Saudi Banks

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SECTOR REVIEW

Saudi Banks: Growth delayed but not denied

- **Summary:** We maintain our ratings on the Saudi banks while making slight adjustments to our earnings (reducing aggregate 10E–13E net income by 3%) and TPs (see Figure 1). Al-Rajhi and Samba remain our top picks.

- **Why are we not downgrading?** Given the share performance of Saudi banks YTD (up 9.5%), and our view of delayed growth until 2011E, we think there is now limited upside potential for the sector on a 12-month horizon. However, we are not downgrading our ratings, as: 1) **the medium-term outlook remains robust** with (a) provisioning at an all-time high (we expect a 20% CAGR decline over 2009–11E); (b) interest rates at all-time lows (we expect margins to remain at Q1 10 levels throughout the year but widen by c40bps in 2011—every 100bps increase in interest rates would add 11% to net income) and (c) government prefunding of large projects limiting balance-sheet growth, which we think is likely to filter through to the downstream economy; 2) **valuations remain at a discount to adjusted (excluding the 2006 boom year) historical lows; and 3) equities seems to be the only asset class currently in Saudi Arabia to attract new funds,** as real estate is stabilising and time deposits are yielding c4% negative real returns (time deposits yield 0.5–0.7% while CPI is at 4.7% yoy).
- **Samba and Al-Rajhi remain our top picks:** We remain positive on Al-Rajhi, SABB, and Samba owing to their high profitability levels (2011E ROTE above 22%). Samba remains our top pick because of what we see as its attractive valuation (2010E P/TBV of 2.0x and 2011E ROTE of 22.4%) and high liquidity (LDR 62%). Rajhi continues to enjoy the lowest funding costs (0.33% in 2010E) and is likely to benefit the most from NIM expansion in 2011E. We think the market's current asset-quality worries on SABB are overdone and provisioning costs should normalise in 2010E.
- **How could returns be enhanced?** We also recommend some 2.0–2.5% potential returns enhancement through the selling of 6-month covered calls 110% in the money on Samba and Rajhi. The maximum risk to investors of selling covered calls is the cost of the stock less the premium received.

Figure 1: **Credit Suisse summary ratings and TPs**

	Mkt Cap (SAR bn)	Rating	New TP (SAR)	Old TP (SAR)	Current price (SAR)	Potential upside (%)
Al Rajhi	121.9	OP	90.00	88.00	81.25	10.8%
SABB	35.0	OP	52.00	60.00	46.60	11.6%
Samba	52.9	OP	71.00	60.00	58.75	20.9%
Riyad Bank	43.4	N	30.00	30.00	28.90	3.8%
ARNB	29.1	N	46.00	48.00	44.70	2.9%
BSF	34.0	N	47.00	43.00	47.00	0.0%
SHB	10.9	N	34.00	38.00	33.10	2.7%

Prices at 13 May 2010; Source: Thomson Reuters, Credit Suisse estimates

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Saudi banks are a long-term story

- **Why are we not downgrading?** We think there is limited downside to the sector due to the following:
  - a) Interest rates are at all-time lows (the 364-day Saudi Treasury bill yields c0.5%);
  - b) Brokerage fees are at all-time lows (2009 fees were less than a third of 2005 levels);
  - c) Credit costs are at all-time highs (peaked at an annualised 205bps during Q4 09);
  - d) Valuations are at all-time lows—sector P/B is at a 31.5% discount to its normalised (excluding the 2006 boom year)average;
  - e) Balance-sheet growth is at all-time lows (loan book contracted by 1.1% in 2009).
- **What are the sector positives?**
  - a) Profitability levels still look decent (Q1 10 ROE was 18%);
  - b) Balance sheets are still fairly liquid (Q1 10 sector LDR was 81%);
  - c) Capitalisation levels are very high (Q1 10 average Tier 1 ratio was 14.1%).
- **What do we expect in 2010E/11E?**
  - a) Margins are likely to remain depressed, down 18bps yoy in 2010E before rebounding by 39bps yoy in 2011E, on our estimates;
  - b) Loan books are likely to consolidate (gross loans should grow 7.2% in 2010E and then grow by 13.4% in 2011E;
  - c) Total income should be flattish in 2010E on a rebound in fee income (up 13.4% yoy in 10E) and then grow by 18.7% (led by 22.2% growth in NII) in 2011E;
  - d) Loan loss provisions likely to decline 20% in each of 2010E and 2011E;
  - e) Earnings growth should be 10.5% in 2010E and 31.9% in 2011E.
- **Capitalisation appears adequate for Basel III migration**
  - a) As of Q1 10, the tangible equity-to-assets ratio for the sector averaged 13.6%, while the Tier 1 ratio averaged 14.6%;
  - b) The quality of Tier 1 capital is also high as it primarily consists of common equity capital;
  - c) However, we shall assess the extent of impact on Basel III migration in a wider GCC banks report at a later date.

No significant changes to our assumptions

We keep our long-term (cumulative 2010E–13E) earnings estimates relatively unchanged (decrease of 3.3%). We have lowered our aggregate net income estimate by 12.2% for the sector in 2010E given the sharper-than-expected (25bps qoq) narrowing of margins during Q1 10.

Figure 2: Saudi-7 Banks: Summary changes to our estimates
In SAR millions, unless otherwise stated

	Rajhi	SABB	Samba	Riyad	BSF	ARNB	SHB	Aggregate
Net Income (New)								
2010E	7,427	2,459	4,685	2,975	2,927	2,365	709	23,547
2011E	9,586	3,370	6,328	4,184	3,537	2,976	1,074	31,055
Cumulative 2010-13E	40,983	14,103	26,254	17,663	15,101	12,643	4,816	131,563
Net Income (% change)								
2010E	-3.1%	-21.9%	-8.7%	-19.6%	-8.3%	-14.6%	-41.1%	-12.2%
2011E	-2.8%	-13.8%	-0.6%	-10.3%	-5.8%	-5.0%	-30.0%	-6.5%
Cumulative 2010E-13E	1.5%	-12.3%	1.6%	-6.6%	-1.6%	-5.1%	-22.5%	-3.3%

Source: Credit Suisse estimates

On aggregate, we are 4.4% below consensus for 2010E. However, the deviations vary significantly for individual banks, ranging from 20.5% below for SHB to 4.8% above for BSF.

Figure 3: Saudi Banks: Credit Suisse versus consensus estimates, net income 2010E–11E
In SAR million, unless otherwise stated

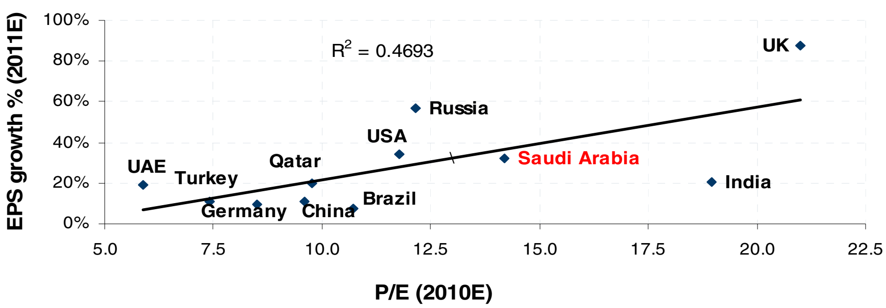
	Al-Rajhi	SABB	Samba	Riyad	BSF	ARNB	SHB	Aggregate
Credit Suisse estimates								
2010E	7,427	2,459	4,685	2,975	2,927	2,365	709	23,547
2011E	9,586	3,370	6,328	4,184	3,537	2,976	1,074	31,055
Consensus estimates								
2010E	7,661	2,643	4,900	3,315	2,793	2,425	891	24,626
2011E	9,386	3,320	5,861	4,154	3,326	2,793	1,101	29,940
Credit Suisse vs consensus								
2010E	-3.1%	-6.9%	-4.4%	-10.3%	4.8%	-2.5%	-20.5%	-4.4%
2011E	2.1%	1.5%	8.0%	0.7%	6.4%	6.5%	-2.4%	3.7%

Source: Thomson Reuters, Credit Suisse estimates

Valuations

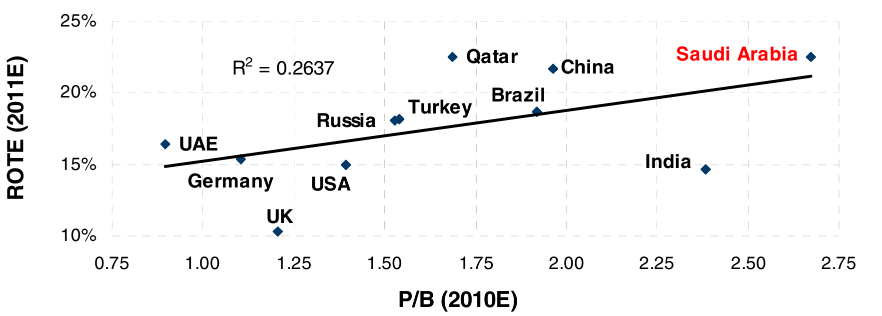
In this section, we highlight that Saudi banks do not appear cheap from a regional or even a global perspective. However, we note that equities is the only asset class in Saudi Arabia likely to attract the bulk of the new funds, as real estate still seems to be stabilising and time deposits currently yielding c4% negative real returns (time deposits are yielding 0.5–0.7%, while CPI is at 4.7%).

Figure 4: Global banks: P/E (in x; 10E) vs EPS growth (11E)



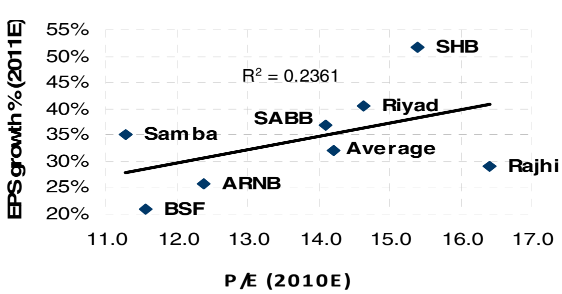
Source: Thomson Reuters, Credit Suisse estimates

Figure 5: Global banks: P/B (in x; 10E) vs ROTE (11E)



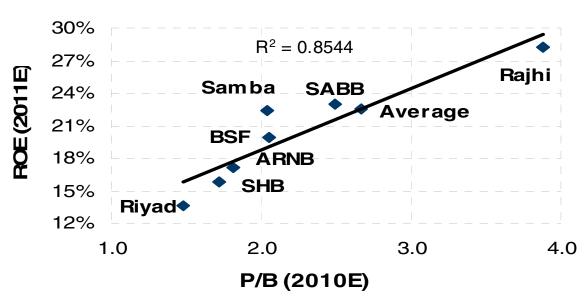
Source: Thomson Reuters, Credit Suisse estimates

Figure 6: Saudi Banks: P/E (in x; 10E) vs EPS growth (11E)



Source: Thomson Reuters, Credit Suisse estimates

Figure 7: Saudi Banks: P/B (in x; 10E) vs ROTE (11E)

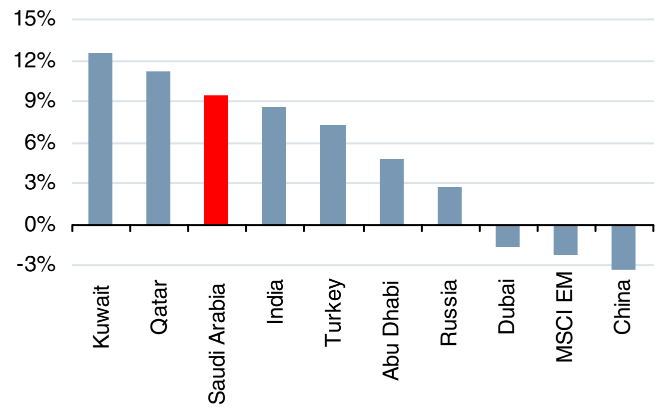


Source: Thomson Reuters, Credit Suisse estimates

Saudi banks have already outperformed in 2010

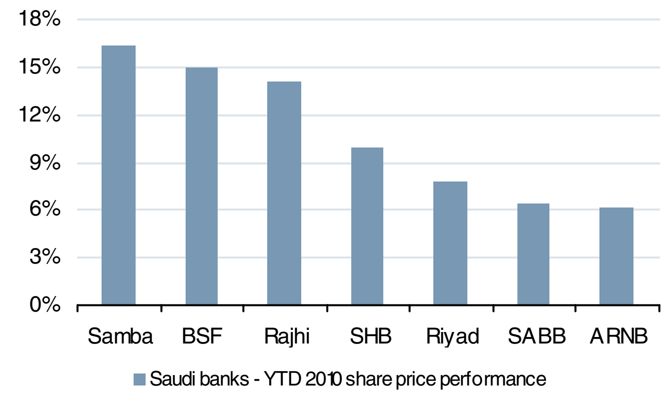
Middle-East banks have outperformed their global peers YTD, with Saudi banks returning 9.5%. This is much better than the negative 2% returned by the MSCI Emerging Market banks. Samba has been the best performer (up 16.3%), while SABB and ARNB have underperformed, increasing only by 6.5% and 6.1% respectively.

Figure 8: **Global Banks: YTD 2010 performance of indices**



Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse research

Figure 9: **Saudi Banks: YTD 2010 performance**

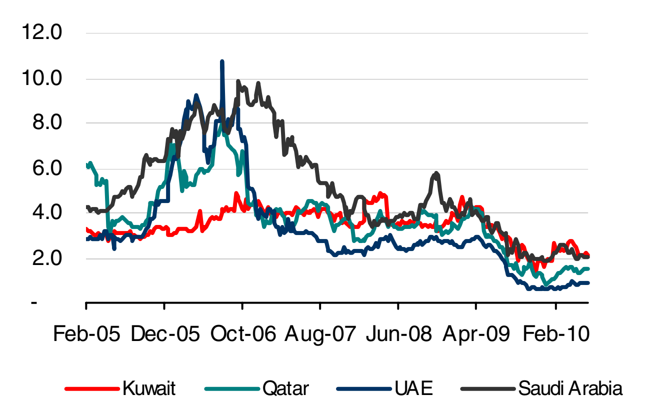


Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse research

Valuations are close to historical lows

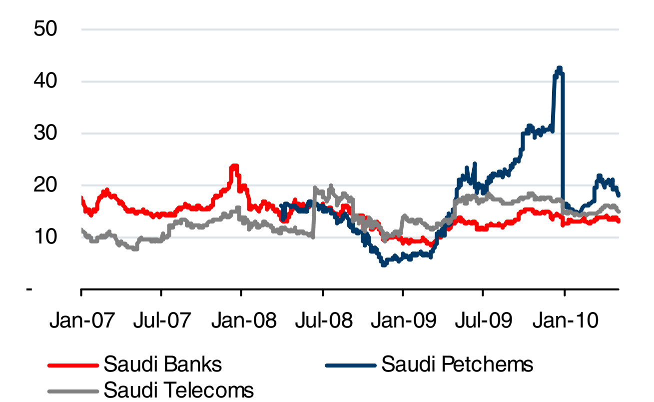
Saudi banks are currently trading just 10% above their all-time lows at 2.15x P/B (trailing). This translates into a 49% discount to the long-term average. Even if we exclude 2006 (when valuations were unusually high), the sector is still trading at a 31.5% discount to its average multiples. Even on a country basis, banks are trading the cheapest among the three key sectors, at a forward P/E of 13.5x, while the petrochemicals and telecom sectors are trading at 18.5x and 15.1x, respectively.

Figure 10: **GCC Banks: Price to book (in x; trailing)**



Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse research

Figure 11: **Saudi sector indices: Forward P/Es (in x)**



Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse research

Valuation summary – Top 30 GCC Banks

Figure 12: **Top 30 GCC banks by market capitalisation**

Name	Country	Mkt cap US$m	P/E			P/BV			ROE (%)			EPS growth (%)	
			2008	2009	2010E	2008	2009	2010E	2008	2009	2010E	2009	2010E
Al Rajhi Bank*	Saudi Arabia	32,499	18.7	18.0	16.4	4.5	4.2	3.9	25.8	24.3	24.7	3.7	9.8
Qatar National Bank*	Qatar	14,570	11.0	12.5	10.8	3.1	2.9	2.4	24.0	24.3	24.5	(12.0)	16.0
Samba Financial Group*	Saudi Arabia	14,039	11.9	11.6	11.3	2.6	2.4	2.0	23.6	21.4	19.3	2.4	2.7
National Bank of Kuwait	Kuwait	13,577	14.1	14.9	14.4	2.7	2.6	2.0	17.4	16.9	3.0	(5.9)	4.0
Riyad Bank*	Saudi Arabia	11,560	14.2	14.0	11.7	1.5	1.5	1.5	13.6	11.2	10.3	(0.5)	(1.8)
Saudi British Bank*	Saudi Arabia	9,340	12.0	14.3	14.6	3.0	2.7	2.5	26.5	16.5	18.3	(30.4)	21.0
Banque Saudi Fransi*	Saudi Arabia	9,064	12.1	13.8	11.6	2.4	2.2	2.1	22.2	16.6	18.2	(11.9)	18.5
Kuwait Finance House	Kuwait	8,656	16.2	20.4	15.5	2.0	2.1	1.9	30.6	10.8	16.5	(20.7)	31.4
National Bank of Abu Dhabi*	UAE	7,814	10.4	9.5	6.9	2.3	1.9	1.5	23.6	19.6	22.5	9.2	37.2
Arab National Bank*	Saudi Arabia	7,748	11.7	12.3	12.3	2.3	2.0	1.8	21.4	17.5	15.5	10.2	1.1
First Gulf Bank*	UAE	6,708	8.3	7.6	5.6	1.6	1.5	1.2	22.8	19.0	20.0	10.2	34.4
Alinma Bank	Saudi Arabia	4,700	45.2	NA	NA	1.1	NA	NA	NA	NA	NA	NA	NA
Commercial Bank of Qatar*	Qatar	4,548	8.3	10.7	8.2	1.4	1.5	1.4	21.0	14.1	17.8	(22.2)	30.2
Emirates NBD*	UAE	4,540	4.5	4.6	4.0	0.6	0.6	0.5	14.5	13.0	12.9	(1.6)	13.9
Qatar Islamic Bank	Qatar	4,456	8.8	10.7	10.4	2.1	2.1	2.0	27.9	22.5	16.8	(17.6)	3.0
Commercial Bank of Kuwait	Kuwait	3,909	NM	NM	NM	2.4	2.6	2.3	19.7	(0.2)	10.6	NM	NM
Ahli United Bank	Bahrain	3,490	13.5	17.0	12.2	2.6	1.6	1.5	11.9	10.0	15.1	(20.4)	39.5
Gulf Bank	Kuwait	3,478	NM	18.6	11.1	1.3	3.4	2.6	NM	31.4	26.1	NM	68.2
Bank Muscat	Oman	3,032	12.5	14.0	10.8	1.6	1.6	1.5	14.0	12.3	13.8	(10.9)	29.0
Boubyan Bank	Kuwait	3,019	NM	NM	NM	5.8	5.3	4.8	NA	(8.1)	(9.4)	NM	NM
Masraf Al Rayan	Qatar	2,987	11.9	13.0	11.6	1.9	1.8	1.7	NA	14.9	14.4	(8.4)	12.5
Saudi Hollandi Bank*	Saudi Arabia	2,919	8.9	11.4	9.1	1.9	1.9	1.7	23.9	1.5	11.8	(93.0)	724.5
Doha Bank*	Qatar	2,592	8.8	8.7	8.1	1.7	1.8	1.6	22.2	20.4	20.8	1.6	7.0
Al Ahli Bank of Kuwait	Kuwait	2,515	NA	22.8	19.3	2.3	2.4	2.3	NA	11.0	10.9	(30.0)	17.9
Abu Dhabi Commercial Bank*	UAE	2,357	7.0	NM	9.5	0.6	0.7	0.6	9.1	(3.6)	5.7	NM	NM
Dubai Islamic Bank*	UAE	2,306	4.7	6.5	7.0	0.9	0.9	0.8	17.9	14.0	12.5	NM	(7.5)
Saudi Investment Bank	Saudi Arabia	2,292	16.7	10.7	9.5	1.3	1.2	1.0	7.7	9.4	11.2	56.9	12.0
Union National Bank*	UAE	2,131	5.5	6.7	5.5	1.0	0.9	0.8	19.9	14.4	15.5	(17.8)	21.3
Arab Banking Corporation	Bahrain	1,928	NM	NA	NA	0.7	NA	NA	NA	NA	NA	NM	NA
Al Khalij Commercial Bank	Qatar	1,849	57.6	NA	NA	1.7	1.4	1.0	NA	7.4	8.7	NA	NA

