Saudi Arabia

Global

بيت الاستثمار العالمي

Global Investment House

Results Update

Saudi Hollandi Bank

Market conditions effecting growth...

November, 2007

Reuters Code:
1040.SE

Hold

Listing:
Saudi Stock Exchange

CMP:
SR54.00 (As at Nov 19th, 2007)

Key Data

CMP# (SR)	54.00
EPS* (SR)	3.0
BVPS* (SR)	18.3
P/E*	18.1
P/BV*	3.0
12M Avg. vol.	75,187
52 week Lo / Hi (SR)	39.50-70.00

*Source: **Global** Research*

*#As at Nov 19th, 2007 *2007 Projected*

Highlights

- **Saudi Hollandi Bank's (SHB)** net income declined in FY06 to reach SR952.8mn, a decrease of 9.4% below FY05. Actual figure for net income in FY06 was 4.7% below our forecast of SR1.0bn. SHB reported an EPS of SR4.3 in FY06 as compared to SR8.3 reported in the previous year.

- SHB's total assets rose by 17% (19.5% in FY05). Loans and advances which contributed 56.7% of total assets in FY06 grew by 11.4% to reach SR26.5bn as opposed to the growth rate of 42.9% in FY05. Total liabilities of SHB increased by 16.4% to reach SR42.5bn at year end FY06. The increase was driven mainly by a 13.5% increase in customers deposits which made up 76.3% of total liabilities. Time deposits was the main driver behind the increase in deposits where it increased by 28.8% to reach SR28.5bn in FY06.

- ROAE decreased from 33.1% in FY05 to 24.7% in FY06. Similarly, ROAA decreased from 2.9% in FY05 to 2.2% in FY06.

- Non-performing loans (NPL's) to gross loan ratio increased from 1.2% in FY05 to 2.5% in FY06, indicating a deterioration in asset quality of the bank. The provision for loan losses (PPL's) increased by 64%, however the NPL's increased by a much higher 128% causing the average coverage ratio (PLLs/NPLs) to decrease to 113.6% in FY06 from 158.4% in FY05.

- Net income decreased from SR662.8mn in 9M06 to SR544.9mn in 9M07. Total assets decreased by 2.2% q-o-q to reach SR48.2bn. Loans and advances on the other hand have increased by a modest 4.4% y-o-y to reach SR27.5bn. On the liabilities side, core customer deposits decreased by 5.3% y-o-y to reach SR30.7bn in 9M07.

- At its current price of SR54.00, SHB's share is quoting at a premium of 5.9% to its fair price of SR50.8. Hence we downgrade our earlier recommendation of "BUY" on SHB's stock to "**HOLD**" with a medium term perspective.

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Recent Developments

- In October 2007, Saudi-based Middle East Specialized Cables Company (MESC) has appointed Saudi Hollandi Bank as the lead manager and financial advisor along with Ernst & Young for its 30% initial public offering.

- In September 2007, Fitch Ratings affirmed SHB's ratings with a stable outlook reflecting its corporate franchise, good profitability, conservative approach to risk and the benefits gained from its strategic alliance with ABN Amro NV. Fitch has 'A-' long term issuer default rating on the bank.

- In September 2007, the Capital Market Authority (CMA) has granted license to the Saudi Hollandi Capital Company (SHCC), a SHB affiliate. SHCC will provide management, financial, and consultancy services, hold client portfolios and act as an investment advisor to capital market customers.

- In August 2007, SHB was appointed the financial advisor and arranger for the initial public offering of the newly-formed Gulf General Insurance Company (GGI). The IPO was expected to take place in 2008 pending the approval of the regulatory authorities, where it will float for subscription 8 million shares worth SR80mn (US$21.33mn) representing 40% of GGI's capital.

- In August 2007, Saudi-based Al Khaleej Insurance Company named SHB its lead manager and financial advisor for the IPO it plans to offer in the Saudi market. The company will offer 40% of its capital in an IPO in 2008.

- In May 2007, SHB signed an Islamic investment agreement using Commodity Murabaha with Bank Negara Malaysia (Central Bank of Malaysia), under which Bank Negara will place short-term deposits with SHB. The setup of a Deposit Placement Program with Bank Negara Malaysia will contribute towards achieving the objectives of the AlYusr Business Plan launched by the bank as part of its 2007-2009 Destination Growth Strategy. This strategy is a 3-year business plan under which the bank introduces Islamic banking and finance products to all customer segments, and convert some of its branches to full Islamic branches.

