Global
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Global Investment House

Result Update

Saudi Arabia

The Saudi Investment Bank

Subdued quarterly performance...

Tickers:
SIBC AB (Bloomberg)
1030.SE (Reuters)

May, 2008

HOLD

Listing:
Saudi Stock Exchange

Price:
SR34.50 (As on May 12, 2008)

Key Data

CMP#(SR)	34.5
EPS*(SR)	2.0
BVPS*(SR)	16.9
P/E*	17.1
P / BV*	2.0
12M Avg.vol.	334,139
52 week Lo / Hi (SR)	32.4/53.4

*Source: **Global** Research*
**2008 Projected*
 # As at May 12, 2008

Highlights

- **The Saudi Investment Bank (SAIB)** during 1Q-08 posted YoY net income decline of 15.7% (from SR306mn in 1Q07 to SR258mn in 1Q08), while it reported 59% decrease in the net income in FY07. The bank's YTD total assets decreased by 0.9% (from SR46.5bn in FY07 to SR46.1bn in 1Q08), whereas on YoY basis rose by 15.6%.

- The bank's (FY07) special commission income growth of 4% along with the rise in special commission expense by 5%, led to an increase in the net special commission income by 2% (from SR1,030mn in 2006 to SR1,056mn in 2007).

- SAIB's top-line performance was further dampened by the drop of 77% in non-commission income, which was mainly a result of subdued fees from banking services. The decline in fees from banking services of 49% (from SR784mn in 2006 to SR398mn in 2007) was directly linked to subdued share trading activity at Tadawul in 2007.

- The bank's balance sheet footing showed a CAGR (2004-07) of 17.7% and YoY growth of 14% (from SR40.8bn in 2006 to SR46.5bn in 2007). The net loans & advances recorded a growth of 12% (from SR20.7bn in FY06 to SR23.1bn in FY07). The customer deposits posted YoY growth of 17% rising from SR27.9bn in 2006 to SR32.8bn in 2007, as compared to the industry deposit growth of 21%.

- Although SAIB remains an adequately capitalized bank with TIER-1 capital at SR6.8bn, the TIER-1 ratio of the bank dropped from 23.5% in 2006 to 21.0% in 2007.

- Our fair value for SAIB is estimated to be SR33.4 per share. According to our fair value the banking scrip is 3.3% lower than the current market price of SR34.5 per share (as on May 12, 2008). Therefore, we downgrade our earlier recommendation on the stock from "Buy" to **"Hold"** with a medium term perspective.

Omar M. El-Quqa, CFA
Executive Vice President
omar@global.com.kw
Phone No:(965) 2400551 Ext.104

Faisal Hasan, CFA
Head of Research
fhasan@global.com.kw
Phone No:(965) 2400551 Ext.304

Mohammed Ali Shah
Financial Analyst
mashah@global.com.kw
Phone No:(965) 2400551 Ext.507

Naveed Ahmed
Financial Analyst
nahmed@global.com.kw
Phone No:(965) 2400551 Ext.741

Recent Developments

- In Mar-08, Saudi Investment Bank's (SAIB) subsidiary, SAIB Asset Management Company, entered in an alliance with BNP Paribas, for assets management in Saudi Arabia. BNP Paribas is to acquire 25% stake in SAIB Asset Management Company. Following the alliance, the SAIB Asset Management Co. will be named as SAIB BNP Paribas Asset Management Company.

- In Mar-08, druing an Extraordinary General Meeting the BOD approved the distribution of 15% bonus shares (raising the bank's outstanding shares from 391.0mn to 450.0mn), the amendment to the bank's article of association, the financial statements for the year ended Dec. 31, 2007, and the appointment of a committee that will select the auditors for the year 2008.

- In Jan-08, SAIB Asset Management Company announced receiving of the UAE's regulators approval for offering 55% of its shares (20 mn shares) in an initial public offering to be listed on the Dubai Financial Market in the first half of 2008.

Rating Update

- In Nov-07, Moody's Investors Service Agency announced the ratings for the bank. The bank was assigned A2 /P-1 with a stable outlook for its global local currency deposits, whereas the financial strength /baseline credit assessment was placed at C-/Baa2 ratings with a stable outlook.

Analysis of Financial Performance -FY 2007

Income Statement

- SAIB's (FY07) financial results recorded a significant decrease in net income by 59% (from SR2,006mn in 2006 to SR822mn in 2007). It is noteworthy that the Saudi banking sector broadly experienced a profitability drop of 14.6% in FY07, which was mainly the result of lower fee-based income due to the dampened trading activity at Tadawul.

