

Banking Sector Back on Double-digit Growth Trajectory

Saudi Banking Sector Review

Contents

3	Overview
4	Sector Structure
5	Liquidity
6	Investments
7	Provisions
8	Profitability

Executive Summary

- The domestic banking system retained its unique features that represent both strengths and opportunities compared to global counterparts by recording one of the lowest NPL ratios at 2.1% and an adequate Capital Adequacy Ratio (CAR) of 17.6%, above Basel III requirements.
- Industry-wide deposits posted a new record at SAR1.21 trillion by the end of 2Q2012. The oligopolistic market remains to be dominated by NCB, RAJHI, SAMBA, and RIBL, holding a combined 58.8% of market assets.
- Profitability of the domestic banking sector maintained its double-digit trajectory that was witnessed since 2Q2011, due to significant asset growth and sharp decrease of provision levels.
- The real estate finance had an unprecedented leap by 83.4% Y/Y during 2Q2012, leading us to believe that codifying the mortgage law in the near term will have positive repercussions that will support retail lending in the medium-to-long term.
- Provisions have picked up this year inline with the recent struggle of Mohammed Al Mojil Group (MMG), which posted a loss of SAR540.8 million by the end of June, demonstrating the difficult restructuring efforts among family conglomerates. As such, we expect provisions and NPLs to rise in 3Q2012 across exposed banks.
- Capacity utilization, as represented by the Loan to Deposit (L/D) ratio had edged higher to 83.2% in August, the highest since March 2009, given the expansion of lending to an annual pace of 15.6% coupled with the moderation in deposits that grew by only 10.6%.
- Attributed to strong economic growth, accelerated government spending and private capital expenditures, we expect net income to be driven by volume growth and non-interest income this year and next.

Said A. Al Shaikh
Group Chief Economist | s.alshaikh@alahli.com

Authors

Tamer El Zayat
Senior Economist | Editor t.zayat@alahli.com

Majed Al-Ghalib
Senior Economist | m.alghalib@alahli.com

Key Parameters of our Coverage Universe*

	Assets	L/D	NI	G	ROAA	MC	P/B
National Commercial Bank	320.4	60.0%	3.66	23.2%	2.4%	N/A	N/A
Al Rajhi Bank	238.2	85.1%	4.10	15.8%	3.6%	116.6	3.9
SAMBA Financial Group	199.5	67.2%	2.30	3.5%	2.3%	51.1	2.0
Riyad Bank	180.6	84.0%	1.82	15.1%	2.0%	39.6	1.4
Banque Saudi Fransi	147.1	92.3%	1.55	3.8%	2.2%	34.9	1.9
Saudi British Bank	151.9	80.6%	1.77	10.4%	2.4%	33.8	2.2
Arab National Bank	120.4	85.2%	1.37	6.9%	2.3%	29.6	1.9
Saudi Investment Bank	53.5	78.2%	0.43	3.6%	1.6%	11.1	1.4
Saudi Hollandi Bank	62.0	84.5%	0.62	24.1%	2.1%	9.8	1.5
Bank Al Jazira	47.3	73.1%	0.27	114.7%	1.3%	5.6	1.2
Bank Al Inma	44.2	115.7%	0.33	91.0%	1.6%		
Bank Al Bilad	29.1	68.6%	0.66	384.9%	4.7%	5.9	1.9

Coverage Universe

Short Name	Commercial Name
NCB	National Commercial Bank
SAMBA	SAMBA Financial Group
RAJHI	Al Rajhi Bank
RIBL	Riyad Bank
BSF	Banque Saudi Fransi
ANB	Arab National Bank
SABB	Saudi British Bank
SHB	Saudi Hollandi Bank
SAIB	Saudi Investment Bank
BJAZ	Bank Al Jazira
BILAD	Bank Al Bilad
INMA	Al Inma Bank

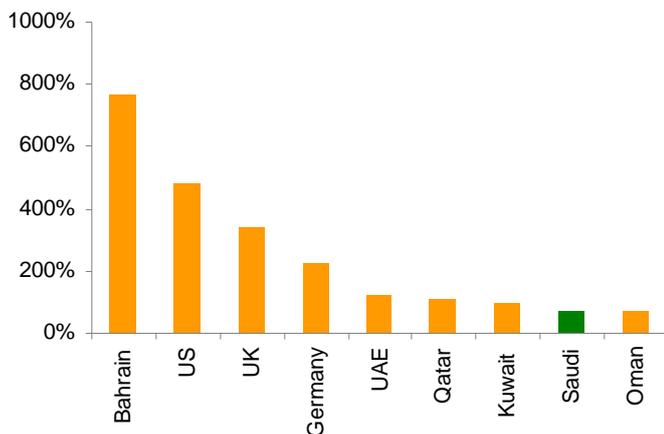
Notes: Assets: Total assets in SAR bn in 2Q12, L/D: Loan to deposit ratio in 2Q12, NI: Net income in SAR bn in 2Q12, G: Growth in NI in 2Q12, ROAA: Return on average assets in 2Q12, MC: Market Capitalization as of 30 June 2012, P/B: Price/Book as of 30 June 2012.