** Indicates Credit Suisse estimates. Market cap is as of 13 May 2010*

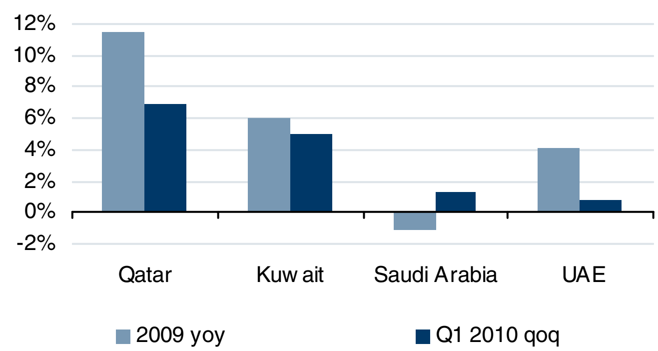
Source: Thomson Reuters, Credit Suisse estimates

Balance sheets still consolidating

Balance-sheet growth remains modest in Saudi Arabia…

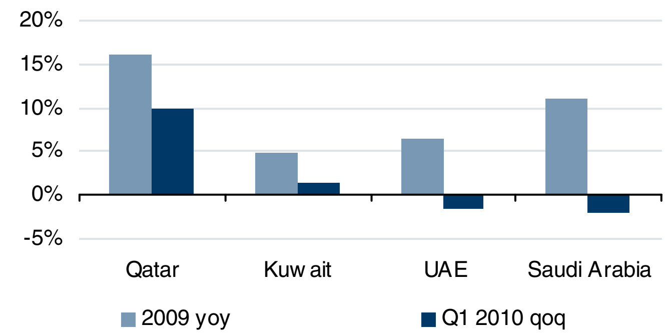
Loan growth in the Saudi banking sector remained low, growing at 1.4% qoq in Q1 10, following a 1.1% contraction in 2009. The growth in Saudi lending was led by a strong 7.6% qoq growth in the 'commerce' segment. While deposits grew a healthy 11.2% yoy in 2009, Q1 10 witnessed a 2.1% qoq contraction in the same period. For FY 2010E, we estimate that both loan and deposit growth will remain fairly muted, at c7% yoy each.

Figure 13: **GCC banks: Loan growth**



Source: Central banks' data, Credit Suisse research

Figure 14: **GCC banks: Deposits growth**

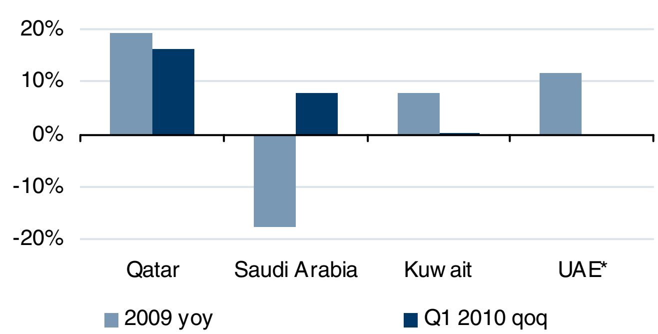


Source: Central banks' data, Credit Suisse research

…but consumer lending is picking up

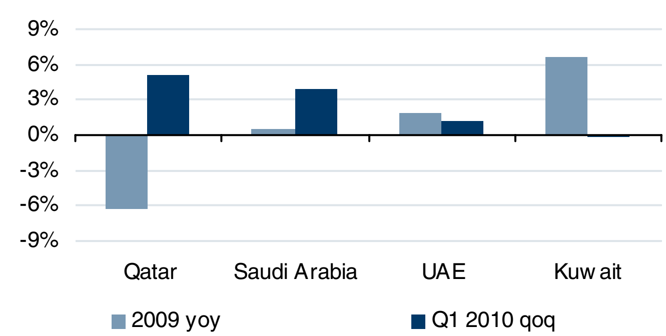
After seeing four consecutive years (2006–2009) of negative-to-flattish consumer loan growth, the Saudi banking sector reported 3.9% qoq growth during Q1 10, lower than only Qatar (5% qoq). Banks now also seem comfortable with increasing their real estate exposure, with lending to this sector increasing by 7.8% qoq in Q1 10 in Saudi Arabia. This follows a steep 17.7% yoy decline in 2009.

Figure 15: **GCC banks: Real estate loan growth**



*Source: Central banks' data, Credit Suisse research; * UAE data are not available for Q1 2010*

Figure 16: **GCC banks: Consumer loan growth**

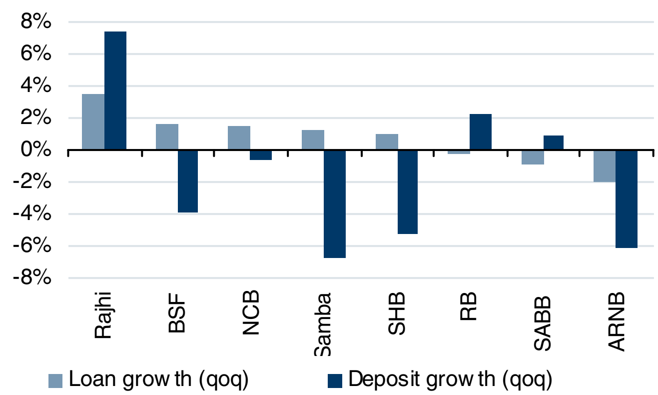


Source: Central banks' data, Credit Suisse research

Al-Rajhi has benefited from retail growth; sector-wide LDR remains comfortable

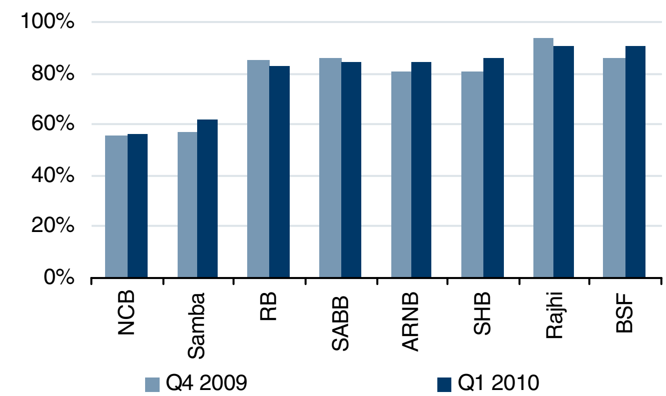
Al-Rajhi continues to gain market share, having increased its loans and deposits by 3.5% qoq and 7.4% qoq, respectively, in Q1 2010. Arab National Bank was the only bank to report contractions in both loans and deposits, by 2% qoq and 6.1% qoq, respectively. The LDR of the Saudi banking sector has increased from 78% in Q4 2009 to 81% in Q1 2010. BSF reported the highest LDR of 90.7% in Q1 2010, while Samba continued to report the lowest number among our covered Saudi banks, at 62.1% (although it has increased from 57.2% in Q4 2009).

Figure 17: **Saudi banks: Loan & deposit growth (Q1 2010)**



Source: Company data, Credit Suisse research

Figure 18: **Saudi banks: Loans/Deposit ratios**

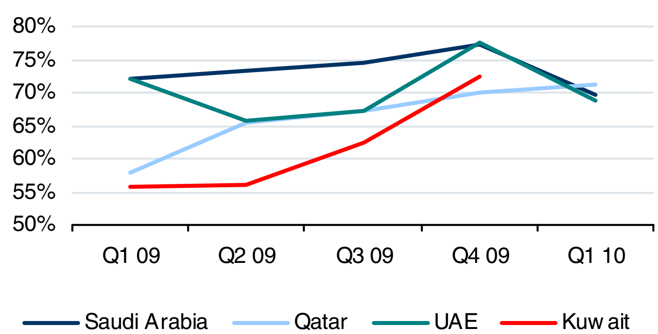


Source: Company data, Credit Suisse research

Revenue structure changing as asset utilisation declines

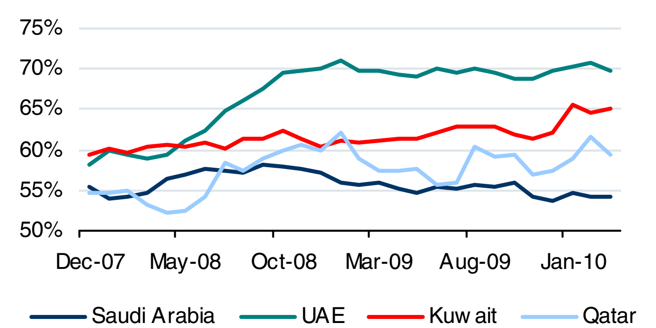
The Saudi banks' net interest income-to-total income ratio has declined from 77.3% in Q4 2009 to 69.8% in Q1 2010. This may be partly due to lower margins and higher fee income during the quarter. However, we would also like to highlight that the balance-sheet composition has been changing over time, with loans now accounting for just 54% of total assets, the lowest in the GCC.

Figure 19: **GCC banks: Net interest income/total income (quarterly)**



Source: Company data, Credit Suisse research

Figure 20: **GCC banks: Loans/Assets (monthly)**



Source: Central banks' data, Credit Suisse research

Balance-sheet growth should pick up in 2011E

For the Saudi-7 banks, gross loans declined by 1.3% yoy in 2009, while deposits grew by 3.5%. For 2010E, we expect balance-sheet growth to consolidate, with gross loans and deposits growing at 7.2% yoy and 6.8% yoy, respectively, on our estimates. We believe growth will resume by late 2010 owing to a pick-up in economic activity, higher interest rates and lower credit costs. We estimate that gross loan will grow by 13.4% in 2011E and deposits by 11.9%. We think 20% plus balance-sheet growth is not achievable since most of the large domestic corporate houses are already close to their SOL (Single Obligatory Limits). Samba is likely to grow its loan book the fastest in 2010E and 11E, as it looks well positioned due to its lowest LDR of 62.1% in Q1 10.

Figure 21: **Saudi Banks: Gross loan growth (2007–2012E)**
In SAR millions, unless otherwise stated

	2007	2008	2009	2010E	2011E	2012E
Rajhi	17.3%	34.8%	5.9%	6.7%	14.4%	14.0%
ARNB	22.2%	21.6%	-9.8%	3.2%	12.3%	11.3%
RB	28.3%	42.5%	10.4%	8.2%	12.3%	12.0%
SABB	45.7%	29.2%	-3.4%	5.0%	14.4%	13.3%
Samba	19.7%	21.1%	-13.5%	13.4%	16.2%	15.6%
SHB	5.4%	36.3%	-2.3%	7.5%	12.0%	11.2%
BSF	16.6%	34.7%	-2.6%	6.0%	10.6%	10.6%
Sector Average	**22.1%**	**31.1%**	**-1.3%**	**7.2%**	**13.4%**	**12.9%**

Source: Company data, Credit Suisse estimates

Figure 22: **Saudi Banks: Deposit growth (2007–2012E)**
In SAR millions, unless otherwise stated

	2007	2008	2009	2010E	2011E	2012E
Rajhi	22.2%	30.0%	3.4%	13.0%	14.4%	14.0%
ARNB	19.3%	25.9%	-10.9%	-0.9%	13.6%	12.6%
RB	21.9%	24.6%	19.2%	8.7%	13.6%	13.3%
SABB	21.2%	29.0%	-3.8%	13.6%	14.4%	13.3%
Samba	22.1%	15.9%	9.6%	2.2%	9.6%	14.0%
SHB	6.8%	24.3%	4.2%	9.2%	0.0%	12.0%
BSF	19.4%	25.4%	-1.7%	2.7%	11.2%	11.9%
Sector Average	**20.1%**	**24.5%**	**3.5%**	**6.8%**	**11.9%**	**13.2%**

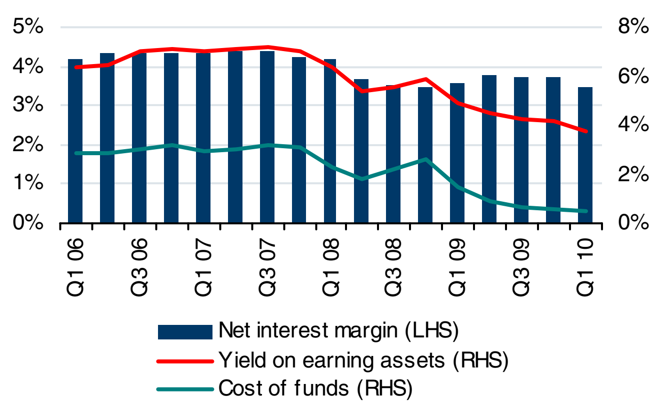
Source: Company data, Credit Suisse estimates

Margin expansion will likely have to wait until 2011

Margins facing pressure from fixed income portfolios

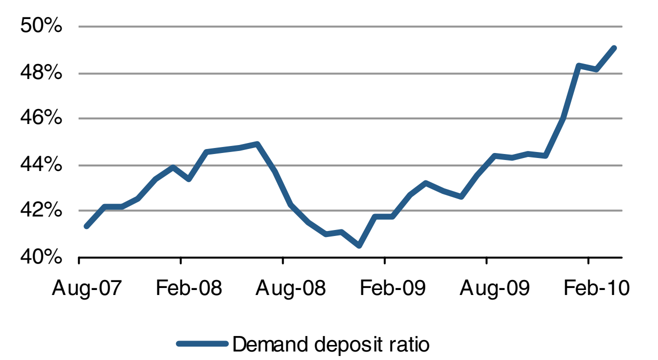
The Saudi banks' net interest margins, having remained flattish from Q2 09 to Q4 09, fell by a steep 25bps qoq during Q1 10. While the yield on interest-earning assets fell by 39bps qoq, the cost of funds fell by less (11bps qoq). Figure 26 shows that banks that have grown their loan book the most have seen their NIMs also decline the most. However, we think that lower yields on fixed income portfolios may have been more significant than lower yields on loans. We also think that the Q1 NIM decline could have been higher if it were not for the increase in the demand deposit ratio (from 46.1% in Q4 09 to 49.1% in Q1 10) and buoyant retail lending.

Figure 23: Saudi banks: Net interest margins



Source: Company data, Credit Suisse research

Figure 24: Saudi banks: Demand deposit ratio

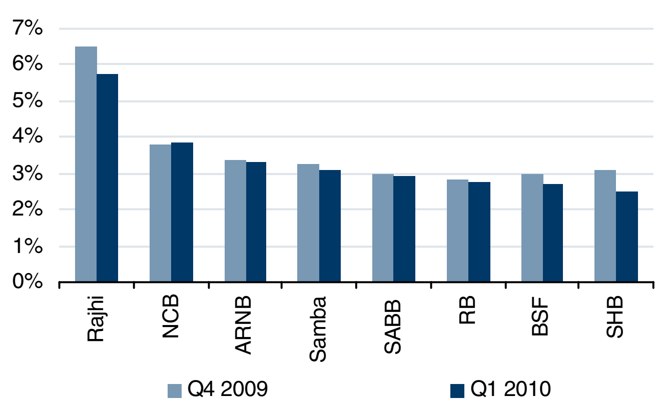


Source: Company data, Credit Suisse research

Rajhi's NIMs declined the most in Q1 while NCB and SABB were the most resilient

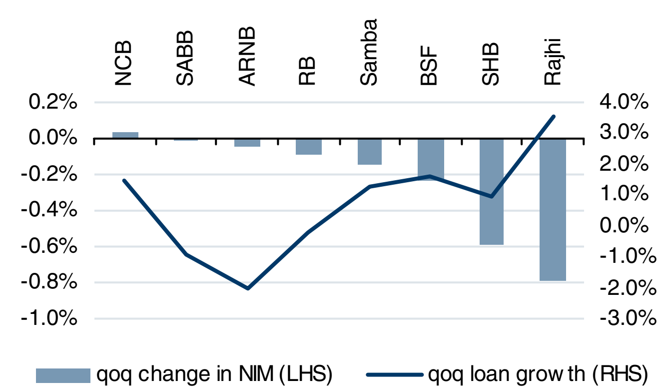
During Q1 10, Al-Rajhi's NIM fell the most, by 79bps qoq to 5.7%, while that of SABB fell the least (a decline of just 1bp) to 2.9%. NCB's NIM expanded by 4bps qoq. We think Al-Rajhi's NIM was affected by the 7.4% qoq deposit growth during Q1 10.

Figure 25: Saudi banks: Net interest margins



Source: Company data, Credit Suisse research

Figure 26: Saudi banks: NIM change qoq and loan growth qoq in Q1 2010



Source: Company data, Credit Suisse research

We expect NIMs to expand by c40bps in 2011E

Interest rates are currently close to all-time lows in Saudi Arabia and we think they should increase from here. However, interest rate behaviour in Saudi Arabia continues to be in sync with the US Fed rates owing to the dollar pegging. While the Credit Suisse house view is for a Fed rate hike in September this year, our global equity strategist, Andrew Garthwaite, highlights that even a late Q4 increase would not be surprising. Accordingly, we estimate NIMs to remain close to Q1 levels throughout 2010 at 3.52% for the sector and forecast a NIM expansion of 39bps to 3.91% in 2011E.