Table 1: Income Statement Highlights

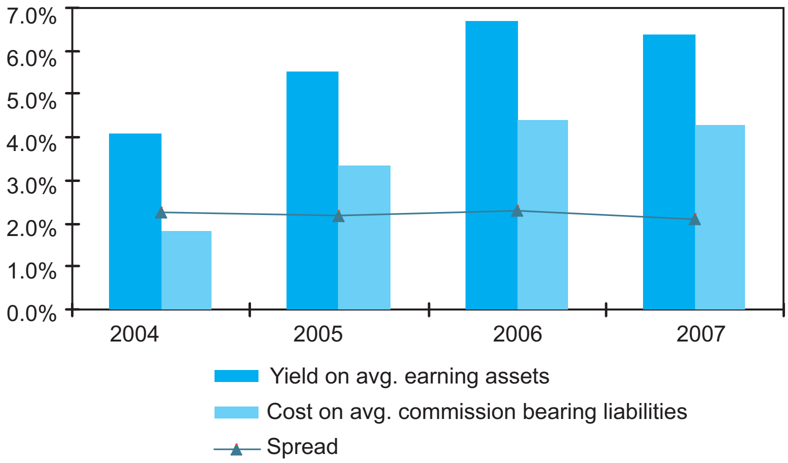
(SR mn)	**2004**	**2005**	**2006**	**2007**	**Growth (2006-07)**
Special Commission Income	981.0	1,746.0	2,505.3	2,605.1	4.0%
Net Special comm. Income after PLL's	457.8	685.7	934.0	959.3	2.7%
Total Non-interest Income	425.5	730.3	1,525.8	347.1	-77.3%
Total Operating Income	883.4	1,416.0	2,459.8	1,306.4	-46.9%
Net Income	**587.1**	**1,064.5**	**2,006.3**	**822.2**	**-59.0%**

*Source: SAIB Financial Reports & **Global** Research*

- The bank's special commission income posted an increase of 4% (from SR2,505mn in 2006 to SR2,605mn in 2007), which was mainly generated by income from loans & advances contributing 62% to the top line results. The rise in special commission expense by 5% was led by the higher amount of interest paid on the customer deposits. At large, SAIB was able to post a net special commission income increase of 2% (from SR1,030mn in 2006 to SR1,056mn in 2007).

- The effect of softening interest rate environment in Saudi Arabia (as it followed the US monetary policy stance) clearly impacted SAIB's banking spreads. The spreads that were maintained between 2.2% to 2.3% over the last three years experienced a drop in 2007. During FY07, the commission earning rate of 6.4% coupled with the commission expense rate of 4.3%, resulted in SAIB banking spread of 2.1% (as compared to FY06: 2.3%). Going forward, the bank needs to prepare itself better to sustain the pressure on the banking spreads (as the Saudi government in consonance with US Fed rate cut continues to follow a similar stance in the Kingdom).

Chart 1: Banking Spreads



*Source: SAIB Financial Reports & **Global** Research*

- The bank's top-line performance was further dampened by the drop in non-commission income by 77%, which was a direct result of the drop in fees from banking services and losses on non-trading investments. The banking fees recorded a significant drop by 49% (from SR784mn in 2006 to SR398mn in 2007) that was largely because of reduction in share trading income. Simultaneously, during the year, the bank also recorded the impairment losses of SR232mn on available for sale investments.

- A mounting pressure on non-commission income led to a drop of 47% in total operating income (from SR2,460mn in 2006 to SR1,306mn in 2007). The bank's subdued performance was further aggravated due to the rise in operating expenses by 6% (from SR550mn in 2006 to SR581mn in 2007).

- SAIB's bearish performance (FY07) also had a significant impact on the bank's profitability ratios. The growth in assets and equity base (accompanied by declining profits) led to ROAA decline from 5.0% in 2006 to 1.9% in 2007, and ROAE drop from 35.5% in 2006 to 12.9% in 2007. The bank posted an EPS of SR1.8 in 2007 as compared SR4.5 in 2006.

Balance Sheet

- Based on FY07 results, SAIB with assets amounting to SR46.5bn only captured 4.5% market share of the total assets in the Saudi banking sector. The bank's balance sheet footing strengthened over the years, posting a 3-year (2004-07) CAGR of 17.7%. The bank total assets posted an annual growth of 14% rising from SR40.8bn in 2006 to SR46.5bn in 2007.