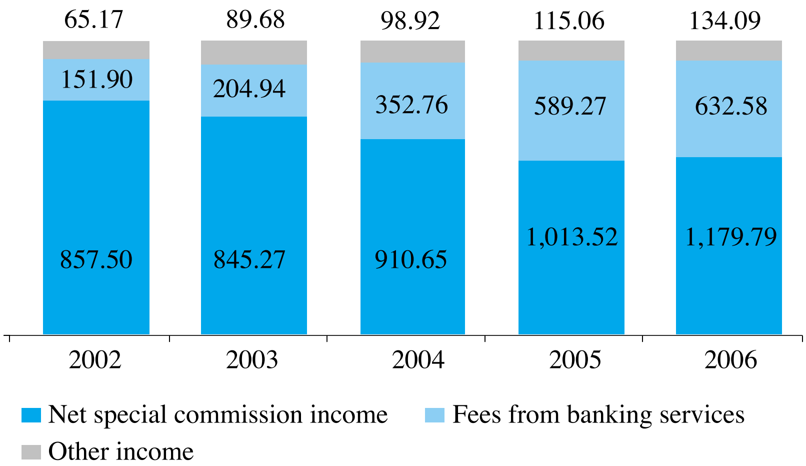
Analysis of FY06 Financial Performance

- Net income declined in FY06 to reach SR952.8mn, a decrease of 9.4% below FY05. This was due to a huge increase in provisioning for loan losses which jumped by 251.3%. Actual figure for net income in FY06 was 4.7% below our forecast of SR1.0bn.

- Net special commission income, increased by 16.4% to reach SR1.2bn in FY06, driven primarily by an increase in income from loans and advances, which increased by 51.3% to reach SR1.9bn in FY06, and it made up around 72% of special commission income.

- Fee income increased by 7.3% in FY06 to reach SR632.6mn, which translates into a CAGR of 42.9% during FY02-FY06.

Chart 1: SHB- Operating Income Break-Up (SR mn)



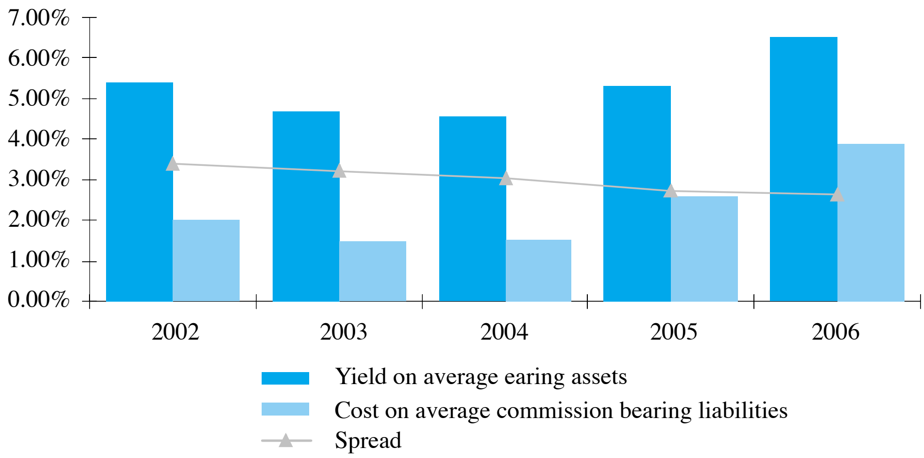
*Source: **Global** Research, SHB*

- SHB reported an EPS of SR4.3 in FY06 as compared to SR8.3 reported in the previous year. Total operating income for the year were SR1.59bn compared to SR1.61bn in FY05, a y-o-y decline of 1.3%. Net trading income increased by 45.7% to reach SR69.7mn at the end of FY06.

- ROAE decreased from 33.1% in FY05 to 24.7% in FY06. Similarly, ROAA decreased from 2.9% in FY05 to 2.2% in FY06.

- In FY06, the profit margin declined to 59.6%, while it stood at 65.0% in FY05 due to a decline in net income and total operating income. The spread also marginally declined by 0.07% to reach 2.63% from 2.71% in FY05 as the cost on average commission bearing liabilities increased at a higher rate than the yield on average earning assets. The bank's commission margin also increased marginally to reach 2.7%.

Chart 2: SHB- Spreads

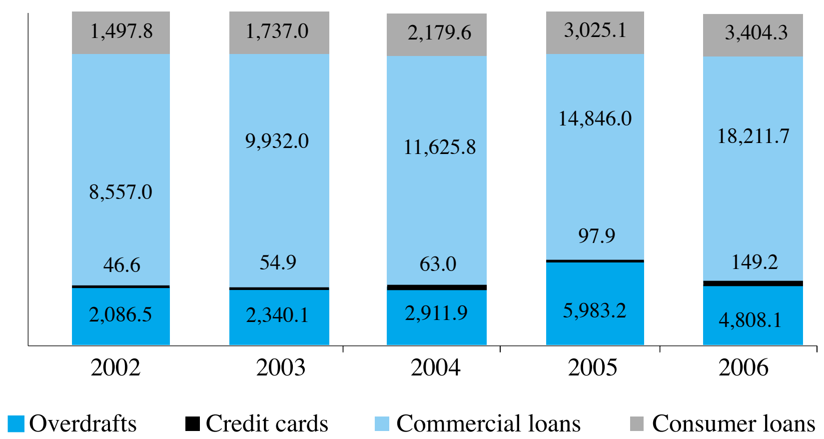


*Source: **Global** Research, SHB*

- In FY06, SHB's total assets expanded by 17.0% to reach SR46.7bn from SR39.9bn in FY05, lower than the growth rate of 19.5% registered in FY05. The increase in total assets came on the back of an increase in loans and advances which increased by 11.4%. Trading investments, on the other hand, suffered a decline of 20.7% on the back of a weakening domestic stock market.