Figure 27: **Saudi Banks: Net interest margins (2007–2012E)**
In SAR millions, unless otherwise stated

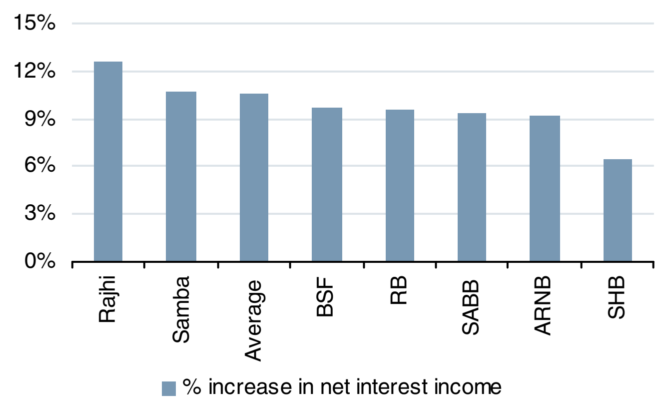
	2007	2008	2009	2010E	2011E	2012E
Rajhi	7.85%	6.77%	6.19%	5.88%	6.56%	6.68%
Samba	4.02%	3.49%	3.43%	3.10%	3.41%	3.50%
SABB	4.19%	3.30%	3.09%	3.00%	3.35%	3.45%
RB	3.54%	3.26%	2.99%	2.80%	3.14%	3.17%
ARNB	3.72%	3.55%	3.43%	3.45%	3.81%	3.91%
BSF	2.89%	2.84%	2.83%	2.76%	3.00%	3.01%
SHB	2.71%	2.82%	2.99%	2.60%	2.82%	2.86%
Sector Average	**4.31%**	**3.86%**	**3.70%**	**3.52%**	**3.91%**	**4.01%**

Source: Company data, Credit Suisse estimates

NIM expansions in 2011E seem to offer potential upside risk for the Saudi banks

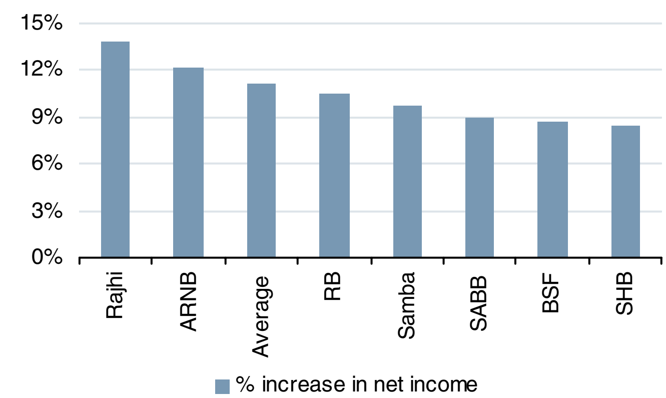
Our base-case scenario is for a 100bps increase in interest rates during 2011E. According to our calculations, every 100bp rate increase would result in a c40bps NIM expansion. Moreover, every 100bp rate increase (over and above our base case) would offer (on aggregate) a c11% increase each in net interest income, net income and valuations.

Figure 28: **Saudi banks: % impact of a 100bp rate increase on 2011E net interest income**



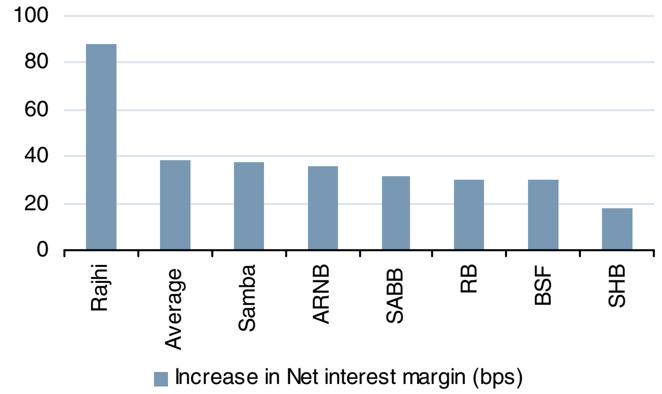
Source: Credit Suisse estimates

Figure 29: **Saudi banks: % impact of a 100bp rate increase on 2011E net income**



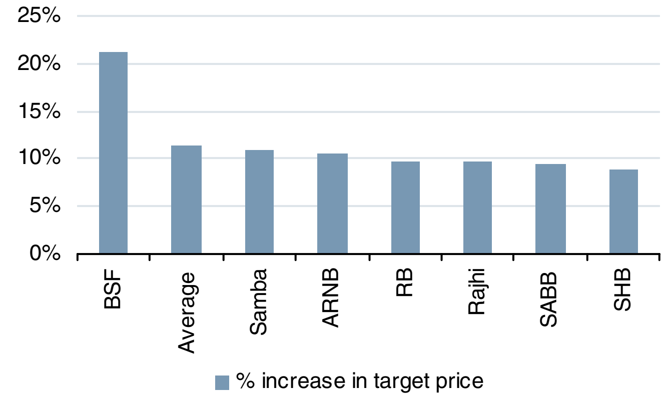
Source: Credit Suisse estimates

Figure 30: Saudi banks: Change in 2011E net interest margins (bps) for every 100bp rate increase in 2011E



Source: Credit Suisse estimates

Figure 31: Saudi banks: % impact of a 100bp rate increase on our target prices



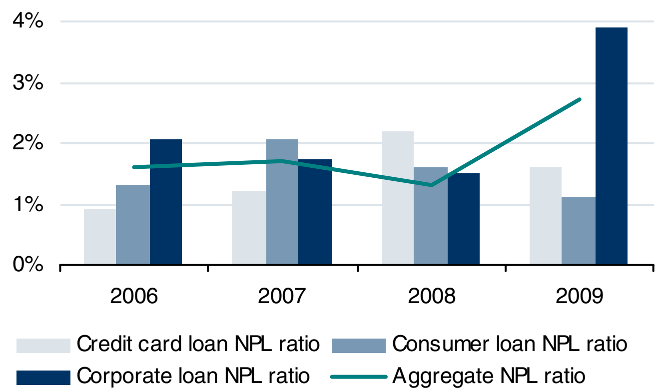
Source: Credit Suisse estimates

Asset quality

Asset quality falls on corporate defaults

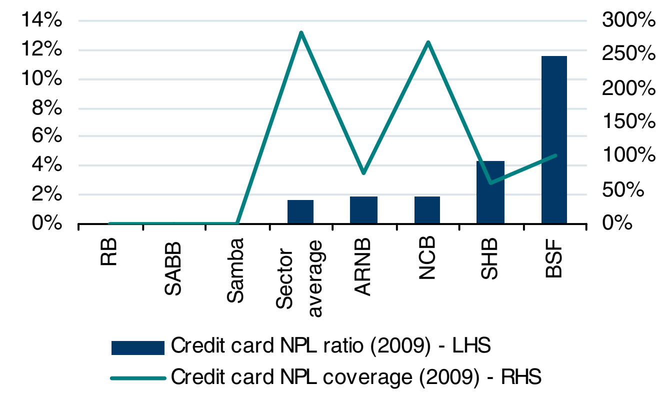
The aggregate NPL ratio of the Saudi banking sector has increased from 1.3% in 2008 to 2.7% in 2009. The increase has been driven by a steep rise in corporate lending NPL ratios, from 1.5% in 2008 to 3.9% in 2009, while the NPL ratios of credit cards and corporate loans have decreased to 1.6% (down 59bps yoy) and 1.1% (down 50bps yoy), respectively, in 2009. The NPL coverage of credit card and consumer NPLs remains high at 283.5% and 186.1%, respectively, but that of corporate NPLs has decreased from 129% in 2008 to 83.7% in 2009. The decline in corporate loan coverage was mainly due to the spike in corporate NPLs not being matched by provisioning due to the presence of collaterals.

Figure 32: **Saudi banks: Category-wise NPL ratios (2006–2009)**



Source: Company data, Credit Suisse research

Figure 33: **Saudi banks: Credit card loan NPL & coverage ratios (2009)**

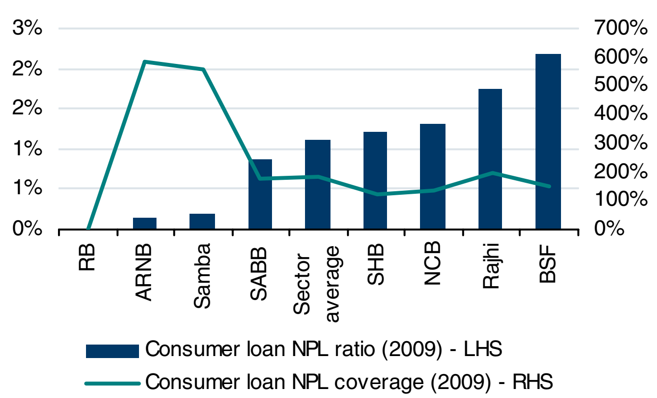


Source: Company data, Credit Suisse research

BSF has the highest retail NPL ratio while SHB has the highest corporate NPL ratio

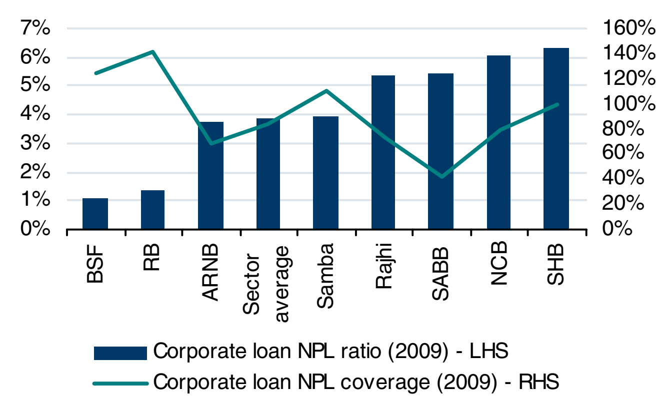
BSF reported the highest credit card and consumer NPL ratios, at 11.6% and 2.2%, respectively. Riyad Bank, Arab National Bank and Samba reported the lowest consumer NPL ratios of 0%, 0.2% and 0.2%, respectively, in 2009. On the corporate lending book, BSF and Riyad Bank reported the lowest NPL ratios of 1.1% and 1.4%, respectively, while NCB and Saudi Hollandi reported the highest NPL ratios of 6% and 6.3%, respectively.

Figure 34: **Saudi banks: Consumer loan NPL & coverage ratios (2009)**



Source: Company data, Credit Suisse research

Figure 35: **Saudi banks: Corporate loan NPL & coverage ratios (2009)**

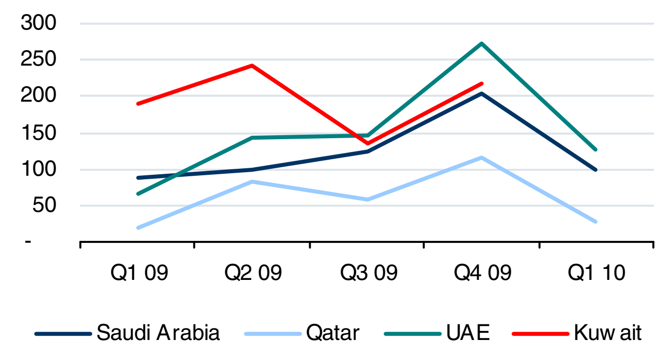


Source: Company data, Credit Suisse research

Credit costs seem to be steadily normalising

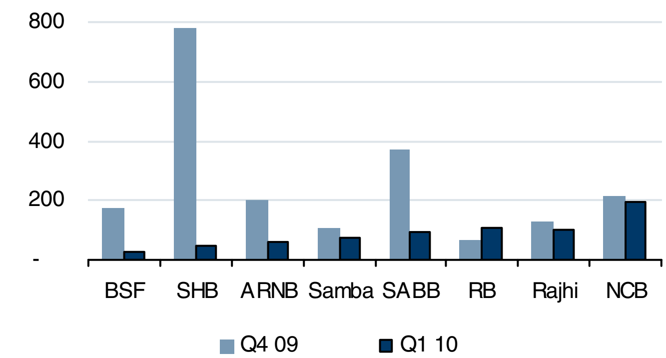
The aggregate credit costs (annualised) of the Saudi banks (Saudi-7 + NCB) fell sharply from 205bps in Q4 09 to 98bps in Q1 10. In absolute terms, loan loss provisioning charges fell 53% qoq (but was up 9% yoy) to SAR1.7bn. BSF reported the lowest credit costs in Q1 10 at 27.3bps, while NCB and Al-Rajhi reported the highest credit costs, of 196bps and 101bps, respectively. According to local newspaper *Al Eqtisadiah*, Nabil Al-Mubarak (General Manager of the Saudi Credit Bureau) has revealed that the value of bounced cheques declined by 10% yoy during Q1 10, from SAR3.8bn to SAR3.4bn.

Figure 36: **GCC banks: Quarterly credit costs (bps, annualised)**



Source: Company data, Credit Suisse research

Figure 37: **Saudi banks: Quarterly credit costs (bps, annualised)**

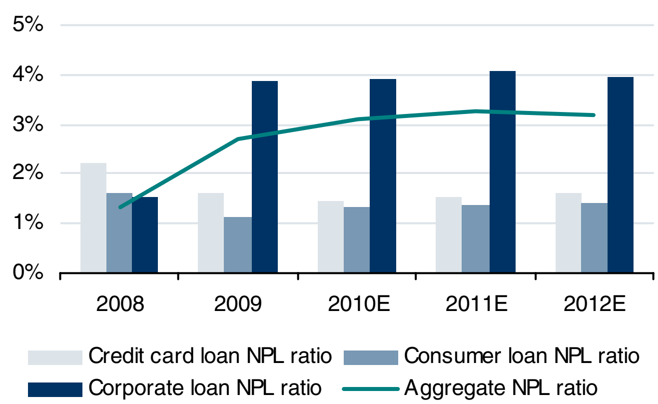


Source: Company data, Credit Suisse research

NPL ratio likely to increase by 40bps this year

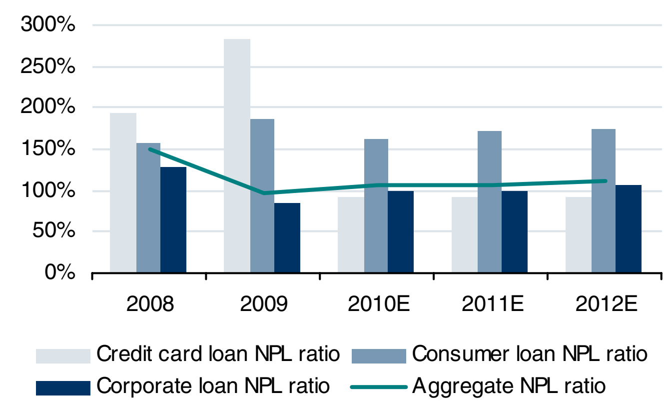
In our models, we take a conservative estimate of continuing pressure on asset quality with NPLs up from 2.7% in 2009 to 3.1% in 2010E. We also expect overall coverage to increase from 96.2% in 2009 to 105.3% in 2010E, as the coverage on corporate loans is likely to increase from 83.7% in 2009 to 100% in 2010E.

Figure 38: **Saudi banks: NPL ratios (2008–2012E)**



Source: Company data, Credit Suisse estimates

Figure 39: **Saudi banks: NPL coverage ratios (2008–2012E)**

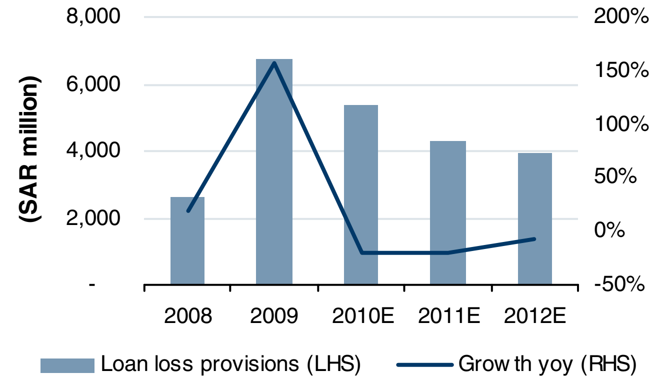


Source: Company data, Credit Suisse estimates

Provisions likely to fall by 20% in 2010E

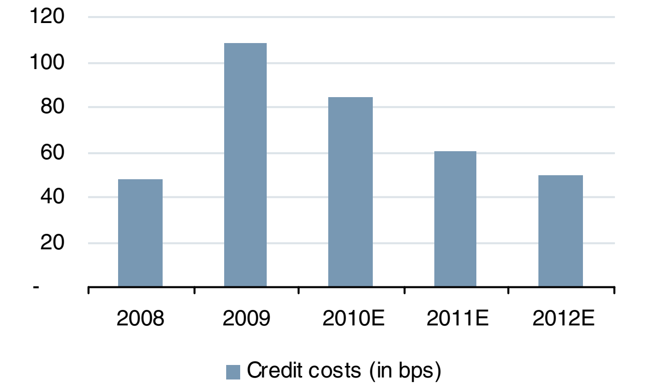
We estimate that the loan loss provisions will fall by 20% yoy from SAR6.7bn in 2009 to SAR5.4bn in 2010E and by a further 20% yoy to SAR4.3bn in 2011E. The decline is mainly a result of normalisation of credit costs, which we estimate will decline from a peak of 109bps in 2009 to 84bps in 2010E and further to 61bps in 2011E.

Figure 40: **Saudi banks: Loan loss provisions**



Source: Company data, Credit Suisse estimates

Figure 41: **Saudi banks: Credit costs (2008–2012E)**



Source: Company data, Credit Suisse estimates

Riyad and BSF have the highest asset quality while SABB witnessed the largest deterioration in 2009

Riyad Bank and BSF reported the lowest NPL ratios among the Saudi banks, at 1.2% and 1.3%, respectively, in 2009. However, we are wary of Riyad Bank's asset quality going forward, as it grew its loan book by 10.4% in 2009, the most among its peer group, led by 12.9% growth in consumer loans. SABB's NPL ratio increased sharply from 0.2% in 2008 to 4.5% in 2009, which is likely to have been driven by its exposure to Saad and Algosaibi Groups (however, the exposure is not officially quantified). Coverage ratios remained at or above 100% for all banks except Arab National Bank and SABB, but we think these banks are likely to increase their coverage levels gradually over 2010E–11E.

Figure 42: **Saudi Banks: NPL ratios (2007–2012E)**

In SAR millions, unless otherwise stated

	2007	2008	2009	2010E	2011E	2012E
Rajhi	2.9%	1.9%	2.5%	2.8%	2.7%	2.5%
ARNB	0.5%	0.4%	2.8%	3.2%	3.4%	3.3%
RB	1.6%	1.3%	1.2%	1.8%	1.9%	2.0%
SABB	0.3%	0.2%	4.5%	5.0%	5.2%	4.9%
Samba	2.2%	1.8%	3.3%	3.5%	4.0%	4.0%
SHB	3.8%	2.7%	5.9%	6.3%	6.3%	6.0%
BSF	0.7%	0.9%	1.3%	1.8%	2.0%	2.0%
Sector Average	**1.7%**	**1.3%**	**2.72%**	**3.12%**	**3.3%**	**3.2%**

Source: Company data, Credit Suisse estimates

Figure 43: Saudi Banks: NPL coverage ratios (2007–2012E)

In SAR millions, unless otherwise stated

	2007	2008	2009	2010E	2011E	2012E
Rajhi	109.1%	142.8%	108.4%	113.9%	120.1%	124.3%
ARNB	354.0%	349.0%	75.9%	95.7%	99.0%	107.3%
RB	139.2%	131.9%	140.9%	123.5%	129.7%	129.6%
SABB	289.7%	325.0%	50.3%	71.1%	76.6%	91.8%
Samba	159.6%	167.0%	116.1%	121.2%	107.6%	107.7%
SHB	110.0%	107.8%	100.2%	105.5%	107.5%	109.5%
BSF	190.3%	111.9%	127.9%	124.4%	116.0%	118.5%
Sector Average	**143.1%**	**150.8%**	**96.2%**	**105.3%**	**105.8%**	**111.2%**

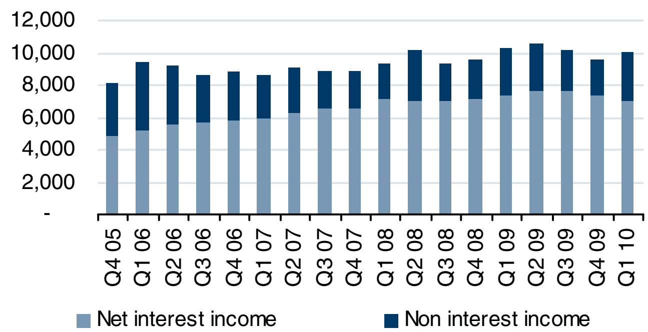
Source: Company data, Credit Suisse estimates

Operating performance improving

Earnings grow on strong fee income and lower provisions

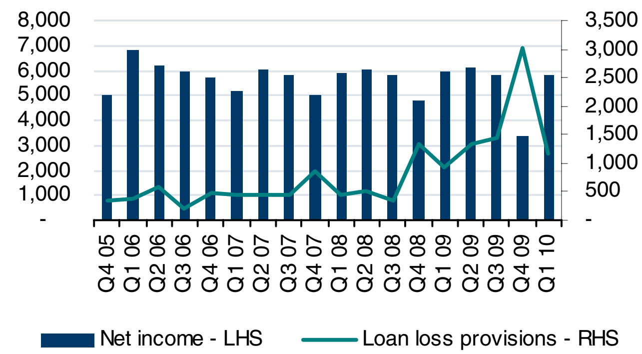
The aggregate net income of the Saudi-7 banks grew by 72.3% qoq in Q1 2010, mainly owing to a 61.3% qoq decline in loan loss provisions. However, on a yoy basis, net income was down 2.5% as loan loss provisions were up 28%. The total income of the Saudi-7 banks grew 4% qoq (but was down 2.5% yoy) as the 6.1% qoq decline in net interest income was more than offset by 38.3% qoq growth in non interest income. The growth in non interest income was driven by a 23.9% qoq (and 11.4% yoy) increase in fee income.