Table 2: Balance Sheet Highlights

(SR mn)	2004	2005	2006	2007
Cash & balances with SAMA	577.8	971.7	861.2	1,212.4
% total	2.0%	2.5%	2.1%	2.6%
% increase		68.2%	-11.4%	40.8%
Non-trading Investments	8,501.7	11,276.2	11,776.9	16,373.4
% total	29.8%	28.5%	28.8%	35.2%
% increase		32.6%	4.4%	39.0%
Net Loans and Advances	13,031.1	19,793.6	20,691.3	23,128.7
% total	45.7%	50.0%	50.7%	49.7%
% increase		51.9%	4.5%	11.8%
Total Assets	**28,543.5**	**39,580.7**	**40,844.6**	**46,541.8**
Customers' Deposits	20,284.9	27,858.1	27,931.0	32,768.3
% total	71.1%	70.4%	68.4%	70.4%
% increase		37.3%	0.3%	17.3%
Total Shareholders' Equity	3,509.4	5,306.7	6,001.3	6,769.5
% total	12.3%	13.4%	14.7%	14.5%
% increase		51.2%	13.1%	12.8%
Total Liabilities & Equity	**28,543.5**	**39,580.7**	**40,844.6**	**46,541.8**

*Source: SAIB Financial Reports & **Global** Research*

- The bank's net Loans & Advances that constitute 50% of the total assets showed a growth of 12% (from SR20.7bn in FY06 to SR23.1bn in FY07), as compared to industry loan growth of 21%. The loan portfolio segmental analysis shows that the bank has lending of around 36% to the commerce segment, which was followed by building & construction segment having a share of 19%.

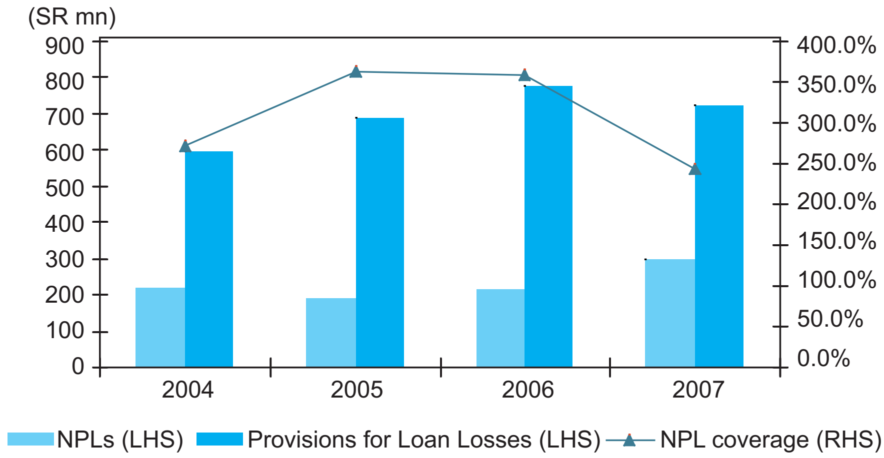
Table 3: Loan Portfolio by Economic Sector

	2004	2005	2006	2007
Government and Quasi Government	0.5%	0.3%	0.6%	2.8%
Banks and other financial institutions	1.1%	3.4%	6.8%	4.8%
Agriculture and fishing	0.6%	0.4%	0.6%	0.9%
Manufacturing	13.7%	9.9%	8.8%	7.8%
Electricity, water, gas and health services	0.7%	0.5%	0.4%	0.0%
Building and construction	11.1%	16.9%	21.6%	18.6%
Commerce	29.8%	33.1%	25.8%	35.7%
Transportation and communication	1.4%	0.6%	0.4%	0.2%
Services	5.4%	6.8%	6.7%	2.8%
Consumer loans and credit cards	13.2%	10.0%	8.8%	7.4%
Others	22.5%	18.2%	19.4%	18.8%
Total Loan Portfolio	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*Source: SAIB Financial Reports & **Global** Research*

- SAIB's lending portfolio was dominated by commercial loan and overdraft loan facilities, having a contribution of 77% and 16%, respectively. The bank's increase in NPLs by 37% (from SR217mn in 2006 to SR297mn in 2007) was mainly generated from the overdraft facilities. The drop in provisioning by 7%, amidst a rise in non-performing loans also led to a drop in NPL coverage ratio from 358% in 2006 to 243% in 2007.