- The stringent market conditions and the reluctance of clients to borrow have led SHB to increase their deposits with the Saudi Arabian Monetary Authority (SAMA), and also lend the excess cash to other banks in the money market. Cash and balances with SAMA for SHB increased by a huge 121.9% in FY06 as opposed to 15.5% in FY05, in addition to that, the cash balances due from other banks and financial institutions also increased by 80.5% in FY06 compared to a decline of 37.1% in FY05.

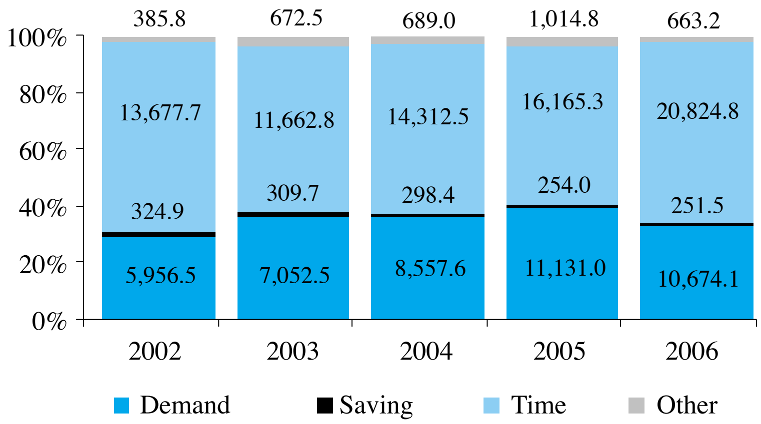
Chart 3: SHB- Loan Portfolio (SR mn)



*Source: **Global** Research, SHB*

- SHB's liabilities in FY06 increased by 16.4% to reach SR42.5bn, driven mainly by a 13.5% increase in customer's deposits which reached SR32.4bn in FY06. Customers deposits with SHB contributed 76.3% of total liabilities and are mainly comprised of time deposits which constituted 64% of total deposits, giving the bank the advantage to better manage its asset-liability mix and risk profile. Time deposits increased by 28.8% to reach SR20.8bn at the end of FY06.

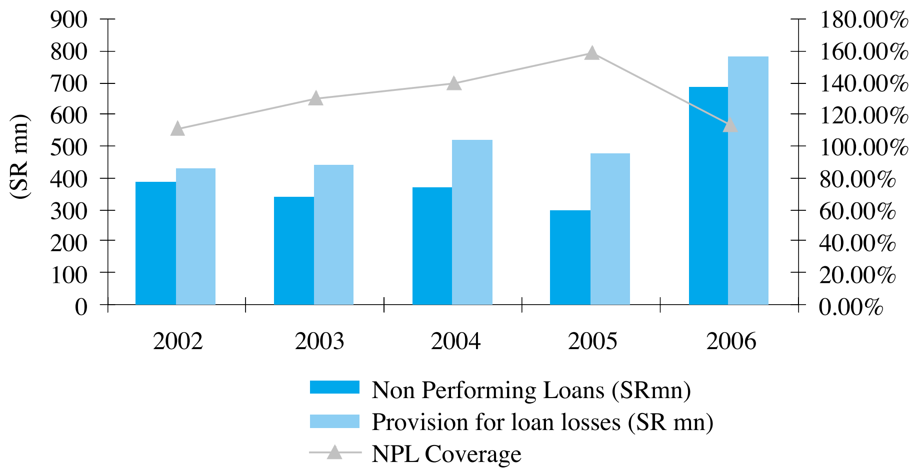
Chart 4: SHB- Customer Deposits Composition



Source: ***Global*** *Research, SHB*

- The bank's credit quality deteriorated in FY06 as non-performing loans (NPL's) stood at SR685.5mn in FY06, an increase of 128.1% from its FY05 level of SR300.5mn. The increase in NPL's can also be seen in terms of NPL's to gross loans ratio which increased to 2.5% in FY06 from 1.2% in FY05. The bank was obliged to increase its provisions for bad loans by 64% to reach SR778.9mn in FY06 as opposed to SR476mn in FY05. This can also be seen through the decline in the coverage ratio (provisions for loan losses as a percentage of non-performing loans) from 158.4% in FY05 to 113.6% in FY06 .