Sources: Financial statements, Tadawul and NCB

An Overview:

Saudi banks remain resilient on the back of strong fundamentals that include high liquidity, adequate capitalization and prudent risk management and supervision. These fundamentals, in turn, have enabled Saudi banks to recover after two years of weak performance, with profitability and assets growth improving markedly in 2011 and 2012YTD, amidst a robust macro-economic environment. We expect, therefore, an overall sustained growth in the banking market, with banks maintaining such elevated levels of profitability this year and in 2013. Apparently, most banks have optimized their operating expenses and cost of funding, despite the ongoing debt European crisis. Even though oil supply uncertainties was favorable to the Kingdom's twin balances and, in turn to banks, it is imperative to remain vigilant and assess the likelihood of adverse scenarios that might arise going forward, along with their implications on government oil revenues and the Saudi commercial sector (figure 1).

1. Banking System Assets to GDP

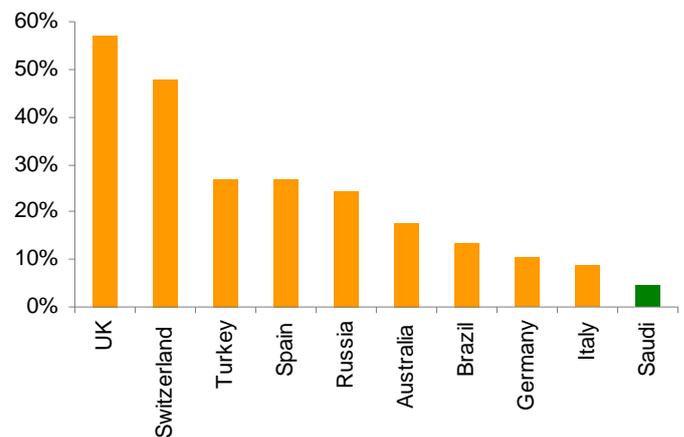


Source: IMF FSI September 2012, NCB Estimates

The domestic banking system maintained its unique features that represent both strengths and opportunities when compared to global counterparts, notably: (1) the lowest NPL ratio across the emerging and advanced economies at 2.1% by the end of the second quarter, which is expected to trend even lower to the 2004-2008 pre-crisis average of 1.9% in 2013, (2) exposure to cross-country spill-over effects are minimal, with the foreign cur-

rency lending ratio of domestic banks around 5% of their total loans, the lowest on a global scale (figure 2), (3) a well capitalized banking system, with the Capital Adequacy Ratio (CAR) at 17.6% that is well above Basel III requirements, and (4) the household debt to GDP at 13% and the real estate loans to total loans at 5% are quiet low on an international scale (figures 3&4), which reflects the huge opportunity banks can avail to enhance their bottom line. Going forward, the lack of excess leverage and asset bubbles will continue to support the lower systemic risk of Saudi banks and their profit sustainability.

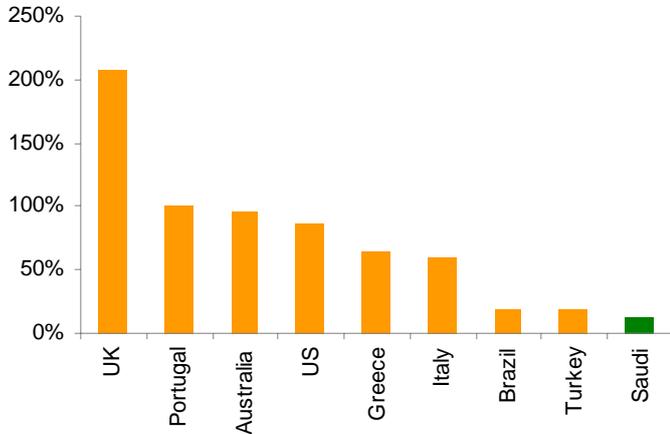
2. Foreign-Currency-Denominated Loans to Total Loans



Source: IMF FSI September 2012, NCB Estimates

Profitability of domestic banks maintained its double-digit trajectory that was witnessed since 2Q2011, due to significant asset growth and sharp decrease of provision levels. Attributed to strong economic growth, accelerated government spending and private capital expenditures, we expect net income to be driven by volume growth and non-interest income this year and next. Loan growth will maintain its upside trajectory, growing by nearly 15.9% and 15.1% Y/Y, in 2012 and 2013, respectively, according to our estimates. Although, the expansion in lending seems moderate compared to the more than 20% growth rates pre-2009, but is certainly more sustainable in the near to medium-term. The robust pickup in brokerage trading volumes on Tadawul will support non-interest income as well. Strategically, retail lending is of paramount importance to the banking system and we do foresee an increased penetration of this sector.