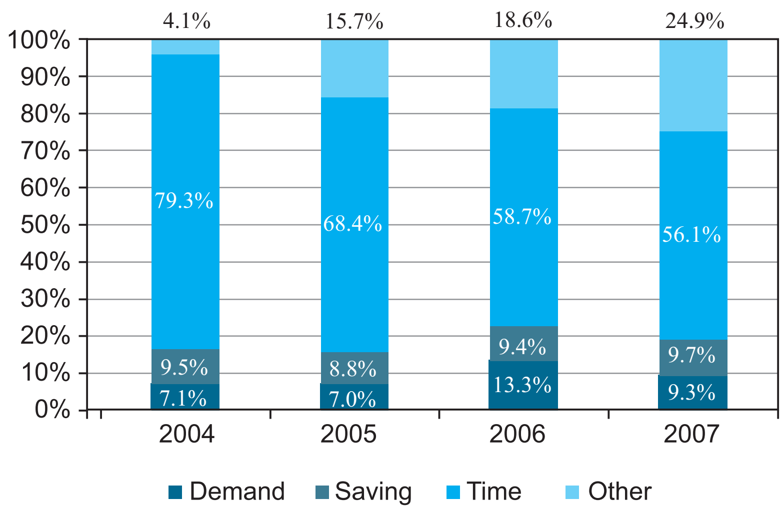
Chart 2: Credit Quality



*Source: SAIB Financial Reports & **Global** Research*

- The customer deposits (FY07) constituting 70% of SAIB's funding base, showed CAGR (2004-07) of 17%. With relatively small network of 27 branches, the bank covers the major parts of the Kingdom. The bank's deposit base posted an annual growth of 17% rising from SR27.9bn in 2006 to SR32.8bn in 2007, as compared to the industry deposit growth of 21%. The Time deposits with 56% share of the total deposits were followed by 10% share of saving deposits amongst the deposit base.

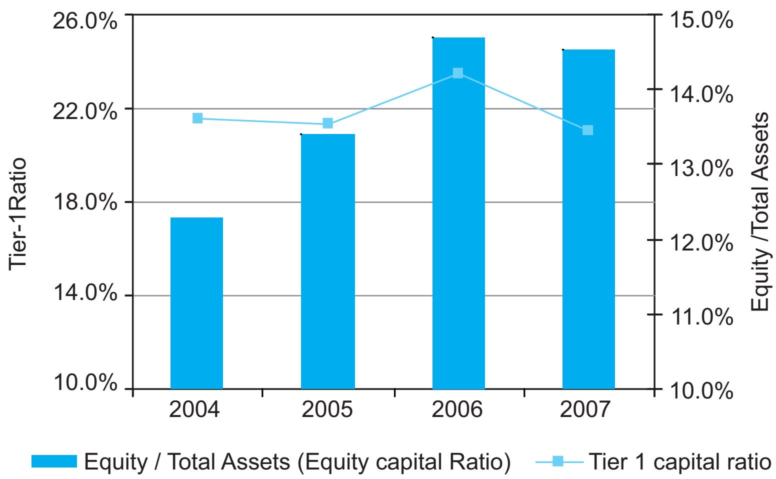
Chart 3: Customer Deposit Composition



*Source: SAIB Financial Reports & **Global** Research*

- The shareholder's equity contribution to the total assets was maintained at around 13%. The shareholder's equity continues to strengthen over the years posting CAGR of 24% from SR3.5bn in 2004 to SR6.8bn in 2007. The increase in equity accompanied by the rising gross loans, kept the Equity to Gross loans ratio at around 28.0% over the last couple of years.

Chart 4 : Capital Adequacy



*Source: SAIB Financial Reports & **Global** Research*

- Although SAIB remains an adequately capitalized bank with TIER-1 capital at SR6.8bn, the drop in TIER-1 ratio from 23.5% in 2006 to 21.0% in 2007 signals the rise in risk-weighted assets.

Analysis of Financial Performance – 1Q-2008

- SAIB posted a YoY net income decline of 15.7% (from SR306mn in 1Q-07 to SR258mn in 1Q-08) and recorded significant decline in EPS (based on 450mn shares) from SR0.68 in 1Q-07 to SR0.57 in 1Q-08.

- The bank's dismal performance showing a decrease in special commission income by 8.5% (from SR647mn in 1Q-07 to SR592mn in 1Q-08) was not supported by the drop in special commission expense by 7%. Thus, leading to 10% decline in net special commission income (from SR284mn in 1Q-07 to SR255mn in 1Q-08).

- Although (unlike 2007) the bank was able to manage the pressure on its fees from banking services that showed a rise of 34% (from SR120mn in 1Q-07 to SR161mn in 1Q-08), the overall dampened performance from its core activities hurt the bottom line.

Table 4: Key Income Statement Data

(SR mn)	1Q07	1Q08	YoY growth
Special Commission Income	646.7	592.1	-8.5%
Special Commission Expense	362.5	336.9	-7.1%
Fees from Banking services	120.1	160.7	33.8%
Exchange Income	6.5	12.5	92.2%
Provision for Investment Losses	(15.0)	(15.0)	0.0%
Net Income	**306.1**	**262.0**	**-14.4%**
Income attributable to minority interest	0	(3.8)	
Net Income attributable to equity holder of the bank	**306.1**	**258.2**	**-15.7%**

*Source: SAIB Financial Reports & **Global** Research*

- Although SAIB showed a YTD total assets decrease of 0.9% (from SR46.5bn in FY07 to SR46.1bn in 1Q08), it recorded a YoY asset base growth of 15.6%. The loan & advances portfolio with YTD growth of 6.2%, recorded 38% increase on YoY basis. The loan & advances continued to dominate the bank's assets with 53% share of the total assets.