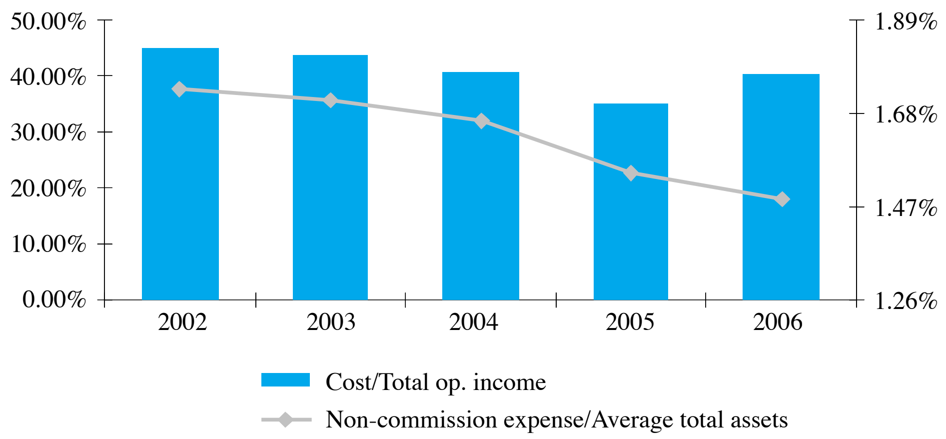
Chart 5: SHB- Credit Quality



Source: ***Global*** *Research, SHB*

- In terms of operating efficiency, the bank's cost to income ratio grew from 35% in FY05 to 40.4% in FY06. Operating expenses increased from SR451.2mn to SR645.1mn during the period 2001-06 at a CAGR of 9.3%. Operating expense as a percentage of average assets marginally declined from 1.54% in FY05 to 1.48% in FY06.

Chart 6: SHB- Operating Efficiency



*Source: **Global** Research, SHB*

- SHB is well capitalized to support business growth. As at end FY06, the bank's tier 1 ratio stood at 13.5% compared to its FY05 level at 11.8%, while the equity to capital ratio increased from 8.7% in FY05 to 9.1% in FY06. This indicates a capital management approach designed to meet its objectives of maximizing its return on capital as well as providing sufficient head-room to cover its unexpected losses.

Analysis of 9M2007 Financial Performance

- Total assets for 9M2007 increased by 8.2% y-o-y to reach SR48.2bn from SR44.5bn in 9M06. On a q-o-q basis, total assets declined by 2.2% in the first 9M07, while total assets grew by 3.1% since the beginning of FY07.

- Loans and advances increased by a modest 4.4% y-o-y to reach SR27.4bn as compared to the increase of 27% for the same period in the previous year. We expect loans to surge again as the market is expected to stabilize and exhibit an upward momentum in the year ahead, hence bolstering the general sentiment towards stock market investments. In addition to that, the surge in public expenditure in oil and non-oil mega-projects driven by a surge in budget surpluses and a commitment by the government for privatization, are likely to further increase public and private credit expansion, which banks will aggressively pursue in order to increase their loan book.

Table 1: Key Balance Sheet Data

Balance Sheet 'SR mn'	2Q06	3Q06	FY06	2Q07	3Q07	Y-o-Y Growth	Q-o-Q Growth	YTD
Cash and balances with SAMA	1,759.4	1,538.1	2,672.7	3,799.5	2,011.4	30.8%	-47.1%	-24.7%
Loans and advances	25,961.4	26,299.4	26,479.8	26,271.3	27,457.5	4.4%	4.5%	3.7%
Total Assets	**44,457.9**	**44,544.9**	**46,740.1**	**49,298.5**	**48,194.9**	**8.2%**	**-2.2%**	**3.1%**
Customer deposits	32,406.9	32,381.8	32,413.7	33,765.3	30,671.5	-5.3%	-9.2%	-5.4%
Other liabilities	1,275.8	1,979.2	1,070.2	1,329.1	1,270.1	-35.8%	-4.4%	18.7%
Total Liabilities	40,667.4	40,589.8	42,482.3	44,673.6	43,575.7	7.4%	-2.5%	2.6%
Total shareholders' equity	**3,790.5**	**3,955.4**	**4,257.8**	**4,625.0**	**4,619.2**	**16.8%**	**-0.1%**	**8.5%**
Total Liabilities & Shareholders' Equity	**44,457.9**	**44,544.9**	**46,740.2**	**49,298.5**	**48,194.9**	**8.2%**	**-2.2%**	**3.1%**

Source: SHB

- On the liabilities side, core customer deposits decreased by 5.3% y-o-y to reach SR30.6bn 9M07. Customer deposits continued to account for the biggest portion of liabilities, accounting for 70.4% of total liabilities in 9M07.