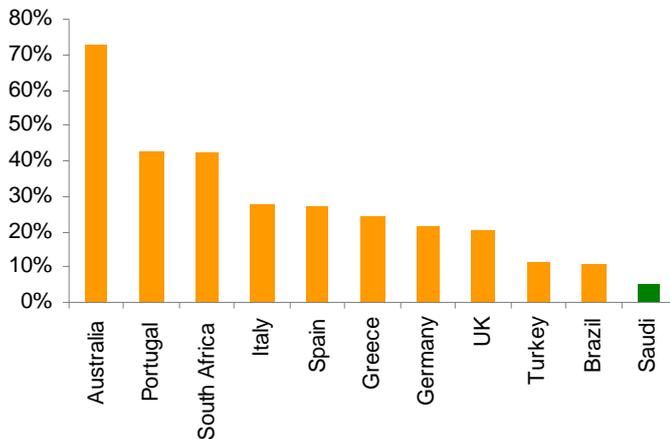
3. Household Debt to GDP



Source: IMF FSI September 2012, NCB Estimates

During 2Q2012, real estate finance had an unprecedented leap at 83.4% Y/Y, rising by SAR16.5 billion to SAR47.9 billion, triggered by the July initial announcement of the approval of the mortgage law. This leads us to believe that codifying the mortgage law in the near term will have positive repercussions that will support retail lending in the medium-to-long term.

4. Real Estate Loans to Total Loans



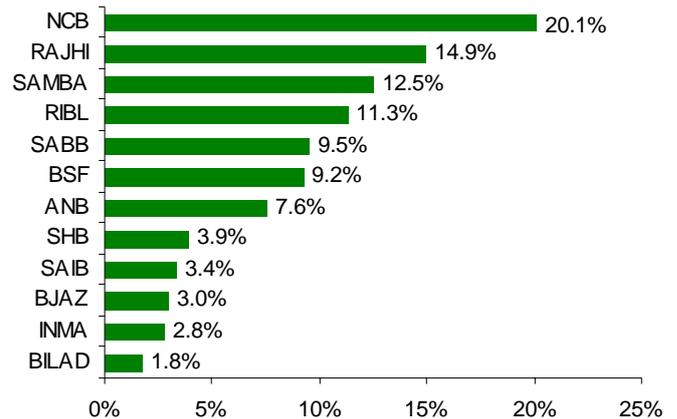
Source: IMF FSI September 2012, NCB Estimates

I. Sector Structure

Saudi banks continue to be shielded from external shocks as they build up their total assets. By the end of 2Q2012, the 12 locally incorporated banks amassed a total of SAR1.59 trillion after breaching the SAR1.5 trillion level by the end of 2011. Banks have accelerated the pace of growth as the post-crisis era unfolds new trends and opportunities up for grabs. The Saudi banking system remains a key

beneficiary of the government's expansionary fiscal policy. Smaller banks, namely INMA and BILAD, have been keen to benefit from exceptional government spending and, thus, were able to grow their assets by 36.6% and 29.4%, respectively by the end of the second quarter. The oligopolistic market remains to be dominated by NCB, RAJHI, SAMBA, and RIBL, holding a combined 58.8% of market assets (figure 5). NCB maintains its dominant position with regards to total assets at 20.1%, followed by RAJHI that captures around 14.9% of the market's assets, moving ahead of SAMBA to claim the second largest bank by total assets. The bank focused on penetrating the retail market and their campaign has been fruitful.