- The customer deposits constituting 72% of SAIB's funding sources, showed a YTD rise of 0.9% (from SR32.8bn in FY07 to SR33.0bn in 1Q-08) and YoY increase of 20%. The equity base of the bank posted YTD growth of 0.5% while on YoY basis recorded an increase of 8% closing at SR6.8bn in 1Q08.

Table 5: Key Balance Sheet Data

(SR mn)	1Q 07	FY 07	1Q 08	YoY growth	YTD growth
Cash & Balances with SAMA	1,018.6	1,212.4	1,232.3	21.0%	1.6%
Loans & Advances, net	17,815.5	23,128.7	24,563.5	37.9%	6.2%
Total Assets	**39,885.4**	**46,541.8**	**46,122.6**	**15.6%**	**-0.9%**
Customers' Deposits	27,600.5	32,768.3	33,079.2	19.8%	0.9%
Other Liabilities	2,244.2	2,491.8	2,313.5	3.1%	-7.2%
Total Shareholders' Equity	6,301.7	6,769.6	6,806.4	8.0%	0.5%
Total Liabilities & Shareholders' Equity	**39,885.4**	**46,541.8**	**46,122.6**	**15.6%**	**-0.9%**

*Source: SAIB Financial Reports & **Global** Research*

Outlook & Valuation

- After the relatively dampened market activity at Tadawul in 2007, going forward we expect a rising trend in the Saudi stock market activity. For banks in particular, the optimism is linked to the growth in Saudi economy on the back of all time high oil prices and the boost in public expenditure on mega infrastructure projects (oil and non-oil related). This will lead to both an increased financing appetite and customer deposit base.

- As SAIB continues to work on improving its fee-based income (esp. fees from banking services & exchange income), in an intensifying financial services industry of Saudi Arabia, the bank needs to further boost its efforts for posting improved core banking performance.

- Based on the current market price of SR34.5 per share (as on May 12, 2008), SAIB is trading at (2008E) P/E and P/BV multiples of 17.1x and 2.0x, respectively.

Table 6: Valuation Summary

Valuation Methods	Price (SR)	Weight	Weighted Value (SR)
DDM	33.2	80%	26.6
GGM	34.2	20%	6.8
Estimated Fair Price of SAIB per share			**33.4**

*Source: **Global** Research*

- Our fair value for SAIB is estimated to be SR33.4 per share, based on DDM (80%) and adaptation of the Gordon Growth Model (20%). According to our fair value the banking scrip is 3.3% lower than the current market price of SR34.5 per share (as on May 12, 2008). Therefore, we downgrade our earlier recommendation on the stock from "Buy" to **"Hold"** with a medium term perspective.

BALANCE SHEET

	The Saudi Investment Bank						
(SR mn)	**2005**	**2006**	**2007**	**2008 F**	**2009 F**	**2010 F**	**2011F**
Cash & Balances with SAMA	971.7	861.2	1,212.4	1,210.4	2,001.8	3,315.2	4,645.3
Due from Banks and other FIs	6,797.7	6,299.2	4,311.4	3,449.1	3,552.6	3,659.2	3,769.0
Non-trading Investments	11,276.2	11,776.9	16,373.4	17,192.1	18,051.7	18,593.2	19,151.0
Net Loans and Advances	19,793.6	20,691.3	23,128.7	27,364.2	31,452.6	34,562.1	37,979.1
Net Fixed Assets	204.6	340.4	424.7	526.4	617.1	682.4	757.4
Other Assets	536.8	875.7	1,091.2	1,254.9	1,380.4	1,449.4	1,521.9
Total Assets	**39,580.7**	**40,844.6**	**46,541.8**	**50,997.1**	**57,056.1**	**62,261.5**	**67,823.6**
Due to Banks and other FIs	3,990.7	4,447.0	4,512.1	4,865.6	5,204.4	5,463.4	5,735.4
Customers' Deposits	27,858.1	27,931.0	32,768.3	37,427.2	42,750.5	47,218.0	51,940.4
Other Liabilities	1,000.3	1,040.3	1,066.8	1,098.8	1,131.8	1,165.7	1,200.7
Term Loan	1,425.0	1,425.0	1,425.0	0.0	0.0	0.0	0.0
Total Liabilities	**34,274.0**	**34,843.3**	**39,772.2**	**43,391.6**	**49,086.6**	**53,847.2**	**58,876.5**
Share Capital	1,718.8	2,406.3	3,910.1	4,500.0	4,500.0	4,500.0	4,500.0
Statutory Reserve	1,450.0	1,952.0	2,158.0	2,385.0	2,669.1	3,016.2	3,431.8
General & Other Reserves	2,006.5	137.3	83.4	83.4	140.2	209.6	292.7
Retained Earnings	1.6	1,505.8	618.1	618.4	618.4	618.4	618.4
Minority Interest	0.0	0.0	0.0	18.5	41.7	70.1	104.0
Proposed gross dividend	129.9	0.0	0.0	0.0	0.0	0.0	0.0
Total Shareholders' Equity	**5,306.7**	**6,001.3**	**6,769.5**	**7,605.4**	**7,969.4**	**8,414.2**	**8,947.0**
Total Liabilities and Shareholders' Equity	**39,580.7**	**40,844.6**	**46,541.7**	**50,997.0**	**57,056.0**	**62,261.4**	**67,823.5**