Table 2: Key Income Statement Data

Income Statement 'SR mn'	2Q06	3Q06	FY06	2Q07	3Q07	Y-o-Y Growth	Q-o-Q Growth
Special commission income	646.5	690.3	2,667.9	705.2	749.7	8.6%	6.3%
Special commission expense	(355.1)	(380.5)	(1,488.1)	(415.5)	(451.9)	18.7%	8.8%
Net special commission income	**291.4**	**309.8**	**1,179.8**	**289.7**	**297.9**	**-3.8%**	**2.8%**
Fees from banking services	180.1	133.9	632.6	96.7	87.9	-34.4%	-9.1%
Exchange income	12.9	7.5	50.0	21.4	14.6	95.1%	-31.6%
Trading income	20.8	21.7	69.7	20.6	34.7	59.7%	68.0%
Provisions for loan losses	(295.3)	(15.4)	(348.6)	(80.6)	(61.0)	297.1%	-24.4%
Net Income	**51.2**	**297.9**	**940.6**	**166.5**	**162.9**	**-45.3%**	**-2.2%**

Source: SHB

- Net income for 9M07 decreased to reach SR544.9mn from SR662.8mn in 9M06. Net special commission income, on the other hand, increased slightly from SR877.8mn in 9M06 to SR884.0mn in 9M07.

- Fees from banking services declined to SR272.2mn in 9M07 from SR501.1mn in 9M06. They constituted 23.2% of total operating income in 3Q07, down from 29.2% in 3Q06. However, this decline in fee income is likely to decline further as the competition on brokerage, advisory, and other fee generating financial activities intensifies between banks and non-banking financial institutions which were recently given the permission to operate in KSA.

- SHB management decided to increase the paid up capital of the bank in 2007 by capitalizing from the Bank's general reserves. One bonus share was distributed for every five shares held, increasing the total number of shares from 220.5mn to 264.4mn shares.

Outlook and Valuation

- The stock market decline in FY06, coupled with stringent conditions on the financial markets in Saudi Arabia, has evidently affected SHB's net income which declined by 10.6% from its FY05 level. We expect in the coming few years that this trend will reverse as the Saudi market is regaining its lost grounds. Also, the growth in the Saudi economy in recent years on the back of high oil prices is expected to boost public expenditure on mega infrastructure projects, oil and non-oil related, which is expected to increase the need for project finance lending from financial institutions.

- SAMA has recently approved new licenses for brokerage, investment banking, and advisory services, amongst others. SAMA, also ordered the separation of those activities from conventional banking activities, which consequently drove banks offering those services to spin them off under different legal entities. This is likely to increase competition in the financial industry, which will increase the pressure on the banks' income generating avenues.

- Based on the current market price of SR54.00, SHB stock is trading at 12.5x of its FY06 earnings and 2.8x of its FY06 book value. On a year forward basis, the stock is trading at 18.1x 2007F earnings and 3.0x 2007F book value.

- The combination of the revised projections and the revised cost of equity have led to a value of SR44.7 per share, which is 17.3% lower as compared to the current market price. Based on a forward P/BV multiple of 4.13x 2007 projected book value for the Saudi Banking sector, the peer valuation method results in a valuation of SR75.4 per share. Assigning an 80% weight to the DDM value, and a 20% weight to the relative value, the weighted average share value of SHB came out to SR50.8 per share. At the current market price of SR54.00, SHB's share is quoting at a premium of 5.9% to its fair value. Hence we downgrade our earlier recommendation of "BUY" on SHB's stock to "**HOLD**" with a medium term perspective.

BALANCE SHEET

	Saudi Hollandi Bank							
SR mn	**2003**	**2004**	**2005**	**2006**	**2007 F**	**2008 F**	**2009 F**	**2010 F**
Cash & balances with SAMA	937.1	1,042.5	1,204.6	2,672.7	2,062.9	3,071.4	4,091.1	4,575.1
Due from banks and other FI's	4,409.2	5,300.6	3,334.7	6,019.7	6,621.7	6,952.8	7,300.4	7,665.4
Trading investments	9.4	84.5	195.2	154.7	773.5	831.5	898.0	974.4
Non-trading investments	7,351.6	9,077.5	10,288.6	10,308.7	10,722.9	11,100.7	11,547.4	12,070.0
Net Loans and advances	13,961.7	16,633.2	23,776.5	26,479.8	27,854.1	30,548.2	33,228.2	36,111.9
Net fixed assets	266.7	289.9	313.3	309.0	320.3	336.7	359.2	389.0
Other assets	1,029.0	1,015.4	845.4	795.4	815.3	839.7	869.1	903.9
Total Assets	**27,964.6**	**33,443.6**	**39,958.3**	**46,740.1**	**49,170.6**	**53,681.1**	**58,293.6**	**62,689.8**
Due to banks and other financial institutions	4,170.7	4,427.3	5,796.5	8,298.4	9,041.5	9,672.0	10,364.5	11,125.1
Customers' deposits	19,697.5	23,857.5	28,565.0	32,413.7	33,204.0	36,321.4	39,464.8	42,369.1
Other liabilities	1,545.7	1,568.6	1,429.6	1,070.242	1,391.3	1,530.4	1,683.5	1,851.8
Subordinated Debt		700.0	700.0	700.0	700.0	700.0	700.0	700.0
Total Liabilities	**25,413.9**	**30,553.4**	**36,491.2**	**42,482.321**	**44,336.8**	**48,223.8**	**52,212.8**	**56,046.0**
Share capital	945.0	1,260.0	1,260.0	2,205.0	2,646.0	2,646.0	2,646.0	2,646.0
Statutory reserve	945.0	1,260.0	1,260.0	1,499.0	1,696.3	1,943.7	2,237.8	2,532.4
General Reserves	655.0	370.0	1,015.0	571.0	327.3	426.2	485.1	550.5
Other reserves	0.2	(6.1)	(75.5)	(42.6)	(42.6)	(42.6)	(42.6)	(42.6)
General & Other Reserves	655.2	363.9	939.5	528.408	284.7	383.7	442.5	507.9
Retained Earnings	5.5	6.2	7.6	25.3	206.8	483.9	754.5	957.4
Total shareholders' equity	**2,550.7**	**2,890.2**	**3,467.1**	**4,257.7**	**4,833.8**	**5,457.2**	**6,080.8**	**6,643.8**
Total liabilities and shareholders' Equity	**27,964.6**	**33,443.6**	**39,958.3**	**46,740.1**	**49,170.6**	**53,681.1**	**58,293.6**	**62,689.8**