Figure 44: **Saudi-7 banks: Net interest and non interest income, quarterly (SAR m)**



Source: Company data, Credit Suisse research

Figure 45: **Saudi-7 banks: Loan loss provisions and net income, quarterly (SAR m)**

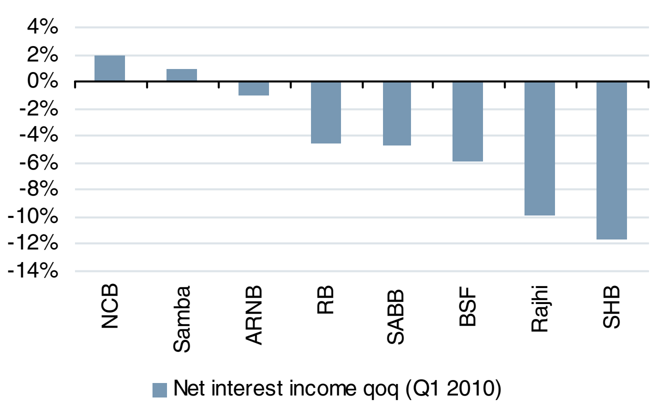


Source: Company data, Credit Suisse research

NCB and Samba have outperformed while SHB has underperformed

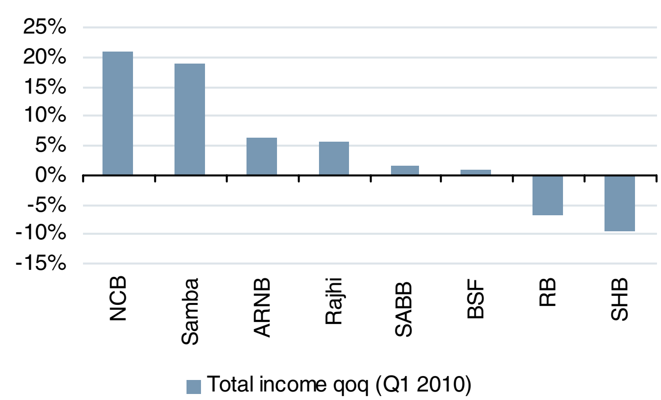
NCB and Samba were the only two banks to report higher net interest incomes in Q1 10, at 1.9% qoq and 0.8% qoq, respectively. The two banks also recorded the highest growth in total incomes, at 20.9% qoq and 19% qoq, respectively. Saudi Hollandi Bank reported the largest drop in total income, at 11.6%.

Figure 46: **Saudi banks: Net interest income qoq**



Source: Company data, Credit Suisse research

Figure 47: **Saudi banks: Total income qoq**

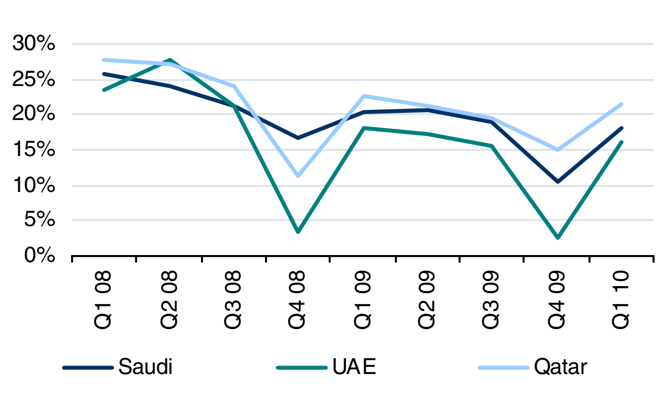


Source: Company data, Credit Suisse research

Saudi banks are the most profitable in the GCC with Al-Rajhi and Samba outperforming the sector

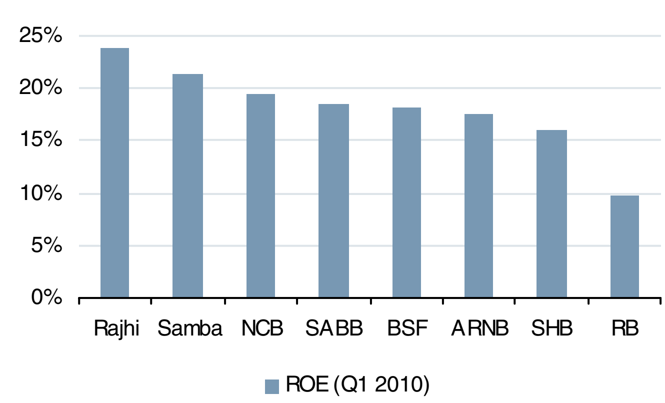
The Saudi banking sector recorded a Q1 2010 ROE of 18%, next to only Qatar at 21.5%. Al-Rajhi and Samba reported the highest ROEs of 23.8% and 21.3%, respectively, in Q1 2010. Riyad Bank reported the lowest Q1 2010 ROE of 9.8%.

Figure 48: **GCC banks: ROE (Q1 2008–Q1 2010)**



Source: Company data, Credit Suisse research

Figure 49: **Saudi banks: ROE (Q1 2010)**

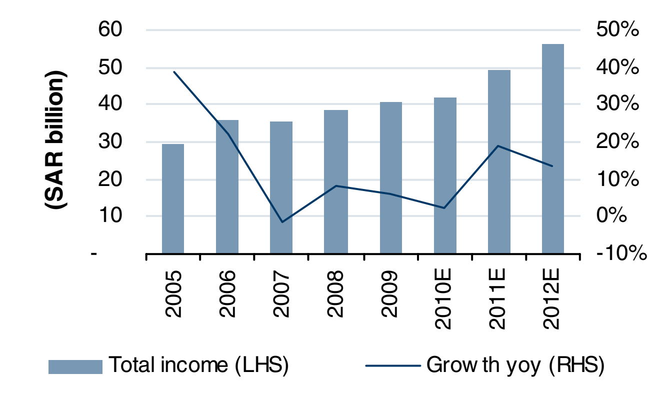


Source: Company data, Credit Suisse research

Earnings likely to grow by 10.5% in 2010E on lower credit costs

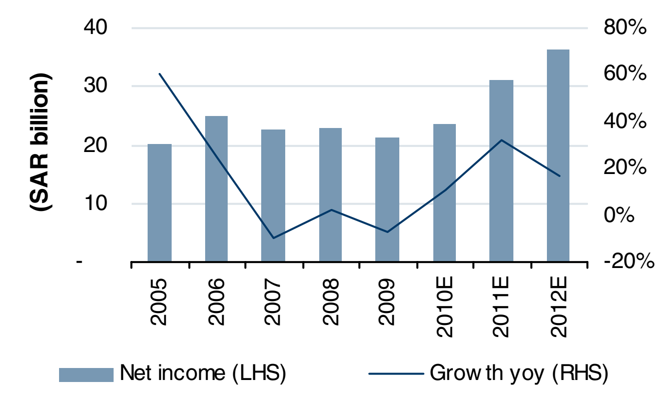
On our estimates, the aggregate net income of the Saudi-7 banks is likely to grow by 10.5% in 2010E, following a 7.5% decline in 2009. While revenue growth is likely to be limited to 2.4% yoy in 2010E (owing to lower margins and limited balance-sheet growth), loan loss provisions should decline by 20%, on our estimates. In 2011E, we expect net income growth of 31.9%, driven by 18.7% growth in total income (owing to margin expansion of 41bps yoy and loan growth of 13.4%) and a further 20% decline in loan loss provisions.

Figure 50: **Saudi-7 banks: Total income growth (2005–12E)**



Source: Company data, Credit Suisse estimates

Figure 51: **Saudi-7 banks: Net income growth (2005–12E)**



Source: Company data, Credit Suisse estimates

ARNB, Riyad Bank and Samba's earnings likely to be flattish this year, while SHB to rebound from a low base

In 2010E, we expect Arab National Bank, Riyad Bank and Samba to report flattish net incomes (0% yoy, -1.8% yoy and 2.7% yoy, respectively) as these banks are likely to report higher provisioning charges during 2010 as they are likely to strive to maintain adequate coverage for the further decline in asset quality. Saudi Hollandi Bank is likely to report high earnings growth in 2010E and 2011E, in our view, mainly owing to a 93% yoy decline in 2009.

Figure 52: **Saudi Banks: Net income growth (2007–2012E)**

	2007	2008	2009	2010E	2011E	2012E
Rajhi	-11.7%	1.2%	3.7%	9.8%	29.1%	17.6%
ARNB	-1.7%	1.0%	-4.7%	0.0%	25.8%	16.8%
RB	3.5%	-12.4%	14.8%	-1.8%	40.7%	19.3%
SABB	-14.3%	12.0%	-30.4%	21.0%	37.0%	12.4%
Samba	-7.3%	-7.8%	2.4%	2.7%	35.1%	14.4%
SHB	-54.0%	179.0%	-93.0%	724.5%	51.7%	31.4%
BSF	-9.8%	3.5%	-11.9%	18.5%	20.8%	12.2%
Sector Average	**-9.7%**	**2.4%**	**-7.5%**	**10.5%**	**31.9%**	**16.4%**

Source: Company data, Credit Suisse estimates

ROE should improve in 2011E while Rajhi remains the most profitable bank

The ROE of the Saudi-7 banks fell from 22.2% in 2008 to 17.4% in 2009, mainly owing to a 157% yoy increase in provisioning charges. We expect ROE to remain fairly stable in 2010E before improving to 20.9% in 2011E. We estimate Rajhi's ROE to remain the highest at 28.2% in 2011E, followed by SABB and Samba at 22.9% and 22.4%, respectively.

Figure 53: **Saudi Banks: Return on equity (2007–2012E)**

	2007	2008	2009	2010E	2011E	2012E
Rajhi	29.5%	25.8%	24.3%	24.7%	28.2%	28.5%
ARNB	26.6%	21.4%	17.5%	15.5%	17.2%	17.4%
RB	23.9%	13.6%	11.2%	10.3%	13.6%	15.1%
SABB	26.3%	26.5%	16.5%	18.3%	22.9%	23.1%
Samba	29.0%	23.4%	21.4%	19.3%	22.4%	21.8%
SHB	10.0%	23.9%	1.5%	11.8%	15.9%	18.3%
BSF	26.3%	22.1%	16.8%	18.1%	20.0%	19.6%
Sector Average	**26.5%**	**22.2%**	**17.4%**	**17.6%**	**20.9%**	**21.4%**

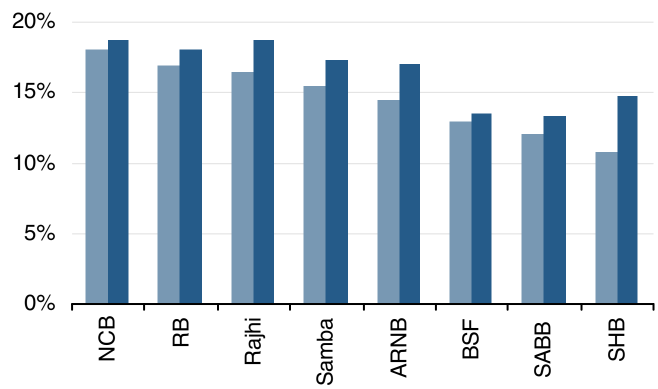
Source: Company data, Credit Suisse estimates

Core-capitalisation remains high across the sector

Al-Rajhi and Riyad are the most capitalised banks

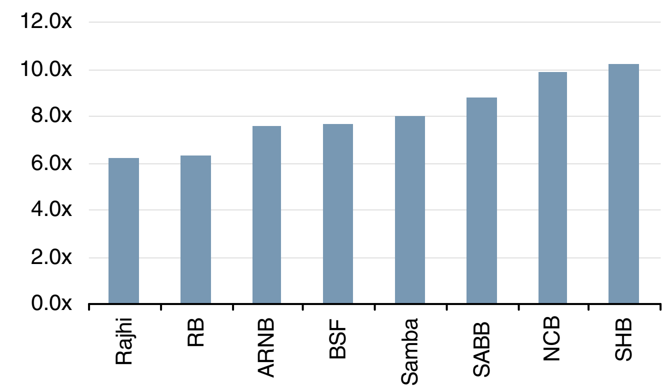
As of Q1 2010, NCB reported the highest Tier 1 ratio of 18%, followed by Riyad Bank and Al-Rajhi at 16.9% and 16.5%, respectively. However, on balance-sheet leverage, Al-Rajhi and Riyad are by far the least levered, with tangible equity multipliers of 6.2x and 6.3x, respectively, while that of NCB stood at 9.8x. Saudi Hollandi Bank is the least capitalised, with a Tier 1 ratio of 10.8% in Q1 2010.

Figure 54: **Saudi banks: Tier 1 and CAR ratios (Q1 10)**



Source: Company data, Credit Suisse research

Figure 55: **Saudi banks: Tangible equity multipliers (Q1 10)**



Source: Company data, Credit Suisse research

Basel III Proposals – a summary

On December 2009, the Basel committee published a consultative document on solvency and funding aiming at laying out proposals for the future of the banking sector. Our Credit Suisse European Banks team (*See Global banks – Impact of BIS capital & liquidity papers, published 18 December 2009*) is of the view that the proposals, if implemented, would have a significant impact on banking sector profitability worldwide.

The key announcements disclosed in the BIS papers are:

- Applying a stricter definition to capital, the numerator of the solvency calculation, by making hybrid debt more difficult to qualify;
- Most of the regulatory deductions will now apply directly to equity instead of Tier 1 or even Tier 2 capital. The major ones are:

  (1) Minority interests

  (2) Equity accounted holding in financial institutions

  (3) Deferred tax assets that relate to past losses

  (4) Other deductions such as capital of insurance activities

  (5) Unrealised losses on AFS

  (6) Excess expected loss
- The BIS has also announced a new regime of liquidity regulation. This includes a minimum Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). These two ratios measure a bank's ability to withstand a 'stress' case of losing access to short-term funding (LCR) and the general extent to which its balance sheet is matched in its funding profile (NSFR);

- The regulator also reminded banks that it is likely to apply dynamic provisioning, and that banks should in good times alter the weighting applied to some categories of assets in order to lower pro-cyclicality: this would increase uncertainties on the sector's capabilities in using earnings in good times to reward shareholders via dividends or buybacks for example: the paper specifically talks about capital preservation;
- Finally the paper indicates that some proposal should be made to prevent excessive credit growth.

Saudi banks appear well positioned to absorb the new regulations

With a tangible equity-to-assets ratio of 13.6% and an average Tier 1 ratio of 14.6% as of Q1 2010, we think that in general the sector looks well positioned to absorb the new regulations. Moreover, the quality of Tier 1 capital is high, as it primarily consists of common equity capital. However, we intend to discuss this issue in more detail in a wider GCC banks report at a later date.

Appendix

Valuation methodology

We value the Saudi-7 banks on a weighted average (50% each) of two methodologies:

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

(2) P/B (implied): We estimate the implied fair P/B multiple based on a five-year (2010E–2014E) average core ROE and cost of equity. We then apply this multiple to the 2010E book value to estimate the fair value.

We have used a base-case cost of equity of 10.0%, with different betas dependent on their trading liquidities.

Figure 56: **Saudi Banks: Valuation summary**

In SAR per share, unless otherwise stated

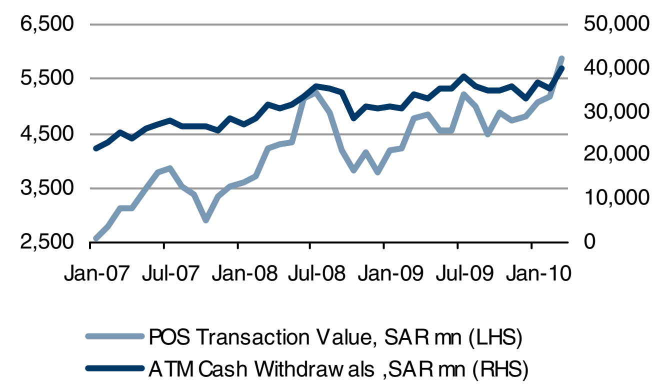
	Al-Rajhi	SABB	Samba	ARNB	Riyad	BSF	SHB
Cost of equity	**9.0%**	**10.0%**	**10.0%**	**10.0%**	**10.0%**	**11.0%**	**11.0%**
Sector cost of equity	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Liquidity discount	-1.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%
Fair Values (SAR/share):							
DDM	97.33	53.62	68.34	44.70	29.70	45.83	35.31
P/B (Gordon's growth)	83.61	50.93	73.63	47.86	31.10	47.22	32.68
Blended Target Price	**90.00**	**52.00**	**71.00**	**46.00**	**30.00**	**47.00**	**34.00**
Current Price	81.25	46.60	58.75	44.70	28.90	47.00	33.10
Upside Potential	*10.8%*	*11.6%*	*20.9%*	*2.9%*	*3.8%*	*0.0%*	*2.7%*
Old Target Price	88.00	60.00	60.00	48.00	30.00	43.00	38.00
Change to Target Price	*2.3%*	*-13.3%*	*18.3%*	*-4.2%*	*0.0%*	*9.3%*	*-10.5%*
Valuation multiples / ratios							
P/B (2009)	4.24	2.68	2.35	2.02	1.54	2.16	1.94
ROE (2010E)	24.7%	18.3%	19.3%	15.5%	10.3%	18.2%	11.8%
P/E (2010E)	16.41	14.21	11.29	12.29	14.57	11.61	15.45
EPS growth (2011E)	29.1%	37.0%	35.1%	25.8%	40.7%	20.8%	51.7%

Source: Thomson Reuters, Credit Suisse estimates; prices as of 13 May 2010

Imports are on the rise as consumers spending returns

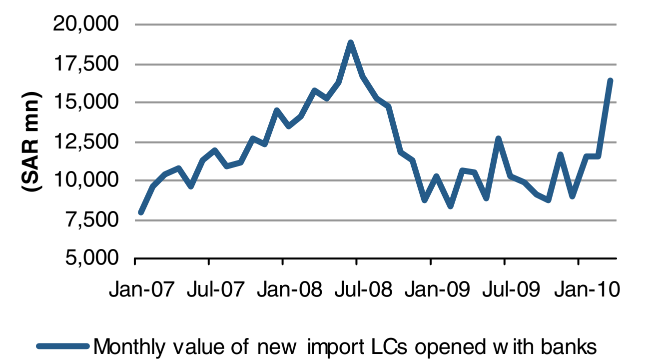
In our view, the most appropriate short-term indicators of consumer confidence are the monthly POS transaction values and ATM cash withdrawals. The former recorded a monthly average of SAR5.4bn in Q1 2010, 15% higher than 2009 and 26% higher than 2008. Monthly ATM cash withdrawals logged an average of SAR37.8bn during Q1 2010, up 9% yoy and 18% over 2008. The monthly value of new import LCs recorded SAR16.4bn in March 2010, a level last seen in June 2008.

