April 19th, 2009

Earnings Update

Saudi Banks – Q1 2009 results

Saudi British Bank
Rating: Outperform

Al Rajhi Bank
Rating: Outperform

Arab National Bank
Rating: Outperform

Samba Financial
Rating: Market Perform

Riyad Bank
Rating: Market Perform

- Four of the five Saudi banks in our coverage universe have released preliminary results and we notice a sizeable recovery in the net income compared to Q408, a period marred by a) investment losses and b) increasing build up of provisions for loan losses. Due to unavailability of detailed financials we are unable to directly ascertain the provisions made this quarter. However, anecdotally these numbers would be higher than Q108, but lower then Q408.

Common themes emerging in Q109 –

- **Shrinking loan books** – The balance sheet leverage has reduced primarily due to a 5.8% reduction in the size of the investment books over the first quarter, as well as a more prudent approach to loan availability given the current market conditions. On average, loan books shrunk by 2.2% and the asset base shrunk by 2.9%, since the end of 2008. Customer deposits shrunk by 3.4% this quarter, putting pressure on some of the loans/deposit ratios. We trust this drop coupled with improving margins is evidence of removal of some high cost deposits.

- **Improving Net Income** – Encouragingly, both revenues (up 10% yoy) and net income (up 5.3%) were better than Q108, a quarter when very little stress was expected in the banking sector in Saudi Arabia. Interest margins expanded due to a successful re-pricing of loans, a drop in funding costs, and the above mentioned drop in loans. Non-interest income also grew, probably due to steadying performance in equity markets, and continued divestments of the investment portfolio.

- **Steadying costs, continued provisions** – Although the detailed financials are not available to separate operating expenses vs. provisions for loan and investment losses, we estimate a continued build up of provisions and strong cost control. We estimate cost efficiency ratios to improve to an average of about 30%.

- **Recent stock performance encouraging and some names trading through our targets** – the recent strength in Saudi bank stocks (up 28% in 2009, and 37% since our initiation on Nov 24, 2008) is both encouraging and gives us some pause for caution, as we continue to believe some names have benefited from positive sentiment rather than a demonstration of continued improvements in operating performance. Challenges still abound and we believe there will be some selling pressure into this strength. We will revisit our targets once detailed results are made available but for now maintain our ratings.

Equity Data	SABB	RJHI	ARNB	SAMBA	RIBL
Current Price (SAR)	54.5	65.3	41.2	55.8	24.7
Target Price (SAR)	63.4	62.6	37.4	55.5	23.0
Upside/downside	16%	-4%	-9%	0%	-7%
YTD performance %	26.2%	13.0%	32.1%	8.8%	16.5%
Market Cap. (SAR bn)	40.9	94.9	26.8	50.2	37.1
Valuation Multiples					
PE '09E	8.7	11.6	7.4	9.0	9.0
BVPS '09E	20.6	18.8	22.7	24.5	17.1
P/BV '09E	2.6	3.5	1.8	2.3	1.4

Deepak Tolani
T+971 4 360 11 52
Deepak.tolani@almalcapital.com

Downtown Burj Dubai
Emaar Square
Building 4, Office 302
Sheikh Zayed Road
P. O. Box 119930, Dubai, UAE
T +971 4 360 1111
F +971 4 360 1122
www.almalcapital.com

Q109 Earnings Summary

Arab National Bank							
(AED Millions)	1Q08	2Q08	3Q08	4Q08	1Q09A	yoy	qoq
Special commission income	875	855	825	798	912	4.2%	14.3%
Non Special Commission Income	170	324	218	70	245	43.7%	252.5%
Non Commission Expense	(358)	(404)	(406)	(414)	(395)	10.3%	-4.4%
Provisions	(15)	(23)	(9)	(13)	(67)	343.7%	412.2%
Net Income for Shareholders	673	752	628	434	695	3.3%	60.2%
Adjusted EPS	1.04	1.16	0.97	0.67	1.07	3.3%	60.2%
Investments	22,071	22,292	21,856	28,228	26,400	19.6%	-6.5%
Net Loans and Advances	65,322	69,883	74,549	74,662	72,800	11.4%	-2.5%
Total Assets	103,964	110,330	115,683	121,307	112,400	8.1%	-7.3%
Customer Deposits	78,844	84,915	88,555	92,743	84,500	7.2%	-8.9%
Loans/Deposits	83%	82%	84%	81%	86%		