INCOME STATEMENT

	Saudi Hollandi Bank							
SR mn	**2003**	**2004**	**2005**	**2006**	**2007 F**	**2008 F**	**2009 F**	**2010 F**
Special commission income	1,196.9	1,315.4	1,843.4	2,667.9	2,993.6	3,377.9	3,726.9	4,073.8
Special commission expense	(351.6)	(404.7)	(829.8)	(1,488.1)	(1,721.3)	(1,908.5)	(2,105.7)	(2,301.7)
Net special commission income	**845.3**	**910.7**	**1,013.5**	**1,179.8**	**1,272.3**	**1,469.4**	**1,621.2**	**1,772.1**
Provision for loan losses	(71.1)	(109.5)	(99.2)	(348.6)	(261.3)	(232.6)	(183.9)	(205.3)
Net special commission income after PLL's	**774.2**	**801.2**	**914.3**	**831.2**	**1,011.0**	**1,236.7**	**1,437.3**	**1,566.8**
Fees from banking services	204.9	352.8	589.3	632.6	379.5	436.5	501.9	577.2
Exchange income	49.5	51.7	64.0	50.0	66.2	71.5	77.2	83.4
Net trading income	30.7	47.2	47.8	69.7	101.0	108.1	113.5	119.2
Dividend income	0.0	0.0	0.0	13.2	0.0	0.0	0.0	0.0
Net gains on investments	9.5	0.0	3.2	0.0	0.0	0.0	0.0	0.0
Other operating income	0.0	0.0	0.0	1.2	4.9	5.1	5.6	6.2
Total non-commission income	**294.6**	**451.7**	**704.3**	**766.7**	**551.7**	**621.2**	**698.3**	**786.0**
Total operating income	**1,068.8**	**1,252.8**	**1,618.6**	**1,597.9**	**1,562.7**	**1,857.9**	**2,135.6**	**2,352.8**
Salaries & employee related expenses	(287.0)	(314.9)	(327.3)	(368.8)	(427.8)	(470.6)	(517.6)	(559.1)
Rent & premises related expenses	(36.1)	(38.9)	(44.3)	(50.1)	(55.2)	(60.7)	(65.5)	(70.8)
Depreciation and amortization	(42.3)	(45.6)	(53.5)	(57.9)	(62.6)	(68.6)	(75.4)	(83.4)
Other G & A expenses	(102.7)	(110.7)	(141.7)	(165.9)	(225.7)	(266.3)	(298.2)	(328.0)
Other operating expenses	(0.3)	0.0	0.0	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Total operating expenses	**(468.4)**	**(510.1)**	**(566.8)**	**(645.1)**	**(773.5)**	**(868.4)**	**(959.1)**	**(1,043.5)**
Net Income	**600.4**	**742.7**	**1,051.9**	**952.8**	**789.1**	**989.6**	**1,176.5**	**1,309.3**