Figure 57: **Saudi Arabia: POS transaction value and ATM cash withdrawals**



Source: SAMA, Credit Suisse research

Figure 58: **Saudi Arabia: Monthly value of new import LCs opened with banks**

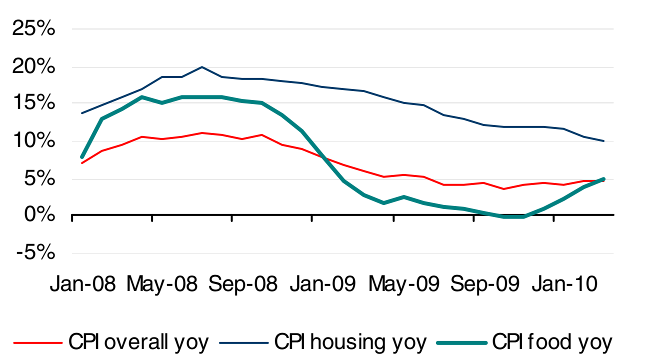


Source: SAMA, Credit Suisse research

Inflation remains moderate as liquidity still tight

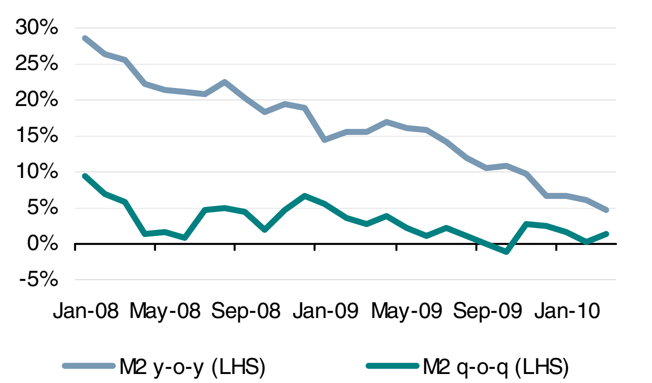
Inflation in Saudi Arabia remains at moderate levels, with the CPI yoy increasing marginally from 4.2% yoy in December 2009 to 4.7% in March 2010. While CPI housing yoy has eased from 12% in December 2009 to 10.1% in March 2010, CPI food yoy has increased from 1% to 5% over the same period. Liquidity is still tight in the system as M2 yoy has eased from 6.5% in December 2009 to 4.8% in March 2010. According to Credit Suisse's Economics team, by year-end 2010E, CPI yoy should be at 3.1% with M2 yoy at 11.5%.

Figure 59: **Saudi Arabia: CPI yoy**



Source: SAMA, Credit Suisse research

Figure 60: **Saudi Arabia: M2 money supply growth**



Source: SAMA, Credit Suisse research

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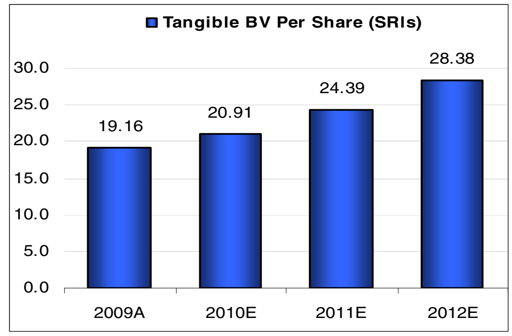
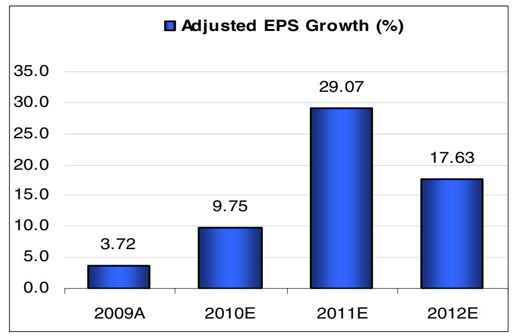
Al Rajhi Bank 1120.SE

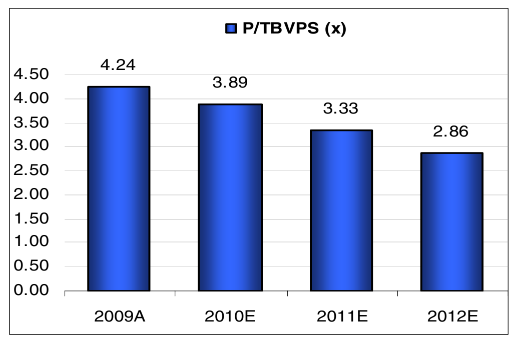
Coverage Universe	Emerging EMEA
Universe Weight	-
Rating	OUTPERFORM
Price (SRls) (13 May 10)	81.3
Price High - Low	86 - 60
Target Price (SRls)	(from 88.00) 90
Upside/Downside TP (%)	10.8
Number of Shares (m)	1,500
Total Market Cap (SRls m)	121,875



Key Financials	**12/09A**	**12/10E**	**12/11E**	**12/12E**
Revenues (SRls m)	11,505	11,600	13,904	15,994
Adjusted Net Income (SRls m)	6,767	7,427	9,586	11,277
Stated Net Income (SRls m)	6,767	7,427	9,586	11,277
Reported Book Value (SRls)	28,741	31,362	36,587	42,564
Tangible Book value (SRls m)	28,741	31,362	36,587	42,564
Stated EPS (SAR)	4.51	4.95	6.39	7.52
Adjusted EPS (SAR)	4.51	4.95	6.39	7.52
Tangible BV Per Share (SRls)	19.16	20.91	24.39	28.38



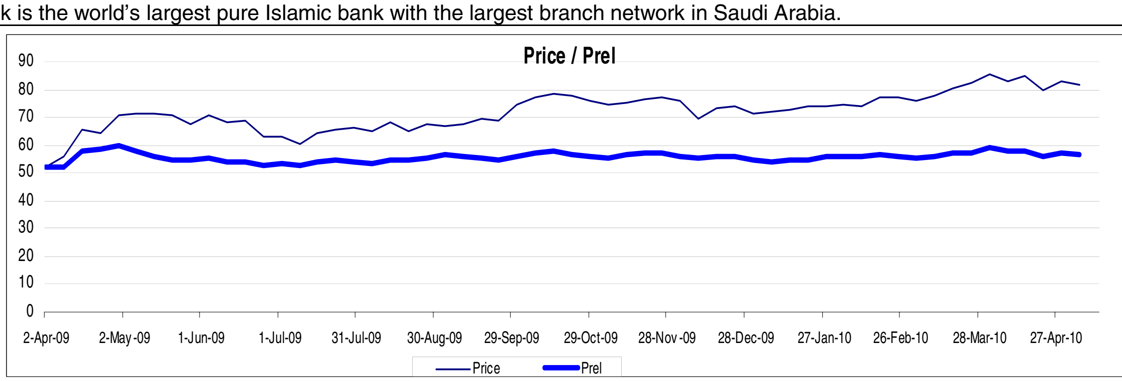
Key Ratios				
P/E (adj., x)	18.01	16.41	12.71	10.81
P/TBVPS (x)	4.24	3.89	3.33	2.86
P/BVPS (adj., x)	4.24	3.89	3.33	2.86
Dividend Yield (%)	3.38	3.05	3.93	4.63
Tangible ROE (%)	24.27	24.71	28.22	28.49
Dividend Per Share (SRls)	2.75	2.48	3.20	3.76
Cost/Income (%)	25.88	26.98	25.15	25.38
Core Tier 1 Ratio (%)	13.82	15.99	16.35	17.17
Tier 1 Ratio (%)	13.82	15.99	16.35	17.17



Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	-4.1	9.8	14.4
Relative (%)	-1.4	2.1	2.9

Company Description

Al-Rajhi Bank is the world's largest pure Islamic bank with the largest branch network in Saudi Arabia.



Source: Company data, Credit Suisse estimates, I/B/E/S consensus

Figure 61: Al-Rajhi: Income Statement
in SAR millions, unless otherwise stated

Income Statement	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
Gross financing income	8,583.1	9,421.1	9,802.3	9,665.9	11,901.7	14,052.5
Financing expenses	861.3	926.7	570.3	437.4	593.0	908.9
Net financing income	**7,721.8**	**8,494.4**	**9,232.1**	**9,228.6**	**11,308.7**	**13,143.6**
Income from investment properties	-	-	-	-	-	-
Mudaraba fees	71.2	76.5	36.3	-	-	-
Fees from banking services (net)	980.6	1,241.3	1,391.0	1,614.8	1,771.6	1,966.6
Exchange income (net)	470.9	483.5	582.3	611.4	642.0	693.4
Other operating income	76.5	279.6	263.6	145.0	181.2	190.3
Total operating income	**9,321.1**	**10,575.3**	**11,505.3**	**11,599.8**	**13,903.6**	**15,993.8**
% Growth	*-2.0%*	*13.5%*	*8.8%*	*0.8%*	*19.9%*	*15.0%*
Salaries and employee related expenses	1,451.2	1,648.7	1,718.7	1,852.2	2,086.1	2,436.2
Rent and premises related expenses	117.9	136.8	144.4	150.6	164.5	182.7
Provision for investments and other	443.2	1,274.4	1,760.7	1,043.2	820.6	658.4
Depreciation and amortisation	288.2	383.40	322.6	326.2	342.5	368.4
Other general and administrative expenses	567.8	604.3	791.6	800.4	903.7	1,071.6
Board of directors' remuneration	3.1	3.1	-	-	-	-
Total operating expenses	**2,871.4**	**4,050.7**	**4,738.1**	**4,172.5**	**4,317.4**	**4,717.3**
Cost to income ratio (%)	*26.1%*	*26.3%*	*25.9%*	*27.0%*	*25.2%*	*25.4%*
Net income	**6,449.7**	**6,524.6**	**6,767.2**	**7,427.2**	**9,586.2**	**11,276.6**
% Growth	*-11.7%*	*1.2%*	*3.7%*	*9.8%*	*29.1%*	*17.6%*
Earnings per share (SAR)						
Basic EPS	4.30	4.35	4.51	4.95	6.39	7.52
Diluted EPS	4.30	4.35	4.51	4.95	6.39	7.52

Source: Company data, Credit Suisse estimates

Figure 62: Al-Rajhi: Balance Sheet
in SAR millions, unless otherwise stated

Balance Sheet	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
ASSETS						
Cash, precious metals and balances with SAMA	13,141.2	11,302.0	11,413.0	14,060.3	16,536.1	19,067.6
Due from banks	790.6	2,891.8	12,663.4	1,200.7	1,373.6	1,565.8
Investments and financing (net)	104,875.4	142,287.1	140,213.4	159,632.8	182,553.2	208,300.1
Customer debit current accounts (net)	909.9	914.2	695.8	1,362.5	1,558.8	1,777.0
Investment properties	-	-	-	-	-	-
Property and equipment (net)	2,591.1	2,868.2	3,182.2	3,341.3	3,508.3	3,859.2
Other assets	2,578.2	3,109.9	2,562.0	2,960.2	3,959.9	4,421.8
Total Assets	**124,886.5**	**163,373.2**	**170,729.7**	**182,557.8**	**209,489.9**	**238,991.4**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Due to banks	2,593.1	7,901.6	6,102.1	4,994.0	6,115.9	6,824.0
Syndicated Murabaha financing from Banks	1,875.0	1,875.0	-	-	-	-
Customer deposits	89,725.2	116,611.0	120,533.0	136,254.7	155,875.4	177,698.0
Other customer accounts (including margins on	3,031.0	2,130.0	2,328.8	4,632.7	5,299.8	6,041.7
Other liabilities	4,056.1	7,823.8	13,024.9	5,313.9	5,611.5	5,864.0
Total Liabilities	**101,280.4**	**136,341.4**	**141,988.8**	**151,195.3**	**172,902.5**	**196,427.7**
Shareholders' equity						
Share Capital	13,500.0	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0
Statutory reserve	7,096.2	8,727.4	10,419.2	12,334.4	14,731.0	15,000.0
General reserve	197.7	-	-	-	-	-
Retained earnings	1,588.3	121.3	744.2	2,542.6	4,939.1	10,308.4
Proposed dividend	1,223.9	3,183.1	2,577.5	1,485.4	1,917.2	2,255.3
Total shareholders' equity	**23,606.1**	**27,031.8**	**28,740.9**	**31,362.5**	**36,587.4**	**42,563.7**
Total liabilities and shareholders' equity	**124,886.5**	**163,373.2**	**170,729.7**	**182,557.8**	**209,489.9**	**238,991.4**

Source: Company data, Credit Suisse estimates

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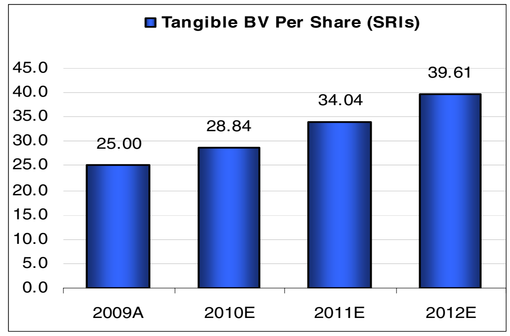
Samba Financial Group 1090.SE

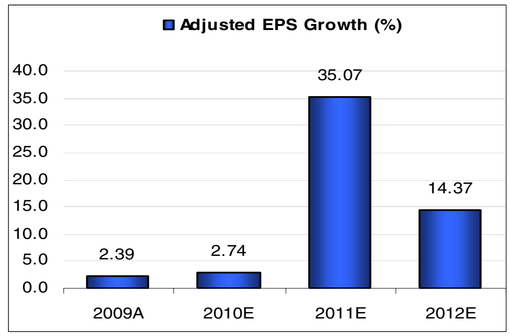
Coverage Universe	Emerging EMEA
Universe Weight	-
Rating	OUTPERFORM
Price (SRls) (13 May 10)	58.8
Price High - Low	62 - 41
Target Price (SRls)	(from 60.00) 71
Upside/Downside TP (%)	20.9
Number of Shares (m)	900
Total Market Cap (SRls m)	52,875

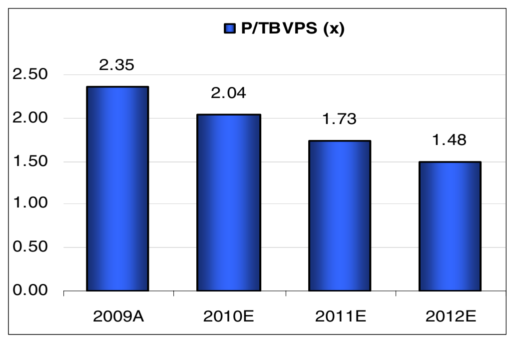
Key Financials	**12/09A**	**12/10E**	**12/11E**	**12/12E**
Revenues (SRls m)	7,110	7,488	9,267	10,504
Adjusted Net Income (SRls m)	4,560	4,685	6,328	7,238
Stated Net Income (SRls m)	4,560	4,685	6,328	7,238
Reported Book Value (SRls)	22,310	25,845	30,533	35,556
Tangible Book value (SRls m)	22,310	25,845	30,533	35,556
Stated EPS (SAR)	5.07	5.21	7.03	8.04
Adjusted EPS (SAR)	5.07	5.21	7.03	8.04
Tangible BV Per Share (SRls)	25.00	28.84	34.04	39.61

Key Ratios				
P/E (adj., x)	11.59	11.29	8.36	7.31
P/TBVPS (x)	2.35	2.04	1.73	1.48
P/BVPS (adj., x)	2.35	2.04	1.73	1.48
Dividend Yield (%)	2.81	3.10	4.19	4.79
Tangible ROE (%)	21.43	19.34	22.37	21.84
Dividend Per Share (SRls)	1.65	1.82	2.46	2.81
Cost/Income (%)	27.45	25.91	24.19	23.80
Core Tier 1 Ratio (%)	16.04	16.17	17.68	17.99
Tier 1 Ratio (%)	16.04	16.17	17.68	17.99

Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	-4.5	5.4	-0.4
Relative (%)	-1.7	-2.0	-10.5

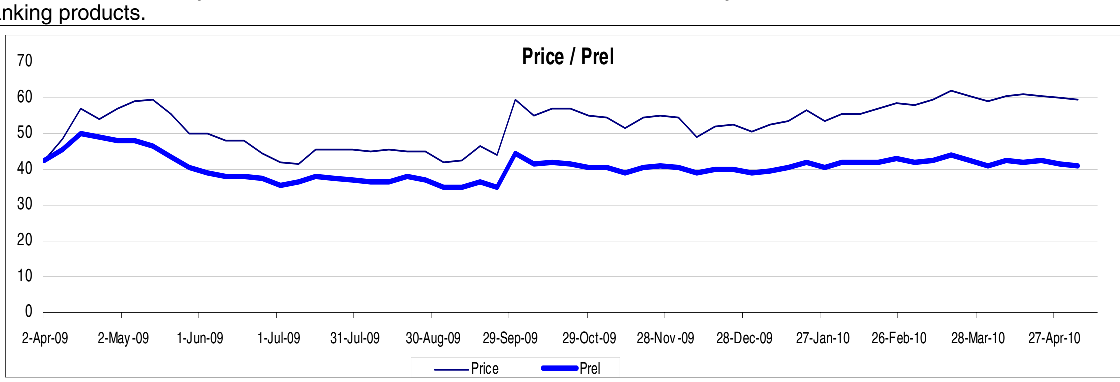






Company Description

We view Samba as one of the largest corporate banks with attractive corporate positioning. The bank provides both conventional and Shariah-compliant banking products.