Rajhi							
(AED Millions)	1Q08	2Q08	3Q08	4Q08	1Q09A	yoy	qoq
Net Income from Investments	2,030	2,140	2,136	2,188	2284	12.5%	4.4%
Non Investment Income	454	577	567	483	456	0.4%	-5.6%
Non Investment Expense	(694)	(698)	(757)	(628)	(694)	0.1%	10.5%
Provisions	(188)	(277)	(191)	(618)	(314)	67.0%	-49.2%
Net Income for Shareholders	1,603	1,742	1,755	1,425	1732	8.1%	21.6%
Adjusted EPS	1.07	1.16	1.17	0.95	1.15	7.6%	21.1%
Net Loans and Advances	122,697	125,261	137,275	140,837	143,000	16.5%	1.5%
Total Assets	143,048	150,039	163,256	161,763	162,000	13.2%	0.1%
Customer Deposits	105,196	113,028	122,262	120,298	120,000	14.1%	-0.2%
Loans/Deposits	117%	111%	112%	117%	119%		

SABB							
(AED Millions)	1Q08	2Q08	3Q08	4Q08	1Q09A	yoy	qoq
Net Special commission Income	854	818	755	779	881	3.1%	13.1%
Non-Interest Income	337	512	422	434	405	20.2%	-6.6%
Non-Interest Expense	(360)	(433)	(396)	(452)	(410)	13.9%	-9.1%
Provisions	(92)	(154)	(92)	0	(116)	25.5%	
Net Income for Shareholders	757	795	711	657	760	0.4%	15.7%
Adjusted EPS	1.01	1.06	0.95	0.88	1.01	0.1%	15.3%
Investments	23,659	30,124	35,994	29,604	25,900	9.5%	-12.5%
Net Loans and Advances	66,621	77,541	83,578	80,237	79,300	19.0%	-1.2%
Total Assets	106,409	126,151	132,620	131,661	132,600	24.6%	0.7%
Customer Deposits	78,407	89,090	95,735	92,678	96,600	23.2%	4.2%
Loans/Deposits	85%	87%	87%	87%	82%		

Samba Financial							
(AED Millions)	1Q08	2Q08	3Q08	4Q08	1Q09A	yoy	qoq
Net Interest Income	1312	1199	1261	1290	1312	0.0%	1.7%
Non-Interest Income	478	679	476	317	676	41.3%	113.5%
Non-Interest Expense	(471)	(492)	(504)	(645)	(528)	12.2%	-18.1%
Provision for Loan Losses (PLL)	(57)	(38)	(33)	(139)	(188)	232.6%	35.0%
Net Income for Shareholders	1201	1222	1200	820	1272	5.9%	55.0%
Adjusted EPS	1.33	1.36	1.33	0.91	1.41	5.7%	54.7%
Investments	66,990	66,364	65,573	54,213	53,000	-20.9%	-2.2%
Net Loans and Advances	90,660	96,363	96,298	98,147	90,000	-0.7%	-8.3%
Total Assets	179,817	183,641	187,058	178,891	168,000	-6.6%	-6.1%
Customer Deposits	119,458	121,717	124,947	134,228	124,000	3.8%	-7.6%
Loans/Deposits	76%	79%	77%	73%	73%		

* Shaded numbers are Al Mal estimates

Al Mal Securities Group

Institutional Sales & Trading

Ashraf Abu Shakra	+971 4 369 66 01
Khamis Shennawi	+971 4 360 11 10
Hassan El Salah	+971 4 360 11 09
Kamal Samarrai	+971 4 360 11 05
Jalal Faruki	+971 4 360 11 03

Portfolio Advisory

Akram Annous	+971 4 360 11 12
All Desks Numbers	+971 4 360 11 00

Al Mal Capital Research

Managing Director

Robert McKinnon	+971 4 360 11 17

Equity Research Analysts

Irfan Ellam	+971 4 360 11 53
Bobby Sarkar	+971 4 360 11 68
Deepak Tolani, CFA	+971 4 360 11 52
Mala Pancholia	+971 4 360 11 54