CASH FLOW

	Saudi Hollandi Bank							
SR mn	**2003**	**2004**	**2005**	**2006**	**2007F**	**2008F**	**2009F**	**2010F**
Net income	600.4	742.7	1,051.9	952.8	789.1	989.6	1,176.5	1,309.3
Gains on investments	(9.5)	0.0	(3.2)	0.0	0.0	0.0	0.0	0.0
Depreciation and amotization	42.3	45.6	53.5	57.9	62.6	68.6	75.4	83.4
Provision for loan losses	71.1	109.5	99.2	348.6	261.3	232.6	183.9	205.3
Due from banks and other FI's	1,695.8	(891.4)	1,965.8	(2,685.0)	(602.0)	(331.1)	(347.6)	(365.0)
Trading portfolio	117.6	(75.1)	(110.7)	40.5	(618.8)	(58.0)	(66.5)	(76.3)
Loans and advances	(1,886.6)	(2,781.0)	(7,242.6)	(3,051.9)	(1,635.5)	(2,926.8)	(2,863.9)	(3,089.0)
Other assets	(259.1)	16.2	169.9	50.1	(19.9)	(24.5)	(29.4)	(34.8)
Due to banks and FI's	1,288.5	256.7	1,369.2	2,501.9	743.1	630.5	692.5	760.6
Customers deposits	(647.4)	4,159.9	4,707.5	3,848.7	790.3	3,117.4	3,143.4	2,904.3
Other liabilities	161.1	71.6	(139.0)	(359.4)	321.1	139.1	153.0	168.3
CF from operations	**1,220.7**	**1,617.9**	**1,852.3**	**1,704.1**	**91.4**	**1,837.5**	**2,117.3**	**1,866.1**
Sale/Purchase of investments	(1,049.5)	(1,688.5)	(1,207.9)	(20.1)	(414.2)	(377.8)	(446.7)	(522.6)
Capital expenditure	(50.8)	(68.9)	(76.9)	(53.7)	(73.9)	(85.0)	(98.0)	(113.2)
CF from investing	**(1,100.3)**	**(1,757.4)**	**(1,284.7)**	**(73.8)**	**(488.1)**	**(462.8)**	**(544.7)**	**(635.7)**
Dividend and zakat paid	(326.9)	(455.0)	(405.5)	(195.1)	(213.1)	(366.1)	(552.9)	(746.3)
CF from financing	**(326.9)**	**245.0**	**(405.5)**	**(195.1)**	**(213.1)**	**(366.1)**	**(552.9)**	**(746.3)**
Change in cash	(206.4)	105.5	162.1	1,435.2	(609.8)	1,008.5	1,019.7	484.0
Beginning cash	1,143.0	937.1	1,042.5	1,204.6	2,672.7	2,062.9	3,071.4	4,091.1
Ending cash	**936.6**	**1,042.5**	**1,204.6**	**2,639.8**	**2,062.9**	**3,071.4**	**4,091.1**	**4,575.1**

FACT SHEET

	Saudi Hollandi Bank							
	2003	**2004**	**2005**	**2006**	**2007 F**	**2008 F**	**2009 F**	**2010 F**
Profitability								
- Return on Average Assets	2.2%	2.4%	2.9%	2.2%	1.6%	1.9%	2.1%	2.2%
- Return on Average Equity	24.7%	27.3%	33.1%	24.7%	17.4%	19.2%	20.4%	20.6%
- Net special commission income after PLL's/ Total op. income	72.4%	63.9%	56.5%	52.0%	64.7%	66.6%	67.3%	66.6%
- Non-commission income/ Total op. income	27.6%	36.1%	43.5%	48.0%	35.3%	33.4%	32.7%	33.4%
- Non-commission expense/ Total op. income	43.8%	40.7%	35.0%	40.4%	49.5%	46.7%	44.9%	44.4%
- Fees from banking services/ Total op. income	19.2%	28.2%	36.4%	39.6%	24.3%	23.5%	23.5%	24.5%
- Assets utilization	3.8%	3.7%	4.1%	3.4%	3.2%	3.5%	3.7%	3.8%
- Earning Power	93.1%	94.3%	95.1%	93.5%	95.5%	94.4%	93.3%	93.2%
- Dividend Payout Ratio	56.1%	53.5%	38.6%	20.5%	27.0%	37.0%	47.0%	57.0%
- Sustainable Growth Rate	10.9%	12.7%	20.3%	19.6%	12.7%	12.1%	10.8%	8.8%
Margins								
- Net (or profit) margin	56.2%	59.3%	65.0%	59.6%	50.5%	53.3%	55.1%	55.6%
- Special commission expense/ Special commission income	29.4%	30.8%	45.0%	55.8%	57.5%	56.5%	56.5%	56.5%
- Yield on average earning assets	4.7%	4.6%	5.3%	6.5%	6.6%	6.9%	7.1%	7.2%
- Cost rate on average commission bearing liabilities	1.5%	1.5%	2.6%	3.9%	4.1%	4.3%	4.3%	4.4%
- Spread	3.2%	3.0%	2.7%	2.6%	2.5%	2.7%	2.8%	2.8%
- Commission margin (earning assets)	3.2%	2.9%	2.7%	2.7%	2.7%	2.9%	3.0%	3.0%
Efficiency								
- Cost/ Total op. income	43.8%	40.7%	35.0%	40.4%	49.5%	46.7%	44.9%	44.4%
- Staff expenses/ Total op Expenses	61.3%	61.7%	57.7%	57.2%	55.3%	54.2%	54.0%	53.6%
- Rent and G&A expenses/ Total op. Expenses	29.6%	29.3%	32.8%	33.5%	36.3%	37.6%	37.9%	38.2%
- Non-commission expense/ Average total assets	1.7%	1.7%	1.5%	1.5%	1.6%	1.7%	1.7%	1.7%
Liquidity								
- Loans / Commission earning assets	55.3%	54.4%	63.8%	62.4%	61.5%	62.8%	63.8%	64.7%
- Loans/ Customer Deposits	73.1%	71.9%	84.9%	84.1%	87.0%	87.6%	87.9%	89.2%
- Customer Deposits/ Equity	772.2%	825.5%	823.9%	761.3%	686.9%	665.6%	649.0%	637.7%
- Customer Deposits/ Total assets	70.4%	71.3%	71.5%	69.3%	67.5%	67.7%	67.7%	67.6%
- Due from Banks/ Due to Banks	105.7%	119.7%	57.5%	72.5%	73.2%	71.9%	70.4%	68.9%
Credit Quality								
- Provisions /Total op. income	6.7%	8.7%	6.1%	21.8%	16.7%	12.5%	8.6%	8.7%
- Provisions /Average loans	0.5%	0.7%	0.5%	1.4%	0.9%	0.8%	0.6%	0.6%