Source: Company data, Credit Suisse estimates, I/B/E/S consensus

Figure 63: Samba: Income Statement
in SAR millions, unless otherwise stated

Income Statement	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
Special commission income	8,386.3	8,425.9	6,351.4	5,671.5	7,741.8	9,421.4
Special commission expense	3,441.9	3,364.6	1,281.9	827.1	1,507.2	2,150.3
Net special commission income	**4,944.4**	**5,061.2**	**5,069.5**	**4,844.4**	**6,234.6**	**7,271.1**
Fees from banking services (net)	1,618.1	1,623.9	1,209.9	1,345.7	1,470.6	1,624.6
Exchange income (net)	431.4	409.0	342.5	383.6	414.2	455.7
Income from investments held at FVIS (net)	55.2	(646.0)	58.9	111.5	302.5	261.8
Trading income (net)	143.7	22.9	202.6	344.4	378.8	416.7
Gains on non trading investments (net)	(31.8)	501.0	199.9	300.0	300.0	300.0
Other operating income	35.0	39.9	26.4	158.3	166.2	174.5
Total operating income	**7,196.0**	**7,011.9**	**7,109.6**	**7,487.9**	**9,266.9**	**10,504.3**
% Growth	*-1.1%*	*-2.6%*	*1.4%*	*5.3%*	*23.8%*	*13.4%*
Salaries and employee related expenses	1,288.6	1,366.1	1,265.9	1,219.8	1,394.0	1,548.0
Rent and premises related expenses	181.4	198.7	222.1	209.1	223.4	241.0
Depreciation	122.7	136.9	143.2	147.6	156.5	165.9
Other general and administrative expenses	373.1	409.3	320.3	363.3	467.6	545.3
Provision for credit losses (net of recoveries)	422.6	267.1	604.8	872.9	707.3	776.5
Provision for impairment of financial assets	-	190.9	-	-	-	-
Other operating expenses	-	-	-	-	-	-
Total operating expenses	**2,388.4**	**2,569.0**	**2,556.3**	**2,812.7**	**2,948.8**	**3,276.7**
Cost to Income Ratio	*27.3%*	*30.1%*	*27.4%*	*25.9%*	*24.2%*	*23.8%*
Share of Minority Interest	(20.6)	(11.0)	(6.8)	(10.0)	(10.0)	(10.0)
Net income	**4,828.3**	**4,453.9**	**4,560.2**	**4,685.1**	**6,328.1**	**7,237.6**
% Growth	*-7.3%*	*-7.8%*	*2.4%*	*2.7%*	*35.1%*	*14.4%*
Earnings per share (SAR)						
Basic EPS	5.36	4.95	5.07	5.21	7.03	8.04
Diluted EPS	5.36	4.95	5.07	5.21	7.03	8.04

Source: Company data, Credit Suisse estimates

Figure 64: Samba: Balance Sheet

in SAR millions, unless otherwise stated

Balance Sheet	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
ASSETS						
Cash and balances with SAMA	11,097.6	13,799.9	35,847.2	10,913.7	11,361.4	13,918.5
Due from banks and other financial institutions	2,312.4	878.0	3,499.4	3,006.5	6,590.3	7,513.0
Investments (net)	53,573.9	54,212.7	54,966.5	72,157.1	79,084.1	84,521.2
Loans and advances (net)	80,553.3	98,147.2	84,146.5	94,967.2	110,375.0	127,623.1
Property and equipment (net)	833.0	870.1	895.9	949.6	1,006.6	1,067.0
Investments in Associate	10.5	6.1	8.6	10.5	10.5	10.5
Other assets	6,033.2	10,977.2	6,154.0	11,184.3	144.9	3,843.8
Total Assets	**154,414.0**	**178,891.2**	**185,518.3**	**193,189.0**	**208,572.9**	**238,497.1**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Due to banks and other financial institutions	11,425.0	12,090.0	7,319.2	12,026.2	9,885.5	11,269.5
Customer deposits	115,811.3	134,228.5	147,128.8	150,327.2	164,758.6	187,824.8
Other liabilities	7,163.2	10,637.9	6,694.8	3,006.5	3,295.2	3,756.5
Term loan and debt securities	2,039.0	1,873.0	1,873.9	1,873.9	-	-
Total Liabilities	**136,438.4**	**158,829.3**	**163,016.6**	**167,233.8**	**177,939.3**	**202,850.8**
Shareholders' equity						
Share capital	6,000.0	9,000.0	9,000.0	9,000.0	9,000.0	9,000.0
Statutory reserve	6,000.0	7,110.7	8,249.1	9,075.2	9,000.0	9,000.0
General reserve	130.0	130.0	130.0	130.0	130.0	130.0
Other reserves	(282.2)	(1,025.1)	(1,304.3)	(2,000.0)	(2,000.0)	(2,000.0)
Retained earnings	5,625.5	4,331.7	6,213.8	8,433.0	12,621.5	17,326.0
Proposed dividend	659.3	731.9	731.9	1,639.8	2,214.8	2,533.2
Employee stock option shares	(287.6)	(433.4)	(710.4)	(433.4)	(433.4)	(433.4)
Total equity attributable to equity holders of the bank	**17,844.9**	**19,845.8**	**22,310.1**	**25,844.6**	**30,532.9**	**35,555.7**
Minority interest	130.6	216.1	191.6	110.6	100.6	90.6
Total shareholders' equity	**17,975.6**	**20,061.9**	**22,501.6**	**25,955.2**	**30,633.6**	**35,646.3**
Total liabilities and shareholders' equity	**154,414.0**	**178,891.2**	**185,518.3**	**193,189.0**	**208,572.9**	**238,497.1**

Source: Company data, Credit Suisse estimates

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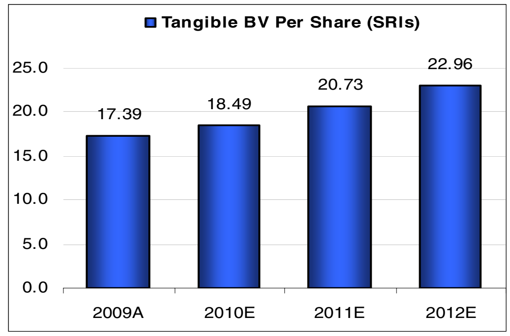
The Saudi British Bank 1060.SE

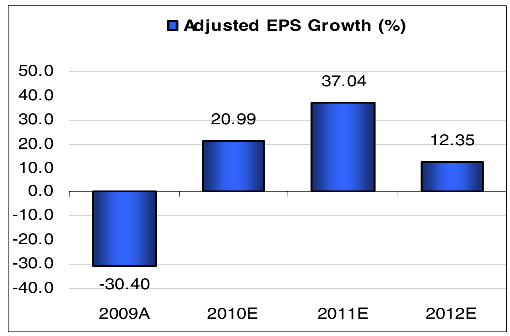
Coverage Universe	Emerging EMEA
Universe Weight	-
Rating	OUTPERFORM
Price (SRls) (13 May 10)	46.6
Price High - Low	57 - 41
Target Price (SRls)	(from 60) 52
Upside/Downside TP (%)	11.6
Number of Shares (m)	750
Total Market Cap (SRls m)	34,950

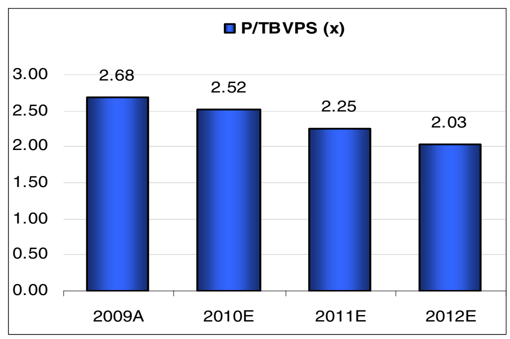
Key Financials	**12/09A**	**12/10E**	**12/11E**	**12/12E**
Revenues (SRls m)	5,160	5,216	6,052	6,905
Adjusted Net Income (SRls m)	2,032	2,459	3,370	3,786
Stated Net Income (SRls m)	2,032	2,459	3,370	3,786
Reported Book Value (SRls)	13,045	13,867	15,548	17,220
Tangible Book value (SRls m)	13,045	13,867	15,548	17,220
Stated EPS (SAR)	2.71	3.28	4.49	5.05
Adjusted EPS (SAR)	2.71	3.28	4.49	5.05
Tangible BV Per Share (SRls)	17.39	18.49	20.73	22.96

Key Ratios				
P/E (adj., x)	17.20	14.21	10.37	9.23
P/TBVPS (x)	2.68	2.52	2.25	2.03
P/BVPS (adj., x)	2.68	2.52	2.25	2.03
Dividend Yield (%)	1.89	4.22	5.79	6.50
Tangible ROE (%)	16.47	18.27	22.91	23.11
Dividend Per Share (SRls)	0.88	1.97	2.70	3.03
Cost/Income (%)	32.51	32.03	30.31	30.76
Core Tier 1 Ratio (%)	10.15	10.89	10.37	10.17
Tier 1 Ratio (%)	10.15	10.89	10.37	10.17

Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	-3.5	-3.7	-16.4
Relative (%)	-0.8	-10.4	-24.8

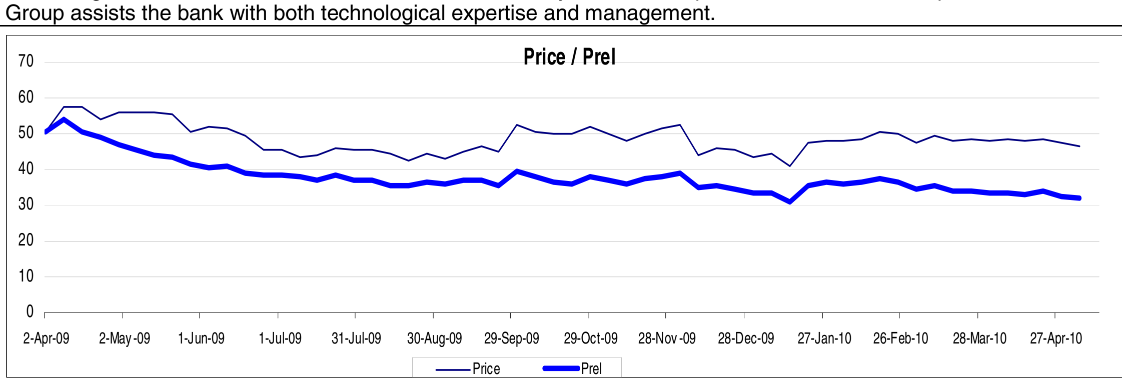






Company Description

SABB is one of the large Saudi commercial banks. It benefits from the systems and expertise of the HSBC Group, which holds a 40% stake in the bank. HSBC Group assists the bank with both technological expertise and management.



Source: Company data, Credit Suisse estimates, I/B/E/S consensus

Figure 65: SABB: Income Statement
in SAR millions, unless otherwise stated

Income Statement	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
Special Commission Income	5,220.0	5,865.0	4,573.6	3,758.9	4,800.1	5,950.5
Special Commission Expense	2,161.3	2,657.9	1,136.9	542.6	928.4	1,410.3
Net Special Commission Income	**3,058.7**	**3,207.0**	**3,436.7**	**3,216.3**	**3,871.7**	**4,540.1**
Fees from banking services (net)	861.9	1,257.2	1,210.7	1,321.4	1,426.4	1,565.0
Exchange income (net)	107.2	138.3	127.3	146.4	161.0	169.0
Income from FVIS Financial Instruments (net)	63.8	(42.4)	6.6	28.7	47.1	58.0
Trading income (net)	190.0	363.6	296.0	370.0	407.0	427.3
Dividend income	4.4	1.8	1.5	16.0	17.6	19.3
Gains on non trading investments (net)	83.3	(17.0)	48.8	75.0	75.0	75.0
Other operating income	4.6	3.0	32.7	42.5	46.8	51.4
Total operating income	**4,374.0**	**4,911.5**	**5,160.3**	**5,216.1**	**6,052.5**	**6,905.3**
% Growth	*-5.3%*	*12.3%*	*5.1%*	*1.1%*	*16.0%*	*14.1%*
Salaries and employee related expenses	760.0	898.1	919.4	892.5	967.3	1,121.0
Rent and premises related expenses	64.2	79.5	82.2	88.0	95.0	103.2
Depreciation	102.9	107.4	111.3	111.3	114.1	116.9
Other general and administrative expenses	500.0	556.6	564.7	578.9	658.2	783.2
Provision for credit losses (net)	396.3	371.3	1,496.5	1,114.2	881.3	1,031.4
Impairment of other financial assets	-	86.9	-	-	-	-
Other operating expenses	1.5	0.1	0.0	-	-	-
Total operating expenses	**1,825.0**	**2,099.8**	**3,174.1**	**2,784.9**	**2,715.8**	**3,155.7**
Cost to Income Ratio %	*32.7%*	*33.4%*	*32.5%*	*32.0%*	*30.3%*	*30.8%*
Net income from operating activities	2,549.0	2,811.7	1,986.2	2,431.3	3,336.6	3,749.6
Share in earnings of associates (net)	57.9	108.3	46.0	27.6	33.2	36.5
Net income for the period	**2,606.9**	**2,920.0**	**2,032.3**	**2,458.9**	**3,369.8**	**3,786.1**
% Growth	*-14.3%*	*12.0%*	*-30.4%*	*21.0%*	*37.0%*	*12.4%*
Earnings per share (SAR)						
Basic EPS	3.48	3.89	2.71	3.28	4.49	5.05
Diluted EPS	3.48	3.89	2.71	3.28	4.49	5.05

Source: Company data, Credit Suisse estimates

Figure 66: SABB: Balance Sheet
in SAR millions, unless otherwise stated

Balance Sheet	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
ASSETS						
Cash and balances with SAMA	16,643.7	11,328.3	16,614.9	15,444.9	16,727.8	18,550.2
Due from banks and other financial institutions	1,723.6	6,200.5	6,004.6	2,127.9	2,318.4	2,626.7
Investments (net)	14,858.7	29,604.3	23,817.6	26,679.1	30,915.0	35,372.6
Investment in associates	110.4	148.4	180.5	208.1	241.2	277.7
Loans and advances (net)	62,000.9	80,236.8	76,381.6	79,185.6	90,123.1	101,579.6
Property & equipment	551.8	561.5	594.0	608.9	624.1	639.7
Other assets	2,323.7	3,581.1	3,244.8	7,962.7	7,299.5	7,740.0
Total Assets	**98,212.9**	**131,660.7**	**126,838.0**	**132,217.1**	**148,249.2**	**166,786.6**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Due to banks and other financial institutions	8,045.0	16,069.5	13,605.7	9,322.1	10,780.4	12,345.5
Customer deposits	71,847.9	92,677.5	89,186.9	101,327.3	115,918.4	131,335.6
Debt securities in issue	4,038.4	5,656.8	5,709.5	3,460.4	1,757.7	1,757.7
Borrowings	187.5	187.5	187.5	187.5	187.5	187.5
Other liabilities	3,669.2	5,435.5	5,103.1	4,053.1	4,057.1	3,940.1
Total Liabilities	**87,788.0**	**120,026.9**	**113,792.7**	**118,350.4**	**132,701.2**	**149,566.4**
Shareholders' equity						
Share capital	3,750.0	6,000.0	7,500.0	7,500.0	7,500.0	7,500.0
Statutory reserve	3,750.0	4,480.0	4,988.1	5,775.0	6,617.4	7,500.0
Other reserves	(16.2)	(176.7)	(137.5)	(1,175.6)	(1,166.8)	(1,157.3)
Retained earnings	2,050.5	1,330.5	694.7	891.4	1,396.9	2,028.7
Proposed dividends	890.6	-	-	876.0	1,200.5	1,348.8
Total shareholders' equity	**10,424.9**	**11,633.8**	**13,045.3**	**13,866.8**	**15,548.0**	**17,220.2**
Total liabilities and shareholders' equity	**98,212.9**	**131,660.7**	**126,838.0**	**132,217.1**	**148,249.2**	**166,786.6**

Source: Company data, Credit Suisse estimates

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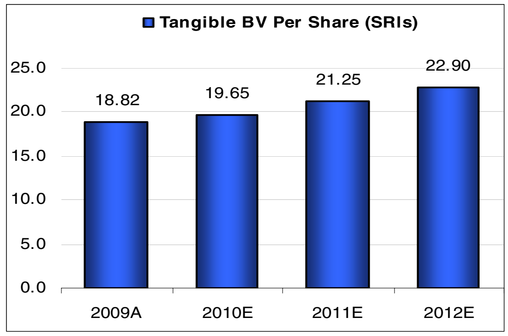
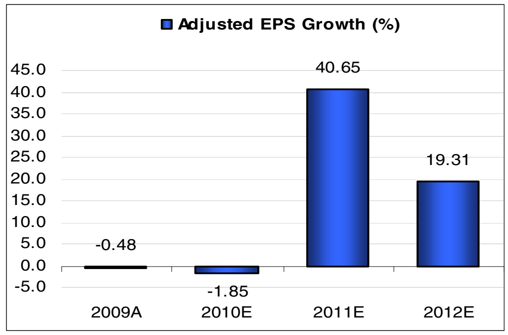
Riyad Bank 1010.SE

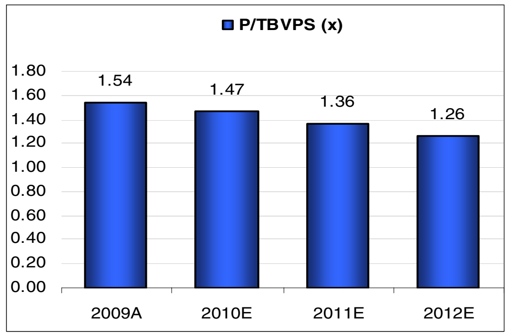
Coverage Universe	Emerging EMEA
Universe Weight	-
Rating	NEUTRAL
Price (SRls) (13 May 10)	28.9
Price High - Low	31 - 23
Target Price (SRls)	30
Upside/Downside TP (%)	3.8
Number of Shares (m)	1,500
Total Market Cap (SRls m)	43,350



Key Financials	**12/09A**	**12/10E**	**12/11E**	**12/12E**
Revenues (SRls m)	5,960	6,245	7,426	8,397
Adjusted Net Income (SRls m)	3,030	2,975	4,184	4,992
Stated Net Income (SRls m)	3,030	2,975	4,184	4,992
Reported Book Value (SRls)	28,235	29,469	31,868	34,350
Tangible Book value (SRls m)	28,235	29,469	31,868	34,350
Stated EPS (SAR)	2.02	1.98	2.79	3.33
Adjusted EPS (SAR)	2.02	1.98	2.79	3.33
Tangible BV Per Share (SRls)	18.82	19.65	21.25	22.90



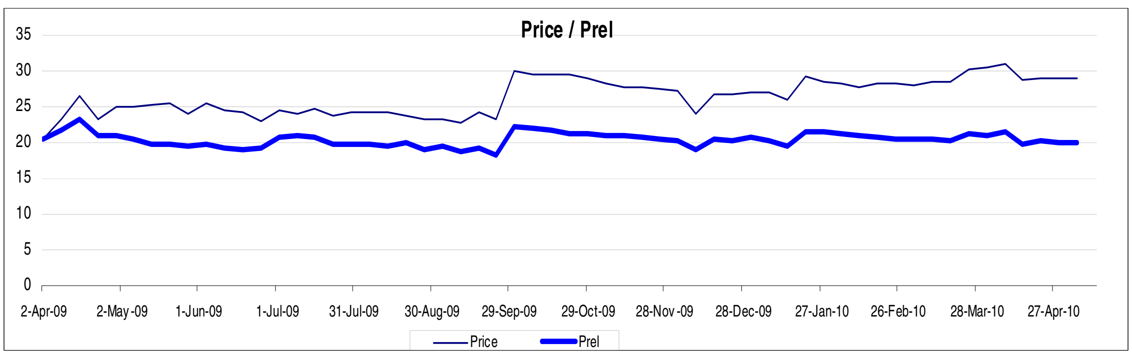
Key Ratios				
P/E (adj., x)	14.30	14.57	10.36	8.68
P/TBVPS (x)	1.54	1.47	1.36	1.26
P/BVPS (adj., x)	1.54	1.47	1.36	1.26
Dividend Yield (%)	4.69	4.12	5.79	6.91
Tangible ROE (%)	11.24	10.31	13.64	15.08
Dividend Per Share (SRls)	1.36	1.19	1.67	2.00
Cost/Income (%)	36.80	38.70	34.63	34.29
Core Tier 1 Ratio (%)	15.75	15.38	14.40	13.69
Tier 1 Ratio (%)	15.75	15.38	14.40	13.69



Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	0.0	4.0	13.8
Relative (%)	2.9	-3.3	2.3

Company Description

Riyad bank is a predominantly retail bank with a large government ownership stake (51.3%). It has the third largest branch network in Saudi Arabia.



