	**106,023,108**	**116,188,628**	**126,576,117**
Minority Interest	**-**	**109,500**	**107,009**	**240,635**	**379,804**	**406,391**	**438,902**
Total Shareholders' Equity	**12,671,298**	**14,368,767**	**16,049,022**	**17,756,585**	**19,903,027**	**22,351,960**	**25,053,446**
TOTAL LIABILITIES AND EQUITY	**121,307,142**	**110,297,320**	**108,779,264**	**115,624,053**	**126,305,940**	**138,946,979**	**152,068,465**

Income Statement (SAR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Net Special Commission Income *	3,353,532	3,456,283	3,106,532	3,266,038	3,679,422	4,101,435	4,508,900
Income from Fees and Commissions	839,018	563,002	571,322	638,074	726,499	826,946	903,971
Other Operating Income	(138,161)	398,739	639,670	652,200	696,298	755,140	817,689
Total Operating Income	**4,054,389**	**4,418,024**	**4,317,523**	**4,556,311**	**5,102,219**	**5,683,522**	**6,230,560**
Provisions for Credit Losses	13,561	(449,547)	(527,553)	(489,777)	(405,602)	(373,581)	(374,924)
Salaries and Employee Related Expenses	(908,227)	(934,053)	(936,157)	(969,209)	(1,075,642)	(1,187,434)	(1,289,850)
General and Administrative Expenses	(517,866)	(474,841)	(492,292)	(509,674)	(565,643)	(624,431)	(678,288)
Depreciation	(155,733)	(192,571)	(208,827)	(229,012)	(251,672)	(271,806)	(293,551)
Other Operating Expenses	-	-	-	-	-	-	-
Total Operating Expenses	**(1,568,265)**	**(2,051,012)**	**(2,164,829)**	**(2,197,672)**	**(2,298,559)**	**(2,457,253)**	**(2,636,613)**
Net Operating Profit	**2,486,124**	**2,367,012**	**2,152,694**	**2,358,640**	**2,803,661**	**3,226,270**	**3,593,947**
Other Income / (Expenses)	-	-	-	-	-	-	-
Income Taxes	-	-	-	-	-	-	-
Minority Interest	-	3,000	2,491	(1,076)	(7,219)	(26,586)	(32,511)
Net Profit	**2,486,124**	**2,370,012**	**2,155,185**	**2,357,564**	**2,796,442**	**3,199,683**	**3,561,436**
EPS (SAR)	**3.82**	**3.65**	**3.32**	**3.63**	**4.30**	**4.92**	**5.48**

Key Ratios	Historical		Forecast				
Fiscal Year Ends December	2008	2009	2010	2011	2012	2013	2014
Growth in Loans	22.2%	-10.5%	-2.1%	5.2%	8.0%	10.2%	9.8%
Growth in Deposits	25.9%	-10.9%	-4.7%	6.6%	9.6%	10.1%	9.6%
Growth in Net Profit	1.0%	-4.7%	-9.1%	9.4%	18.6%	14.4%	11.3%
Growth in Operating Income	3.3%	9.0%	-2.3%	5.5%	12.0%	11.4%	9.6%
Loans-to-Assets	61.5%	60.6%	60.1%	59.5%	58.8%	58.9%	59.1%
Loans-to-Deposits	80.5%	80.8%	83.0%	81.9%	80.8%	80.8%	80.9%
NPLs-to-Gross Loans	0.4%	2.8%	3.1%	3.2%	3.2%	3.1%	3.0%
NPL Coverage	349.0%	75.9%	91.8%	103.6%	112.8%	119.0%	124.4%
Capital Adequacy	14.1%	16.3%	18.2%	18.8%	19.1%	19.4%	19.6%
Growth in Costs	10.8%	1.2%	2.2%	4.3%	10.8%	10.1%	8.5%
Non Interest Expense-to-Average Assets	1.5%	1.8%	2.0%	2.0%	1.9%	1.9%	1.8%
Cost-to-Income	39.0%	36.2%	37.9%	37.5%	37.1%	36.7%	36.3%
Non-Interest Income-to-Operating Income	17.3%	21.8%	28.0%	28.3%	27.9%	27.8%	27.6%
Dividend Payout	26.1%	27.4%	30.2%	27.6%	26.8%	26.9%	27.5%
Net Interest Margin	3.2%	3.1%	3.0%	3.1%	3.2%	3.2%	3.2%
RoAE	21.4%	17.5%	14.2%	13.9%	14.9%	15.1%	15.0%
RoAA	2.3%	2.0%	2.0%	2.1%	2.3%	2.4%	2.4%

** Equivalent to net interest income. Sources Bank's financial statements and NBK Capital*

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION	UPSIDE (DOWNSIDE) POTENTIAL
BUY	MORE THAN 20%
ACCUMULATE	BETWEEN 5% AND 20%
HOLD	BETWEEN -10% AND 5%
REDUCE	BETWEEN -25% AND -10%
SELL	LESS THAN -25%