INCOME STATEMENT

	The Saudi Investment Bank						
(SR mn)	**2005**	**2006**	**2007**	**2008 F**	**2009 F**	**2010 F**	**2011F**
Special Commission Income	1,746.0	2,505.3	2,605.1	2,553.2	2,941.4	3,412.8	3,781.5
Special Commission Expense	(960.2)	(1,474.8)	(1,549.1)	(1,530.4)	(1,764.8)	(2,064.7)	(2,287.8)
Net Special Commission Income	**785.7**	**1,030.5**	**1,056.0**	**1,022.8**	**1,176.6**	**1,348.1**	**1,493.7**
Provision For Loan Losses	(100.0)	(96.5)	(96.7)	(124.2)	(143.2)	(134.6)	(151.7)
Net Special Commission Income After PLL's	**685.7**	**934.0**	**959.3**	**898.6**	**1,033.4**	**1,213.4**	**1,342.0**
Fees From Banking Services	655.7	783.9	398.3	517.8	595.5	714.6	893.3
Exchange Income	27.4	34.8	44.4	48.9	51.3	53.9	56.6
Dividend Income	21.8	34.4	35.4	44.2	48.7	56.0	64.3
Net Gains On Investments	25.4	672.6	(131.0)	(39.3)	31.5	39.3	53.1
Total Non-Commission Income	**730.3**	**1,525.8**	**347.1**	**571.6**	**726.9**	**863.8**	**1,067.3**
Total Operating Income	**1,416.0**	**2,459.8**	**1,306.4**	**1,470.2**	**1,760.3**	**2,077.2**	**2,409.3**
Salaries & Employee Related Expenses	(224.0)	(259.3)	(286.9)	(315.6)	(347.2)	(381.9)	(412.5)
Rent & Premises Related Expenses	(33.6)	(41.6)	(41.5)	(49.9)	(54.8)	(59.2)	(62.2)
Depreciation And Amortization	(23.9)	(31.4)	(43.6)	(54.8)	(65.7)	(75.6)	(86.9)
Other G & A Expenses	(70.3)	(121.2)	(112.1)	(123.3)	(133.2)	(143.8)	(151.0)
Total Operating Expenses	**(351.5)**	**(453.5)**	**(484.2)**	**(543.6)**	**(600.9)**	**(660.6)**	**(712.6)**
Net Income	**1,064.5**	**2,006.3**	**822.2**	**926.7**	**1,159.4**	**1,416.6**	**1,696.7**
Income attributable to minority interest	0.0	0.0	0.0	18.5	23.2	28.3	33.9
Net Income	**1,064.5**	**2,006.3**	**822.2**	**908.1**	**1,136.2**	**1,388.3**	**1,662.8**
P&L Appropriation Account							
Opening Balance of Retained Earnings	**2.7**	**1.6**	**1,505.8**	**618.1**	**618.4**	**618.4**	**618.4**
Net Income	1,064.5	2,006.3	822.2	908.1	1,136.2	1,388.3	1,662.8
Bonus Share Issue	0.0	(687.5)	(1,503.8)	(590.0)	0.0	0.0	0.0
Transfer To Statutory Reserve	(266.0)	(502.0)	(206.0)	(227.0)	(284.1)	(347.1)	(415.7)
Transfer To Other Reserves	(668.5)	687.5	0.0	0.0	(56.8)	(69.4)	(83.1)
Gross Dividends	(129.9)	0.0	0.0	(90.8)	(795.3)	(971.8)	(1,163.9)
Net Change In Fair Value	(1.2)	0.0	0.0	0.0	0.0	0.0	0.0
Closing Balance of Retained Earnings	**1.55**	**1,505.8**	**618.2**	**618.4**	**618.4**	**618.4**	**618.4**