FACT SHEET - Continued

	Saudi Hollandi Bank							
	2003	**2004**	**2005**	**2006**	**2007 F**	**2008 F**	**2009 F**	**2010 F**
- Non Performing Loans (SR mn)	338.07	369.5	300.5	685.5	726.6	836.6	911.9	1,028.9
- Provision for loan losses (SR mn)	440.27	516.8	476.0	778.9	1,040.2	1,272.8	1,456.8	1,662.1
- NPL's /Gross Loans	2.3%	2.2%	1.2%	2.5%	2.5%	2.6%	2.6%	2.7%
- NPL's /(Equity+provision for loan losses)	11.3%	10.8%	7.6%	13.6%	12.4%	12.4%	12.1%	12.4%
- PLL's / Gross Loans	3.1%	3.0%	2.0%	2.9%	3.6%	4.0%	4.2%	4.4%
- NPL Coverage	130.2%	139.9%	158.4%	113.6%	143.2%	152.1%	159.8%	161.5%
Capital Adequacy								
- Equity/ Total Assets (Equity capital ratio)	9.1%	8.6%	8.7%	9.1%	9.8%	10.2%	10.4%	10.6%
- Equity/ Gross Loans	17.7%	16.9%	14.3%	15.6%	16.7%	17.1%	17.5%	17.6%
Constitution of Total Operating Income								
- Net special commission income after PLL's/ Total op. income	72.4%	63.9%	56.5%	52.0%	64.7%	66.6%	67.3%	66.6%
- Fees from banking services/ Total op. income	19.2%	28.2%	36.4%	39.6%	24.3%	23.5%	23.5%	24.5%
- Investment Income/ Total op. income	3.8%	3.8%	3.2%	5.2%	6.5%	5.8%	5.3%	5.1%
- FX Income/ Total op. income	4.6%	4.1%	4.0%	3.1%	4.2%	3.8%	3.6%	3.5%
- Other Income/ Total op. income	0.0%	0.0%	0.0%	0.1%	0.3%	0.3%	0.3%	0.3%
- PLL's/ Total op. income	6.7%	8.7%	6.1%	21.8%	16.7%	12.5%	8.6%	8.7%
Operating Performance								
- Change in special commission income	-8.4%	9.9%	40.1%	44.7%	12.2%	12.8%	10.3%	9.3%
- Change in Fees from banking services	34.9%	72.1%	67.0%	7.3%	-40.0%	15.0%	15.0%	15.0%
- Change in Investment Income	84.6%	17.5%	8.0%	62.5%	21.9%	7.0%	5.0%	5.0%
- Change in Fx Income	14.0%	4.5%	23.9%	-22.0%	32.5%	8.0%	8.0%	8.0%
RATIO'S USED FOR VALUATION								
- Par value per share (SR)	50.00	50.00	50.00	10.00	10.00	10.00	10.00	10.00
- Shares in issue (mn)	18.9	25.2	25.20	220.5	264.6	264.6	264.6	264.6
- EPS (SR)- Adjusted for Split	6.4	5.9	8.3	4.3	3.0	3.7	4.4	4.9
- DPS (SR)- Adjusted for Split	3.5	3.1	3.1	0.8	0.8	1.3	2.0	2.7
- Book value per share (SR)- Adjusted for Split	27.0	22.9	27.5	19.3	18.3	20.6	23.0	25.1
- Market price year end (SR)- Adjusted for Split	99.2	145.4	208.0	63.5	54.0	54.0	54.0	54.0
- Market Cap. (SR bn)	9.4	18.3	26.2	14.0	14.3	14.3	14.3	14.3
- P/E	15.6	24.7	24.9	14.7	18.1	14.4	12.1	10.9
- P/BV	3.7	6.3	7.6	3.3	3.0	2.6	2.3	2.2
- Dividends yield	3.5%	2.1%	1.5%	1.3%	1.4%	2.5%	3.7%	5.0%

** Historical P/E & P/BV multiples pertain to respective year-end prices, while those for future years are based on closing prices as of November 19, 2007.*

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Disclosure Checklist

Company	Recommendation	Ticker	Price	Disclosure
Saudi Hollandi Bank	Hold	1040.SE	SR54.00	1, 10

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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