Source: Company data, Credit Suisse estimates, I/B/E/S consensus

Figure 67: Riyad Bank: Income Statement
in SAR millions, unless otherwise stated

Income Statement	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
Special Commission Income	6,209.6	6,736.7	5,814.3	5,188.7	6,929.9	8,438.1
Special Commission Expense	2,943.2	2,789.9	1,467.1	911.7	1,665.2	2,423.9
Net Special Commission Income	**3,266.4**	**3,946.8**	**4,347.2**	**4,277.0**	**5,264.7**	**6,014.2**
Fees from banking services (net)	1,010.5	1,187.3	1,222.5	1,505.4	1,649.9	1,829.4
Exchange income (net)	271.6	264.2	165.9	182.4	200.7	220.7
Trading income (net)	479.6	(282.7)	(6.0)	35.8	53.7	61.8
Gains on non trading investments (net)	101.6	52.5	(18.7)	120.0	120.0	120.0
Other operating income	38.3	80.2	249.2	124.6	137.0	150.8
Total operating income	5,168.1	5,248.4	5,960.1	6,245.3	7,426.1	8,396.9
Gain on sale of land	-	-	-	-	-	-
Total income	**5,168.1**	**5,248.4**	**5,960.1**	**6,245.3**	**7,426.1**	**8,396.9**
% Growth	5.8%	1.6%	13.6%	4.8%	18.9%	13.1%
Salaries and employee related expenses	960.0	1052.7	1118.2	1211.5	1275.8	1413.8
Rent and premises related expenses	166.4	216.6	226.9	257.4	285.0	301.3
Depreciation and amortization	195.0	230.8	262.2	275.4	316.8	372.7
Other general and administrative expenses	489.7	575.9	578.4	662.9	684.4	781.8
Provision for credit losses (net of recoveries)	345.5	523.2	618.5	853.5	670.3	525.5
Provision for impairment of investments (net)	-	-	117.8	-	-	-
Other operating expenses	0.2	10.5	7.5	10.0	10.0	10.0
Total operating expenses	**2,156.9**	**2,609.6**	**2,929.6**	**3,270.8**	**3,242.3**	**3,405.1**
Cost to Income Ratio %	35.0%	39.8%	36.8%	38.7%	34.6%	34.3%
Net income for the period	**3,011.2**	**2,638.8**	**3,030.5**	**2,974.6**	**4,183.8**	**4,991.8**
% Growth	3.5%	-12.4%	14.8%	-1.8%	40.7%	19.3%
Earnings per share (SAR)						
Basic EPS	2.93	2.03	2.02	1.98	2.79	3.33
Diluted EPS	2.93	2.03	2.02	1.98	2.79	3.33

Source: Company data, Credit Suisse estimates

Figure 68: **Riyad Bank: Balance Sheet**
in SAR millions, unless otherwise stated

Balance Sheet	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
ASSETS						
Cash and balances with SAMA	16,579.0	11,078.0	23,419.3	15,408.8	16,113.7	17,539.7
Due from banks and other financial institutions	4,168.4	6,257.1	8,704.5	9,532.0	10,828.4	14,021.2
Investments (net)	27,741.7	40,329.1	32,308.1	34,043.0	38,672.8	43,816.3
Loans and advances (net)	67,340.4	96,429.8	106,514.6	114,488.3	128,197.7	143,407.4
Other real estate (net)	493.0	513.6	407.1	493.0	493.0	493.0
Property and equipment (net)	1,472.2	1,630.3	1,830.2	2,104.7	2,420.4	2,904.5
Other assets	3,556.1	3,414.7	3,215.5	9,146.9	9,943.3	8,464.6
Total Assets	**121,350.8**	**159,652.5**	**176,399.3**	**185,216.8**	**206,669.3**	**230,646.7**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Due to banks and other financial institutions	17,798.3	21,213.2	16,163.0	13,617.2	15,469.1	17,526.5
Customer deposits	84,331.2	105,055.5	125,278.1	136,171.9	154,691.2	175,265.2
Other liabilities	4,162.5	5,819.4	4,849.3	4,085.2	4,640.7	3,505.3
Debt securities	1,872.0	1,873.9	1,873.4	1,873.4	-	-
Total Liabilities	**108,164.0**	**133,962.1**	**148,163.8**	**155,747.6**	**174,801.1**	**196,297.0**
Shareholders' equity						
Share capital	6,250.0	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0
Share Premium	-	-	-	-	-	-
Statutory reserve	5,189.3	10,224.0	10,981.6	11,906.9	12,952.8	14,200.7
Other reserves	195.4	(939.7)	605.8	-	-	-
Retained earnings	477.1	275.2	513.0	777.6	1,405.2	2,153.9
Proposed dividend	1,075.0	1,131.0	1,135.0	1,784.7	2,510.3	2,995.1
Total shareholders' equity	**13,186.8**	**25,690.5**	**28,235.4**	**29,469.2**	**31,868.2**	**34,349.7**
Total liabilities and shareholders' equity	**121,350.8**	**159,652.5**	**176,399.3**	**185,216.8**	**206,669.3**	**230,646.7**

Source: Company data, Credit Suisse estimates

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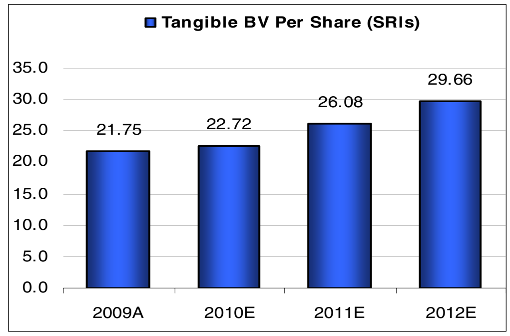
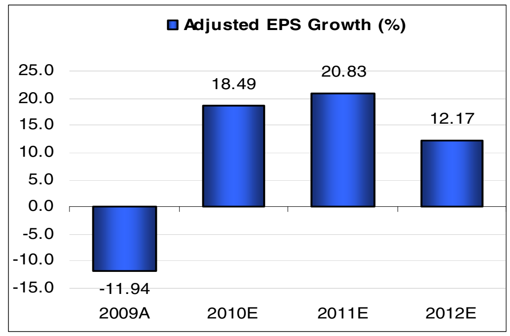
Banque Saudi Fransi 1050.SE

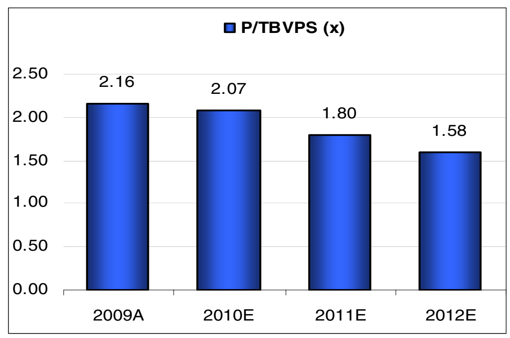
Coverage Universe	Emerging EMEA
Universe Weight	-
Rating	NEUTRAL
Price (SRls) (13 May 10)	47.0
Price High - Low	48 - 38
Target Price (SRls)	(from 43.00) 47
Upside/Downside TP (%)	0.0
Number of Shares (m)	723
Total Market Cap (SRls m)	33,991



Key Financials	**12/09A**	**12/10E**	**12/11E**	**12/12E**
Revenues (SRls m)	4,295	4,448	5,129	5,668
Adjusted Net Income (SRls m)	2,471	2,927	3,537	3,968
Stated Net Income (SRls m)	2,471	2,927	3,537	3,968
Reported Book Value (SRls)	15,733	16,430	18,865	21,451
Tangible Book value (SRls m)	15,733	16,430	18,865	21,451
Stated EPS (SAR)	3.42	4.05	4.89	5.49
Adjusted EPS (SAR)	3.42	4.05	4.89	5.49
Tangible BV Per Share (SRls)	21.75	22.72	26.08	29.66



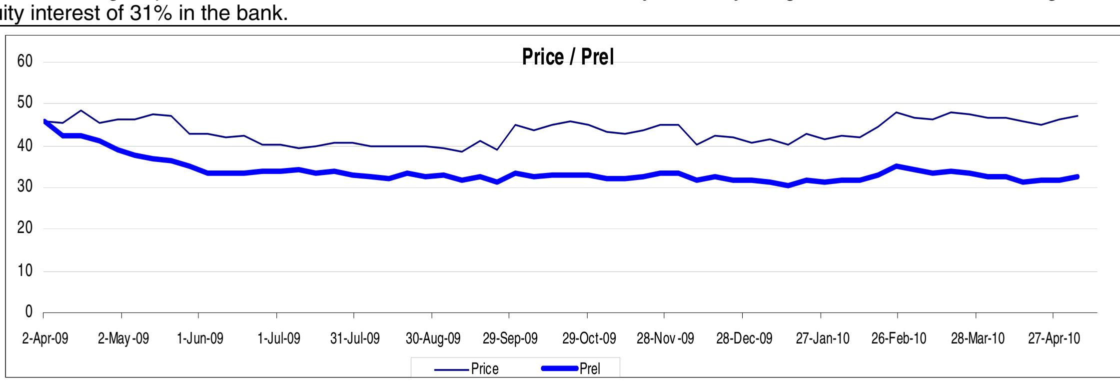
Key Ratios				
P/E (adj., x)	13.76	11.61	9.61	8.57
P/TBVPS (x)	2.16	2.07	1.80	1.58
P/BVPS (adj., x)	2.16	2.07	1.80	1.58
Dividend Yield (%)	2.91	3.01	3.64	4.09
Tangible ROE (%)	16.59	18.20	20.04	19.68
Dividend Per Share (SRls)	1.37	1.42	1.71	1.92
Cost/Income (%)	26.96	27.18	26.02	25.46
Core Tier 1 Ratio (%)	13.13	12.42	13.19	13.46
Tier 1 Ratio (%)	13.13	12.42	13.19	13.46



Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	0.0	11.9	0.2
Relative (%)	2.9	4.1	-9.9

Company Description

BSF is one of the leading corporate banks of Saudi Arabia. It is affiliated with Calyon, a fully fledged member of the Credit Agricole Group, which holds an equity interest of 31% in the bank.



Source: Company data, Credit Suisse estimates, I/B/E/S consensus

Figure 69: Banque Saudi Fransi: Income Statement

in SAR millions, unless otherwise stated

Income Statement	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
Special Commission Income	4,940.8	5,298.3	4,089.3	5,240.6	6,087.4	6,745.4
Special Commission Expense	2,644.7	2,477.7	1,039.0	2,237.4	2,566.9	2,894.9
Net Special Commission Income	**2,296.1**	**2,820.6**	**3,050.3**	**3,003.3**	**3,520.5**	**3,850.5**
Fees from banking services (net)	897.2	834.5	840.3	929.9	1,008.5	1,105.4
Exchange income (net)	188.0	241.1	186.1	204.7	225.2	247.7
Trading income (net)	310.6	499.6	209.7	293.6	352.4	422.8
Dividend income	3.7	1.8	0.4	1.5	5.8	23.2
Gains on non trading investments (net)	-	(55.7)	(1.9)	-	-	-
Other operating income	5.5	49.7	10.1	15.1	16.6	18.2
Total operating income	**3,701.2**	**4,391.6**	**4,294.9**	**4,448.1**	**5,128.9**	**5,667.9**
% Growth	*-6.0%*	*18.7%*	*-2.2%*	*3.6%*	*15.3%*	*10.5%*
Salaries and employee related expenses	543.3	624.2	642.6	684.3	743.3	798.8
Rent and premises related expenses	76.9	90.9	90.7	103.9	119.4	131.0
Depreciation and amortisation	78.0	86.9	114.0	93.0	87.4	91.4
Other general and administrative expenses	244.9	287.7	300.7	315.3	369.7	404.3
Provision for credit losses (net)	42.0	94.3	574.6	323.2	269.9	271.6
Impairment of investments	-	410.0	67.0	-	-	-
Other operating expenses	5.0	6.1	10.0	12.5	15.0	17.5
Total operating expenses	**990.0**	**1,600.1**	**1,799.7**	**1,532.3**	**1,604.7**	**1,714.6**
Cost to Income Ratio	*25.6%*	*25.0%*	*27.0%*	*27.2%*	*26.0%*	*25.5%*
Share of income of associates		12.4	(27.4)	13.7	15.1	16.6
Loss / (profits) attributable to minority interest		1.7	2.8	(2.0)	(2.0)	(2.0)
Net income	**2,711.1**	**2,805.7**	**2,470.6**	**2,927.5**	**3,537.2**	**3,967.8**
% Growth	*-9.8%*	*3.5%*	*-11.9%*	*18.5%*	*20.8%*	*12.2%*
Earnings per share (SAR)						
Basic EPS	3.75	3.88	3.42	4.05	4.89	5.49
Diluted EPS	3.75	3.88	3.42	4.05	4.89	5.49

Source: Company data, Credit Suisse estimates

Figure 70: Banque Saudi Fransi: Balance Sheet

in SAR millions, unless otherwise stated

Balance Sheet	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
ASSETS						
Cash and balances with SAMA	10,152.2	5,772.9	12,631.0	6,312.1	6,964.6	8,213.1
Due from banks and other financial institutions	3,224.1	4,246.1	7,110.6	7,497.3	8,337.0	9,329.1
Investments (net)	22,500.7	27,710.0	17,481.2	24,366.3	20,842.5	25,655.1
Loans and advances (net)	59,850.0	80,866.5	78,315.2	82,525.4	91,181.0	100,842.5
Property and equipment (net)	577.3	590.6	606.2	633.5	662.0	691.8
Other assets	3,503.8	6,501.8	4,283.9	5,194.1	12,487.5	11,931.5
Total Assets	**99,808.1**	**125,864.8**	**120,572.4**	**126,686.6**	**140,647.7**	**156,852.6**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Due to banks and other financial institutions	8,122.7	8,402.0	4,831.8	5,623.0	6,252.8	6,996.8
Customer deposits	74,007.3	92,791.3	91,237.1	93,716.4	104,212.6	116,613.9
Other liabilities	4,000.0	5,675.1	3,805.5	3,561.2	3,960.1	4,431.3
Term loan	2,437.5	4,927.2	4,946.2	7,334.6	7,334.6	7,334.6
Total Liabilities	**88,567.5**	**111,795.6**	**104,820.7**	**110,235.2**	**121,760.1**	**135,376.7**
Shareholders' equity						
Share capital	5,625.0	5,625.0	7,232.1	7,232.1	7,232.1	7,232.1
Statutory reserve	4,052.8	4,754.2	5,371.8	6,170.2	7,054.5	7,232.1
General reserve	1,200.0	2,590.0	982.9	2,222.7	2,301.1	2,444.6
Other reserves	(19.6)	295.4	287.0	(952.8)	(1,031.3)	(1,174.8)
Retained earnings	68.3	5.9	868.8	733.5	2,069.9	4,327.9
Proposed dividend	314.1	776.7	990.0	1,024.6	1,238.0	1,388.7
Total shareholders' equity	**11,240.6**	**14,047.2**	**15,732.7**	**16,430.3**	**18,864.5**	**21,450.8**
Minority interest	-	21.9	19.1	21.1	23.1	25.1
Total liabilities and shareholders' equity	**99,808.1**	**125,864.8**	**120,572.4**	**126,686.6**	**140,647.7**	**156,852.6**

Source: Company data, Credit Suisse estimates

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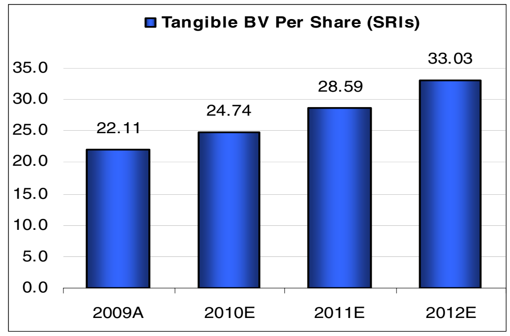
Arab National Bank 1080.SE

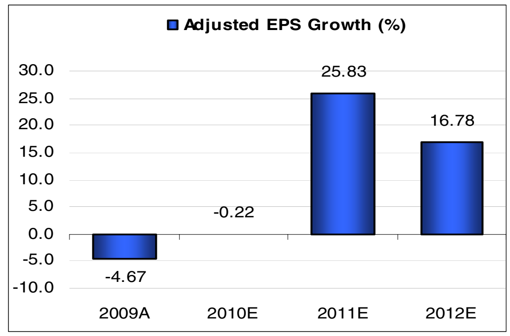
Coverage Universe	Emerging EMEA
Universe Weight	-
Rating	NEUTRAL
Price (SRls) (13 May 10)	44.7
Price High - Low	51 - 37
Target Price (SRls)	(from 48) 46
Upside/Downside TP (%)	2.9
Number of Shares (m)	650
Total Market Cap (SRls m)	29,055

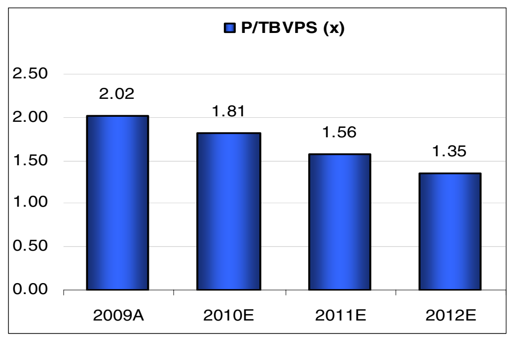
Key Financials	**12/09A**	**12/10E**	**12/11E**	**12/12E**
Revenues (SRls m)	4,493	4,669	5,346	5,962
Adjusted Net Income (SRls m)	2,370	2,365	2,976	3,475
Stated Net Income (SRls m)	2,370	2,365	2,976	3,475
Reported Book Value (SRls)	14,369	16,084	18,587	21,467
Tangible Book value (SRls m)	14,369	16,084	18,587	21,467
Stated EPS (SAR)	3.65	3.64	4.58	5.35
Adjusted EPS (SAR)	3.65	3.64	4.58	5.35
Tangible BV Per Share (SRls)	22.11	24.74	28.59	33.03

Key Ratios				
P/E (adj., x)	12.26	12.29	9.76	8.36
P/TBVPS (x)	2.02	1.81	1.56	1.35
P/BVPS (adj., x)	2.02	1.81	1.56	1.35
Dividend Yield (%)	2.24	1.63	2.05	2.39
Tangible ROE (%)	17.53	15.53	17.17	17.35
Dividend Per Share (SRls)	1.00	0.73	0.92	1.07
Cost/Income (%)	35.64	35.16	34.22	34.66
Core Tier 1 Ratio (%)	14.32	15.61	17.15	17.31
Tier 1 Ratio (%)	14.32	15.61	17.15	17.31

Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	-1.3	2.8	-11.0
Relative (%)	1.5	-4.4	-20.0

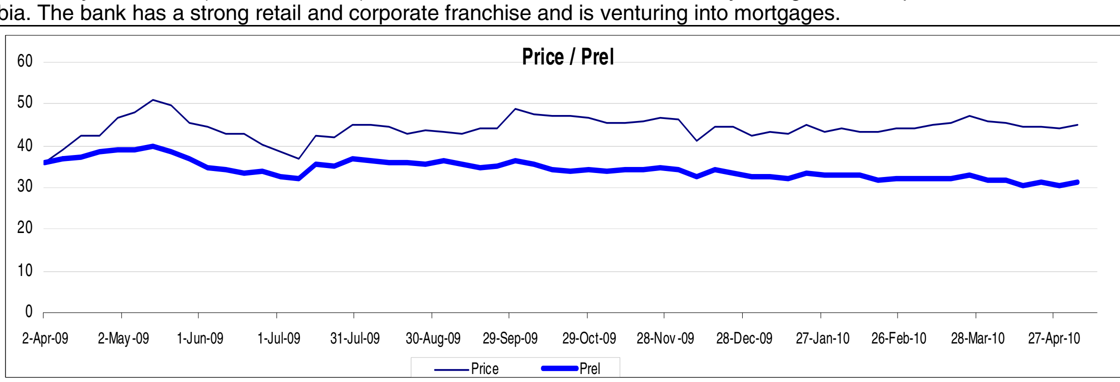






Company Description

ANB is owned 40% by Arab bank (based in Jordan). ANB commenced business in 1980 by taking over the operations of Arab National Bank Ltd. in Saudi Arabia. The bank has a strong retail and corporate franchise and is venturing into mortgages.