CASH FLOW

	The Saudi Investment Bank						
(SR mn)	**2005**	**2006**	**2007**	**2008 F**	**2009 F**	**2010 F**	**2011F**
Net Income	1,064.5	2,006.3	822.2	908.1	1,136.2	1,388.3	1,662.8
Accretion of Discounts	(160.5)	(131.9)	(276.0)	0.0	0.0	0.0	0.0
Gains on Investments	(25.4)	(672.6)	131.0	39.3	(31.5)	(39.3)	(53.1)
Depreciation and Amortization	23.9	31.4	43.6	54.8	65.7	75.6	86.9
Provision for Loan Losses	100.0	96.5	96.7	124.2	143.2	134.6	151.7
Due from Banks and other FIs	(801.7)	498.5	1,987.8	862.3	(103.5)	(106.6)	(109.8)
Loans And Advances	(6,862.5)	(994.1)	(2,534.1)	(4,359.7)	(4,231.6)	(3,244.2)	(3,568.6)
Other Assets	(244.7)	(338.9)	(215.5)	(163.7)	(125.5)	(69.0)	(72.5)
Due To Banks And FIs	19.7	456.3	65.1	353.5	338.7	259.1	272.0
Customers Deposits	7,573.1	72.9	4,837.3	4,658.9	5,323.3	4,467.5	4,722.4
Other Liabilities	319.5	40.1	26.5	32.0	33.0	34.0	35.0
CF From Operations	**1,006.0**	**1,064.5**	**4,984.5**	**2,509.8**	**2,548.1**	**2,899.9**	**3,126.7**
Net Sale /Purchase Of Investments	(1,855.7)	(877.9)	(4,505.4)	(858.0)	(828.2)	(502.2)	(504.7)
Capex	(83.7)	(167.2)	(127.9)	(156.5)	(156.5)	(140.8)	(161.9)
CF From Investing	**(1,939.4)**	**(1,045.1)**	**(4,633.3)**	**(1,014.4)**	**(984.6)**	**(643.0)**	**(666.7)**
Minority Interest				18.5	23.2	28.3	33.9
Term Loan	1,425.0	0.0	0.0	(1,425.0)	0.0	0.0	0.0
Dividend And Zakat Paid	(97.4)	(129.9)	0.0	(90.8)	(795.3)	(971.8)	(1,163.9)
CF From Financing	**1,327.7**	**(129.9)**	**0.0**	**(1,497.3)**	**(772.2)**	**(943.5)**	**(1,130.0)**
Change In Cash	394.3	(110.5)	351.2	(1.9)	791.3	1,313.4	1,330.1
Beginning Cash	577.8	971.7	861.2	1,212.4	1,210.4	2,001.8	3,315.2
Ending Cash	**972.1**	**861.2**	**1,212.4**	**1,210.4**	**2,001.8**	**3,315.2**	**4,645.3**