RISK LEVEL				
LOW RISK				HIGH RISK
1	2	3	4	5

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NBK CAPITAL

Kuwait

Head Office
38th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050
Kuwait
T. +965 2224 6900
F. +965 2224 6905

MENA Research
35th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050, Kuwait
T. +965 2224 6663
F. +965 2224 6905
E. menaresearch@nbkcapital.com.kw

Brokerage
37th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050, Kuwait
T. +965 2224 6964
F. +965 2224 6978
E. brokerage@nbkcapital.com

United Arab Emirates

NBK Capital Limited
Precinct Building 3, Office 404
Dubai International Financial Center
P.O.Box 506506
Dubai, UAE
T. +971 4 365 2800
F. +971 4 365 2805

Turkey

NBK Capital
Arastima ve Musavirlik AS,
Sun Plaza, 30th Floor,
Dereboyu Sk. No.24
Maslak 34398, Istanbul, Turkey
T. +90 212 276 5400
F. +90 212 276 5401

NATIONAL BANK OF KUWAIT

Kuwait

National Bank of Kuwait SAK
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
T. +965 2242 2011
F. +965 2243 1888
Telex: 22043-22451 NATBANK

INTERNATIONAL NETWORK

Bahrain

National Bank of Kuwait SAK
Bahrain Branch
Seef Tower, Al-Seef District
P.O. Box 5290, Manama, Bahrain
T. +973 17 583 333
F. +973 17 587 111

Saudi Arabia

National Bank of Kuwait SAK
Jeddah Branch
Al-Andalus Street, Red Sea Plaza
P.O. Box 15385
Jeddah 21444, Saudi Arabia
T. +966 2 653 8600
F. +966 2 653 8653

United Arab Emirates

National Bank of Kuwait SAK
Dubai Branch
Sheikh Rashed Road, Port Saeed
Area, ACICO Business Park
P.O. Box 88867, Dubai
United Arab Emirates
T. +971 4 2929 222
F. +971 4 2943 337

Jordan

National Bank of Kuwait SAK
Head Office
Al Hajj Mohd Abdul Rahim Street
Hijazi Plaza, Building # 70
P.O.Box 941297,
Amman -11194, Jordan
T. +962 6 580 0400
F. +962 6 580 0441

Lebanon

National Bank of Kuwait
(Lebanon) SAL
Sanayeh Head Office
BAC Building, Justinian Street
P.O. Box 11-5727, Riyad El Solh
1107 2200 Beirut, Lebanon
T. +961 1 759 700
F. +961 1 747 866

Iraq

Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O.Box 3420, Baghdad, Iraq
T. +964 1 7182198/7191944
+964 1 7188406/7171673
F. +964 1 7170156

Egypt

Al Watany Bank of Egypt
13 Al Themar Street
Gameat Al Dowal AlArabia
Fouad Mohie El Din Square
Mohandessin, Giza, Egypt
T. +202 333 888 16/17
F. +202 333 79302

United States of America

National Bank of Kuwait SAK
New York Branch
299 Park Avenue, 17th Floor
New York, NY 10171, USA
T. +1 212 303 9800
F. +1 212 319 8269

United Kingdom

National Bank of Kuwait (Intl.) Plc
Head Office
13 George Street,
London W1U 3QJ, UK
T. +44 20 7224 2277
F. +44 20 7224 2101

NBK Investment
Management Limited
13 George Street
London W1U 3QJ, UK
T. +44 20 7224 2288
F. +44 20 7224 2102

France

National Bank of Kuwait (Intl.) Plc
Paris Branch
90 Avenue des Champs-Elysees
75008 Paris, France
T. +33 1 5659 8600
F. +33 1 5659 8623

Singapore

National Bank of Kuwait SAK
Singapore Branch
9 Raffles Place #51-01/02
Republic Plaza, Singapore 048619
T. +65 6222 5348
F. +65 6224 5438

Vietnam

National Bank of Kuwait SAK
Vietnam Representative Office
Room 2006, Sun Wah Tower
115 Nguyen Hue Blvd, District 1
Ho Chi Minh City, Vietnam
T. +84 8 3827 8008
F. +84 8 3827 8009

China

National Bank of Kuwait SAK
Shanghai Representative Office
Suite 1003, 10th Floor,
Azia Center, 1233 Lujiazui Ring Rd.
Shanghai 200120, China
T. +86 21 6888 1092
F. +86 21 5047 1011

ASSOCIATES

Qatar

International Bank of Qatar (QSC)
Suhaim bin Hamad Street
P.O.Box 2001
Doha, Qatar
T. +974 447 3700
F. +974 447 3710

Turkey

Turkish Bank
Head Office
Valikonagl Avenue No. 1
P.O.Box 34371 Nisantasi,
Istanbul, Turkey
T. +90 212 373 6373
F. +90 212 225 0353

KUWAIT ▪ DUBAI ▪ ISTANBUL ▪ CAIRO