Source: Company data, Credit Suisse estimates, I/B/E/S consensus

Figure 71: Arab National Bank: Income Statement
in SAR millions, unless otherwise stated

Income Statement	**FY 2007 A**	**FY 2008 A**	**FY 2009 A**	**FY 2010 E**	**FY 2011 E**	**FY 2012 E**
Special Commission Income	5,416.8	5,638.9	4,234.5	4,413.7	5,129.5	5,846.9
Special Commission Expense	2,512.8	2,285.4	778.2	1,025.0	1,156.0	1,337.2
Net Special Commission Income	**2,903.9**	**3,353.5**	**3,456.3**	**3,388.7**	**3,973.4**	**4,509.6**
Fees from banking services (net)	776.4	839.0	563.0	594.8	637.7	687.0
Exchange income (net)	200.9	265.9	259.7	298.7	328.6	377.9
Income from FVIS financial instruments (net)	46.0	(58.2)	(13.3)	38.7	80.2	104.7
Trading income (net)	8.9	5.1	10.7	21.3	24.5	30.6
Dividend income	5.5	5.8	12.7	50.0	50.0	50.0
Gains on non trading investments (net)	(17.6)	(424.2)	45.5	150.0	150.0	100.0
Other operating income	32.4	148.2	158.9	127.1	101.7	101.7
Total operating income	**3,956.3**	**4,135.2**	**4,493.5**	**4,669.3**	**5,346.1**	**5,961.5**
% Growth	*2.6%*	*4.5%*	*8.7%*	*3.9%*	*14.5%*	*11.5%*
Salaries and employee related expenses	843.1	908.2	934.1	915.4	1,006.9	1,127.7
Rent and premises related expenses	104.7	123.1	122.9	129.1	142.0	156.2
Depreciation and amortisation	119.8	155.7	192.6	210.1	262.4	322.5
Other general and administrative expenses	360.3	394.8	351.9	387.1	418.1	459.9
Provision for credit losses (net)	67.1	60.3	526.6	667.7	545.9	424.9
Impairment of other financial assets	-	-	-	-	-	-
Other operating expenses	-	-	-	-	-	-
Total operating expenses	**1,495.1**	**1,642.1**	**2,128.0**	**2,309.4**	**2,375.3**	**2,491.2**
Share in profits of associate		(7.0)	1.6	10.0	10.5	11.0
Profit / (loss) attributable to minority interest	-	-	(3.0)	5.0	5.5	6.1
Net income	**2,461.2**	**2,486.1**	**2,370.0**	**2,364.9**	**2,975.9**	**3,475.3**
Growth %	*-1.7%*	*1.0%*	*-4.7%*	*-0.2%*	*25.8%*	*16.8%*
Earnings per share (SAR)						
Basic EPS	3.79	3.82	3.65	3.64	4.58	5.35
Diluted EPS	3.79	3.82	3.65	3.64	4.58	5.35

Source: Company data, Credit Suisse estimates

Figure 72: Arab National Bank: Balance Sheet
in SAR millions, unless otherwise stated

Balance Sheet	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
ASSETS						
Cash and balances with SAMA	8,228.4	12,050.8	10,457.5	10,802.6	9,938.4	12,035.1
Due from banks and other financial institutions	1,294.0	2,747.4	6,082.4	4,917.5	6,517.3	8,386.9
Investments (net)	21,024.8	28,227.8	23,260.9	27,046.3	25,138.3	29,354.1
Investment in associates	200.0	193.0	314.6	324.6	335.1	346.2
Loans and advances (net)	61,121.9	74,661.6	66,811.0	68,359.1	76,468.0	84,966.3
Other real estate	155.9	103.4	101.0	105.0	105.0	105.0
Property and equipment (net)	773.7	934.9	1,239.7	1,562.0	1,936.9	2,363.0
Other assets	1,669.0	2,388.2	2,030.2	1,832.1	170.9	404.2
Total Assets	**94,467.6**	**121,307.1**	**110,297.3**	**114,949.2**	**120,609.9**	**137,960.6**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Due to banks and other financial institutions	4,447.2	10,509.1	8,714.2	12,293.8	5,586.3	6,290.2
Customer deposits	73,692.1	92,743.5	82,680.2	81,958.4	93,104.7	104,835.9
Other liabilities	2,616.2	3,508.3	2,737.1	2,811.4	3,212.4	5,241.8
Term loan	1,312.5	-	-	-	-	-
Debt securities in issue	1,875.0	1,875.0	1,687.5	1,687.5	-	-
Total Liabilities	**83,943.0**	**108,635.8**	**95,819.1**	**98,751.0**	**101,903.4**	**116,367.9**
Shareholders' equity						
Share capital	4,550.0	6,500.0	6,500.0	6,500.0	6,500.0	6,500.0
Statutory reserve	3,766.0	4,390.0	5,000.0	5,655.5	6,399.5	6,500.0
General reserve	1,950.0	-	-	-	-	-
Other reserves	171.6	(85.8)	(46.9)	(46.9)	(46.9)	(46.9)
Retained earnings	87.0	1,217.1	2,265.6	3,502.1	5,138.8	7,818.5
Proposed dividend	-	650.0	650.0	473.0	595.2	695.1
Total shareholders' equity	**10,524.6**	**12,671.3**	**14,368.8**	**16,083.7**	**18,586.6**	**21,466.7**
Minority interest	-	-	109.5	114.5	120.0	126.1
Total liabilities and shareholders' equity	**94,467.6**	**121,307.1**	**110,297.3**	**114,949.2**	**120,609.9**	**137,960.6**

Source: Company data, Credit Suisse estimates

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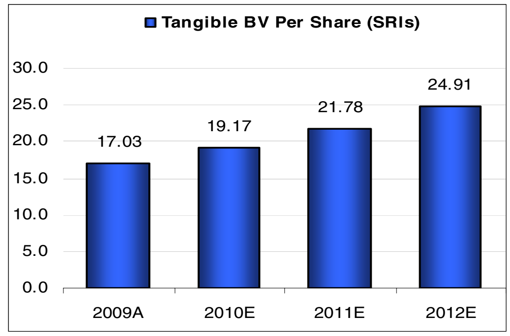
Saudi Hollandi Bank 1040.SE

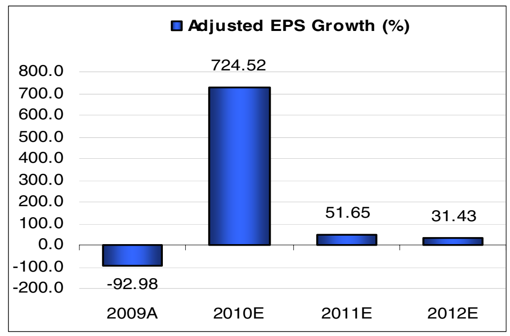
Coverage Universe	Emerging EMEA
Universe Weight	-
Rating	NEUTRAL
Price (SRls) (13 May 10)	33.1
Price High - Low	44 - 30
Target Price (SRls)	(from 38.00) 34
Upside/Downside TP (%)	2.7
Number of Shares (m)	331
Total Market Cap (SRls m)	10,948

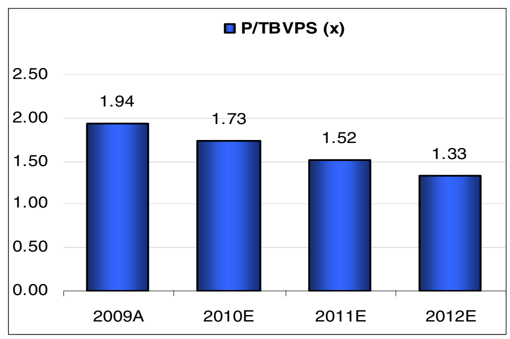
Key Financials	**12/09A**	**12/10E**	**12/11E**	**12/12E**
Revenues (SRls m)	2,147	1,970	2,317	2,622
Adjusted Net Income (SRls m)	86	709	1,074	1,412
Stated Net Income (SRls m)	86	709	1,074	1,412
Reported Book Value (SRls)	5,633	6,341	7,203	8,239
Tangible Book value (SRls m)	5,633	6,341	7,203	8,239
Stated EPS (SAR)	0.26	2.14	3.25	4.27
Adjusted EPS (SAR)	0.26	2.14	3.25	4.27
Tangible BV Per Share (SRls)	17.03	19.17	21.78	24.91

Key Ratios				
P/E (adj., x)	127.40	15.45	10.19	7.75
P/TBVPS (x)	1.94	1.73	1.52	1.33
P/BVPS (adj., x)	1.94	1.73	1.52	1.33
Dividend Yield (%)	2.18	1.94	3.44	5.16
Tangible ROE (%)	1.51	11.83	15.87	18.29
Dividend Per Share (SRls)	0.72	0.64	1.14	1.71
Cost/Income (%)	37.85	39.32	36.98	35.92
Core Tier 1 Ratio (%)	11.20	11.22	11.50	11.81
Tier 1 Ratio (%)	11.20	11.22	11.50	11.81

Performance over	**1mth**	**3mths**	**12mths**
Absolute (%)	-1.2	6.8	-24.9
Relative (%)	1.6	-0.7	-32.5

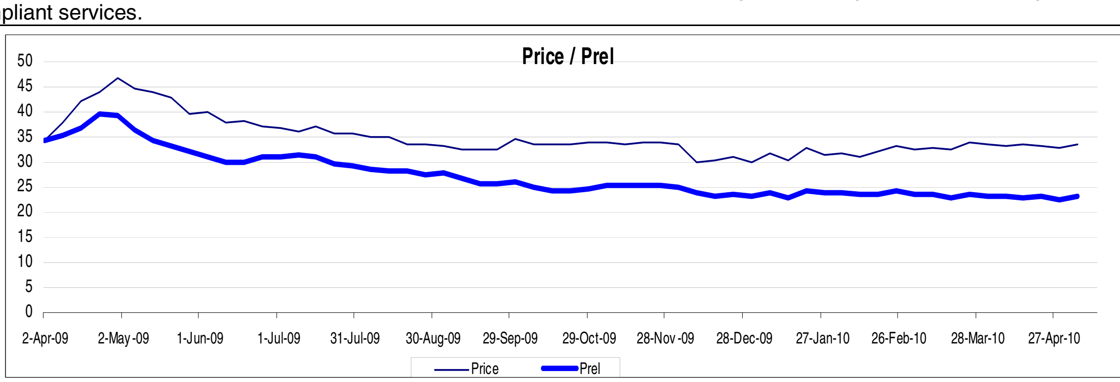






Company Description

Saudi Hollandi Bank (SHB), the oldest bank in Saudi Arabia provides a comprehensive range of banking services, including conventional and Shariah-compliant services.



Source: Company data, Credit Suisse estimates, I/B/E/S consensus

Figure 73: Saudi Hollandi Bank: Income Statement
in SAR millions, unless otherwise stated

Income Statement	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
Special Commission Income	2,905.7	2,977.3	2,280.2	1,754.3	2,274.9	2,834.5
Special Commission Expense	1,705.2	1,532.2	710.2	421.7	651.5	967.8
Net Special Commission Income	**1,200.4**	**1,445.1**	**1,570.0**	**1,332.7**	**1,623.4**	**1,866.7**
Fees from banking services (net)	390.2	456.3	366.0	402.6	442.9	487.1
Exchange income (net)	84.9	88.5	79.7	87.6	96.4	106.0
Trading income (net)	65.8	115.0	125.2	134.0	140.7	147.7
Gains on non trading investments (net)	30.5	5.2	2.6	10.0	10.0	10.0
Other operating income	4.4	1.1	3.0	3.3	3.7	4.0
Total operating income	**1,776.2**	**2,111.2**	**2,146.6**	**1,970.2**	**2,317.0**	**2,621.6**
% Growth	*-8.7%*	*18.9%*	*1.7%*	*-8.2%*	*17.6%*	*13.1%*
Salaries and employee related expenses	465.3	452.5	479.3	450.0	499.5	565.5
Rent and premises related expenses	58.2	73.9	74.6	74.4	78.3	83.3
Depreciation	60.9	63.1	77.4	81.0	84.3	87.7
Other general and administrative expenses	257.5	220.3	181.1	169.2	194.8	205.3
Provision for credit losses (net)	495.7	25.5	1,148.2	487.0	385.6	267.7
Impairment of investments (net)	-	52.1	100.0	-	-	-
Total operating expenses	**1,337.6**	**887.4**	**2,060.6**	**1,261.7**	**1,242.5**	**1,209.4**
Cost to Income Ratio %	*47.4%*	*38.4%*	*37.8%*	*39.3%*	*37.0%*	*35.9%*
Net income for the period	**438.6**	**1,223.7**	**85.9**	**708.5**	**1,074.5**	**1,412.2**
% Growth	*-54.0%*	*179.0%*	*-93.0%*	*724.5%*	*51.7%*	*31.4%*
Earnings per share (SAR)						
Basic EPS	1.33	3.70	0.26	2.14	3.25	4.27
Diluted EPS	1.33	3.70	0.26	2.14	3.25	4.27

Source: Company data, Credit Suisse estimates

Figure 74: Saudi Hollandi Bank: Balance Sheet
in SAR millions, unless otherwise stated

Balance Sheet	FY 2007 A	FY 2008 A	FY 2009 A	FY 2010 E	FY 2011 E	FY 2012 E
ASSETS						
Cash and balances with SAMA	3,509.0	2,790.7	9,269.6	4,386.0	5,256.5	5,518.8
Due from banks and other financial institutions	5,271.9	365.1	138.9	489.7	1,096.9	1,829.6
Investments (net)	12,954.3	18,368.3	12,131.6	15,180.4	17,002.0	19,645.5
Loans and advances (net)	27,554.6	38,017.1	36,023.0	38,400.9	42,951.4	47,843.5
Investment in associate	-	-	20.0	20.0	20.0	20.0
Property and equipment (net)	320.4	465.6	496.6	516.5	537.1	558.6
Other assets	801.1	1,429.3	1,030.1	9,079.6	8,574.0	8,613.4
Total Assets	**50,411.3**	**61,436.2**	**59,109.7**	**68,073.1**	**75,437.9**	**84,029.5**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Due to banks and other financial institutions	9,157.6	9,286.2	5,756.6	9,793.8	10,969.0	12,197.6
Customer deposits	34,605.0	43,012.3	44,827.3	48,968.9	54,845.2	60,987.9
Other liabilities	1,401.9	1,947.6	1,393.1	1,469.1	1,645.4	1,829.6
Subordinated debt	700.0	1,475.0	1,500.0	1,500.0	775.0	775.0
Total Liabilities	**45,864.5**	**55,721.0**	**53,476.9**	**61,731.8**	**68,234.6**	**75,790.1**
Shareholders' equity						
Share capital	2,646.0	2,646.0	3,307.5	3,307.5	3,307.5	3,307.5
Statutory reserve	1,609.0	1,925.8	1,936.5	2,237.2	2,505.8	2,858.9
General reserve	130.0	130.0	151.6	151.6	151.6	151.6
Fair value / Cash flow hedges adjustment account	20.8	(45.4)	9.0	9.0	9.0	9.0
Retained earnings	141.0	825.3	228.3	423.5	853.3	1,347.6
Proposed dividends	-	233.5	-	212.6	376.1	564.9
Total shareholders' equity	**4,546.8**	**5,715.2**	**5,632.8**	**6,341.3**	**7,203.3**	**8,239.4**
Total liabilities and shareholders' equity	**50,411.3**	**61,436.2**	**59,109.7**	**68,073.1**	**75,437.9**	**84,029.5**

Source: Company data, Credit Suisse estimates

Companies Mentioned *(Price as of 13 May 10)*
Abu Dhabi Commercial Bank (ADCB.AD, Dhs1.80, NEUTRAL [V], TP Dhs2.40)
Al Rajhi Bank (1120.SE, SRls81.25, OUTPERFORM, TP SRls90.00)
Arab National Bank (1080.SE, SRls44.70, NEUTRAL, TP SRls46.00)
Banque Saudi Fransi (1050.SE, SRls47.00, NEUTRAL, TP SRls47.00)
Commercial Bank of Qatar (COMB.QA, QR73.00, OUTPERFORM [V], TP QR93.00)
Doha Bank (DOBK.QA, QR49.80, OUTPERFORM [V], TP QR64.00)
Dubai Islamic Bank (DISB.DU, Dhs2.23, NEUTRAL [V], TP Dhs3.33)
Emirates NBD (ENBD.DU, Dhs3.00, OUTPERFORM [V], TP Dhs6.10)
First Gulf Bank (FGB.AD, Dhs18.30, OUTPERFORM [V], TP Dhs28.00)
National Bank of Abu Dhabi (NBAD.AD, Dhs12.00, OUTPERFORM [V], TP Dhs19.00)
Qatar National Bank (QNBK.QA, QR135.50, OUTPERFORM, TP QR146.15)
Riyad Bank (1010.SE, SRls28.90, NEUTRAL, TP SRls30.00)
Samba Financial Group (1090.SE, SRls58.75, OUTPERFORM, TP SRls71.00)
Saudi Hollandi Bank (1040.SE, SRls33.10, NEUTRAL, TP SRls34.00)
The Saudi British Bank (1060.SE, SRls46.60, OUTPERFORM, TP SRls52.00)
Union National Bank (UNB.AD, Dhs3.45, OUTPERFORM [V], TP Dhs5.15)

Disclosure Appendix

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