FACT SHEET

	The Saudi Investment Bank						
	2005	2006	2007	2008 F	2009 F	2010 F	2011F
Profitability							
- Return on average assets	3.1%	5.0%	1.9%	1.9%	2.1%	2.3%	2.6%
- Return on average equity	24.1%	35.5%	12.9%	12.6%	14.6%	16.9%	19.2%
- Net special comm. income after PLL's/ Total op. income	48.4%	38.0%	73.4%	61.1%	58.7%	58.4%	55.7%
- Non-commission income/ Total op. income	51.6%	62.0%	26.6%	38.9%	41.3%	41.6%	44.3%
- Non-commission expense/ Total op. income	24.8%	18.4%	37.1%	37.0%	34.1%	31.8%	29.6%
- Fees from banking services/ Total op. income	46.3%	31.9%	30.5%	35.2%	33.8%	34.4%	37.1%
- Dividend payout ratio	12%	0%	0%	10%	70%	70%	70%
Margins							
- Net (or profit) margin	75.2%	81.6%	62.9%	61.8%	64.5%	66.8%	69.0%
- Special commission expense/ Special commission income	55.0%	58.9%	59.5%	59.9%	60.0%	60.5%	60.5%
- Yield on average earning assets	5.5%	6.7%	6.4%	5.6%	5.9%	6.3%	6.5%
- Cost rate on average commission bearing liabilities	3.3%	4.4%	4.3%	3.8%	3.9%	4.1%	4.1%
- Spread	2.2%	2.3%	2.1%	1.9%	2.0%	2.2%	2.3%
- Commission margin (earning assets)	2.5%	2.8%	2.6%	2.3%	2.4%	2.5%	2.6%
Efficiency							
- Total op. expense / Total op. income	24.8%	18.4%	37.1%	37.0%	34.1%	31.8%	29.6%
- Staff expenses/ Total op. Expenses	63.7%	57.2%	59.3%	58.1%	57.8%	57.8%	57.9%
- Rent, G&A expenses/ Total op. Expenses	29.6%	35.9%	31.7%	31.9%	31.3%	30.7%	29.9%
- Non-commission expense/ Average total assets	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Liquidity							
- Gross Loans / Commission earning assets	56.7%	55.6%	55.2%	59.4%	61.7%	63.2%	64.7%
- Gross Loans/ Customer Deposits	73.5%	76.9%	72.8%	75.4%	75.9%	75.6%	75.6%
- Customer Deposits/ Equity	525.0%	465.4%	484.1%	492.1%	536.4%	561.2%	580.5%
- Customer Deposits/ Total assets	70.4%	68.4%	70.4%	73.4%	74.9%	75.8%	76.6%
- Due from Banks/ Due to Banks	170.3%	141.6%	95.6%	70.9%	68.3%	67.0%	65.7%
Credit Quality							
- Provisions /Total op. income	7.1%	3.9%	7.4%	8.4%	8.1%	6.5%	6.3%
- Provisions /Average Gross loans	0.6%	0.5%	0.4%	0.5%	0.5%	0.4%	0.4%
- Non Performing Loans (SR mn)	189.1	217.3	296.9	416.9	479.4	527.4	580.1
- Provision for loan losses (SR mn)	688.2	777.3	722.1	846.3	989.5	1,124.1	1,275.8
- NPLs /Gross Loans	0.9%	1.0%	1.2%	1.5%	1.5%	1.5%	1.5%
- NPLs /(Equity+provision for loan losses)	3.2%	3.2%	4.0%	4.9%	5.4%	5.5%	5.7%
- PLLs / Gross Loans	3.4%	3.6%	3.0%	3.0%	3.1%	3.2%	3.3%
- NPL Coverage	364.0%	357.7%	243.2%	203.0%	206.4%	213.2%	219.9%
Capital Adequacy							
- Equity / Total Assets (Equity capital ratio)	13.4%	14.7%	14.5%	14.9%	14.0%	13.5%	13.2%
- Equity / Gross Loans	25.9%	28.0%	28.4%	27.0%	24.6%	23.6%	22.8%
Constitution of Total Operating Income							
- Net special comm. income after PLL's/ Total op. income	48.4%	38.0%	73.4%	61.1%	58.7%	58.4%	55.7%
- Fees from banking services/ Total op. income	46.3%	31.9%	30.5%	35.2%	33.8%	34.4%	37.1%
- Investment Income/ Total op. income	3.3%	28.7%	-7.3%	0.3%	4.6%	4.6%	4.9%
- Exchange Income/ Total op. income	1.9%	1.4%	3.4%	3.3%	2.9%	2.6%	2.3%
- PLL's/ Total op. income	7.1%	3.9%	7.4%	8.4%	8.1%	6.5%	6.3%
Operating Performance							
- Change in Special commission income	78.0%	43.5%	4.0%	-2.0%	15.2%	16.0%	10.8%
- Change in Fees from banking services	95.7%	19.6%	-49.2%	30.0%	15.0%	20.0%	25.0%
- Change in Investment Income	-38.2%	1400.9%	-113.5%	-105.1%	1528.4%	18.9%	23.3%
- Change in Exchange Income	93.0%	26.9%	27.6%	10.0%	5.0%	5.0%	5.0%
RATIOS USED FOR VALUATION							
- Par value per share (SR)	50.0	10.0	10.0	10.0	10.0	10.0	10.0
- Shares in issue (mn)	34.4	240.6	391.0	450.0	450.0	450.0	450.0
- EPS (SR) - Adjusted	2.4	4.5	1.8	2.0	2.5	3.1	3.7
- DPS (SR)- Adjusted	0.3	0.0	0.0	0.2	1.8	2.2	2.6
- Book value per share (SR)- Adjusted	11.8	13.3	15.0	16.9	17.7	18.7	19.9
- Market price year end (SR)	74.5	47.3	51.0	34.5	34.5	34.5	34.5
- Market Cap. (SR bn)	2.6	11.4	20.0	15.5	15.5	15.5	15.5
- P/E	31.5	10.6	27.9	17.1	13.7	11.2	9.3
- P/BV	6.3	3.5	3.4	2.0	1.9	1.8	1.7
- Dividends yield	0.4%	0.0%	0.0%	0.6%	5.1%	6.3%	7.5%

Historical P/E & P/BV multiples pertain to respective year-end prices, while those for future years are based on market price in the Saudi Stock Exchange as on May 12, 2008.

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Disclosure Checklist

Company	Recommendation	Tickers	Price	Disclosure
The Saudi Investment Bank	HOLD	SIBC AB (Bloomberg) 1030.SE (Reuters)	SR34.50	1,8,10

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Global Research: Equity Ratings Definitions

Global rating	Definition
Buy	Fair value of the stock is >10% from the current market price
Hold	Fair value of the stock is between +10% and -10% from the current market price
Reduce	Fair value of the stock is between -10% and -20% from the current market price
Sell	Fair value of the stock is < -20% from the current market price