Saudi Arabian Equities

Research Analysts
Mohamad Hawa
44 20 7883 7265
mohamad.hawa@credit-suisse.com
Digvijay Singh
44 20 7888 6091
digvijay.singh@credit-suisse.com

PRE RESULTS COMMENT

Q1 09 Earnings Preview

- **Summary:**We provide a preview of Q1 09 earnings of 11 Saudi companies under our coverage.
- **Financials:** 1./ We expect margin expansion supported by liquidity premium to be an underlying theme for this quarter's earnings, which could hence present an upside risk to our estimates. 2./ Asset quality will remain in focus, but we expect NPL crystallization to start accelerating in H2 2009. 3./ We reiterate our preference for corporate over retail franchises.
- **Materials:** 1./ We expect Sabic Q1 09 results to be a trough and we see lower risk of goodwill impairment in the short term. The demand environment is expected to remain challenging in the medium term but stronger oil/chemical prices may provide an uplift to margins 2./ We prefer N based fertilizer (urea) to potash fertilizers.
- **Consumer :** We reiterate our preferance for Almarai vs Savola to play the Saudi consumer theme and demographics. With an expansion of product lines (bakery/potentially meat and infant formula), and well planned geographical expansion, the long-term growth prospects for Almarai remain strong. We wouldn't be surpised by a stronger than expected bottomline due to margin expansion aided by easing of inflationary pressures.

Figure 1: **Credit Suisse Saudi Coverage: Q1 09 Earnings (Net Income) Preview**
in SAR millions, unless otherwise stated

Company`	Q1 08	Q4 08	Q1 09
Financials			
Al Rajhi Bank	1601.8	1423.9	1890
Riyad Bank	690.7	529.1	789
Arab National Bank	672.2	435.1	684
Banque Saudi Fransi	733.2	569.8	737
Samba Financial Group	1201.1	825.7	1131
Saudi Hollandi Bank	282.4	308.9	263
The Saudi British Bank	757.0	656.8	790
Materials			
Sabic	6924.263	318.175	1400
Safco	723.384	535.863	443
Consumer			
Almarai	162	219	183
Savola	250	-464	175

Source: Company data, Credit Suisse estimates

Companies Mentioned *(Price as of 06 Apr 09)*
Al Rajhi Bank (1120.SE, SRls56.50, OUTPERFORM [V], TP SRls72.66)
Almarai Co (2280.SE, SRls154.75, OUTPERFORM, TP SRls201.73)
Arab National Bank (1080.SE, SRls38.30, NEUTRAL [V], TP SRls38.91)
Banque Saudi Fransi (1050.SE, SRls58.75, UNDERPERFORM [V], TP SRls51.49)
Riyad Bank (1010.SE, SRls22.95, NEUTRAL, TP SRls26.61)
Samba Financial Group (1090.SE, SRls47.90, NEUTRAL [V], TP SRls59.41)
Saudi Arabian Fertilizer Company (2020.SE, SRls102.00, NEUTRAL, TP SRls110.93)
Saudi Basic Industries Corp (2010.SE, SRls46.20, NEUTRAL [V], TP SRls52.87)
Saudi Hollandi Bank (1040.SE, SRls36.50, OUTPERFORM [V], TP SRls40.59)
Savola Group (2050.SE, SRls23.35, NEUTRAL, TP SRls23.22)
The Saudi British Bank (1060.SE, SRls54.75, OUTPERFORM [V], TP SRls54.57)

Disclosure Appendix

Important Global Disclosures

The analysts identified in this report each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.
The analyst(s) responsible for preparing this research report received compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities.

Analysts' stock ratings are defined as follows*:**

Outperform (O): The stock's total return is expected to exceed the industry average* by at least 10-15% (or more, depending on perceived risk) over the next 12 months.

Neutral (N): The stock's total return is expected to be in line with the industry average* (range of ±10%) over the next 12 months.

Underperform (U):** The stock's total return is expected to underperform the industry average* by 10-15% or more over the next 12 months.

**The industry average refers to the average total return of the relevant country or regional index (except with respect to Europe, where stock ratings are relative to the analyst's industry coverage universe).*

***In an effort to achieve a more balanced distribution of stock ratings, the Firm has requested that analysts maintain at least 15% of their rated coverage universe as Underperform. This guideline is subject to change depending on several factors, including general market conditions.*

****For Australian and New Zealand stocks a 7.5% threshold replaces the 10% level in all three rating definitions, with a required equity return overlay applied.*

Restricted (R): In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V]: A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' coverage universe weightings are distinct from analysts' stock ratings and are based on the expected performance of an analyst's coverage universe* versus the relevant broad market benchmark:**

Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.
Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.
Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.
**An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*
***The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

Credit Suisse's distribution of stock ratings (and banking clients) is:

	Global Ratings Distribution	
Outperform/Buy*	37%	(58% banking clients)
Neutral/Hold*	43%	(56% banking clients)
Underperform/Sell*	18%	(48% banking clients)
Restricted	2%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: http://www.csfb.com/research-and-analytics/disclaimer/managing_conflicts_disclaimer.html

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

Important Regional Disclosures

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit http://www.csfb.com/legal_terms/canada_research_policy.shtml.

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at anytime after that.

To the extent this is a report authored in whole or in part by a non-U.S. analyst and is made available in the U.S., the following are important disclosures regarding any non-U.S. analyst contributors:

The non-U.S. research analysts listed below (if any) are not registered/qualified as research analysts with FINRA. The non-U.S. research analysts listed below may not be associated persons of CSSU and therefore may not be subject to the NASD Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

- Mohamad Hawa, non-U.S. analyst, is a research analyst employed by Credit Suisse Securities (Europe) Limited.
- Digvijay Singh, non-U.S. analyst, is a research analyst employed by Credit Suisse Securities (Europe) Limited.

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at www.credit-suisse.com/researchdisclosures or call +1 (877) 291-2683.

Disclaimers continue on next page.

CREDIT SUISSE

CREDIT SUISSE SECURITIES (Europe) Limited
Europe: +44 (20) 7888-8888