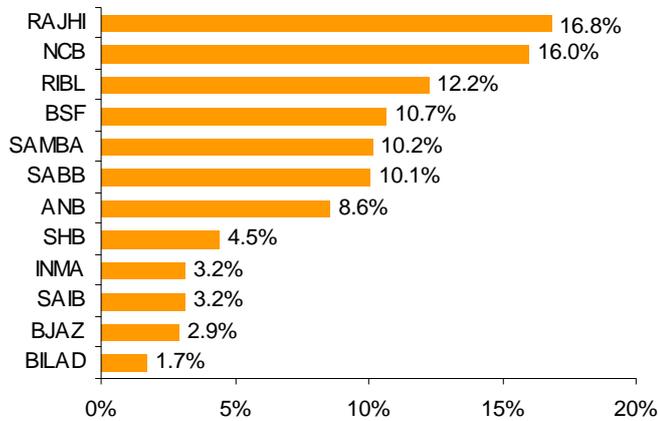
5. Share in Total Assets, 2Q12



Source: Banks' Annual Reports

The main driver for our coverage universe was net loans and advances given the improved risk appetite that is expected to continue this year. Net loans and advances rose by 16.5% Y/Y in 2Q2012 following 2011's 11.6%. This year, banks regained their confidence with an improvement in clients' credit worthiness, which supported the expansion in loans portfolios. RAJHI's retail penetration resulted in a gain of 16.8% on their books, surpassing NCB as the largest lender in Saudi which holds a share of 16.0% (figure 6). SAIB was the only bank to reduce its financing activities, with a drop of 2.7% Y/Y on the back of lower corporate loans. In general, the momentum of last year's growth in credit facilities was retained in 1H2012, and the upside trajectory is expected to remain through the remainder of this year.

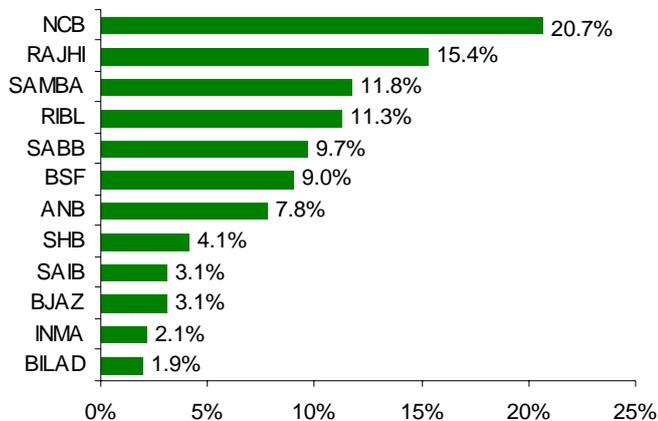
6. Share in Net Loans¹, 2Q12



Source: Banks' Annual Reports

Industry-wide deposits posted a new record at SAR1.21 trillion by the end of 2Q2012. NCB's customer deposits reached SAR250.3 billion, albeit contracting on an annual basis by 0.2%, but still maintaining its lead position. Meanwhile RAJHI retained its second place by an increase of 11.8% Y/Y (figure 7). All banks expanded their deposits for the first half of 2012, except NCB, and industry-wide deposits grew by 9.4% annually. Amid the globally suppressed interest rates, demand deposits carry on to be the main attraction. Short term deposits have been preferred due to lower yields on time deposits, which have dropped to represent 34.7% of total deposits by June 2012.

7. Share in Deposits², 2Q12



Source: Banks' Annual Reports

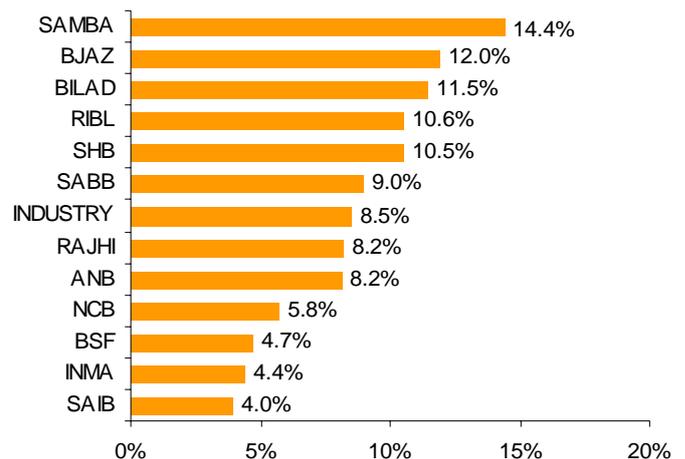
Furthermore, foreign currency deposits remained on an upside trajectory in line with last year, expanding by 14.9% in 8M2012 to around SAR156.8 billion. Banks have beefed up their reserves due to

the rising level of deposits given SAMA's statutory requirements, which will act as a buffer for the financial system. We foresee growth on the part of smaller banks via cost control and reduced funding costs, while larger banks will continue to focus on the retail segment and expand on consumer loans.

II. Liquidity

The accumulation of liquid assets post the financial crisis provided Saudi banks with immense opportunities to redeploy and expand their financing portfolios. The risk averseness of the banking industry is slowly diminishing in accord with the robust economic growth in the Kingdom. The industry's Minimum Risk Assets (MRA) ratio has dropped for the third consecutive year in 2011 to 31.0%, slightly edging lower than 2006's 31.3%, indicative of the increased confidence by local banks (Annex III, figure 9). Within the heavy weights, only NCB and BSF have increased their MRA levels by adding 0.8% and 1.4%, respectively. Furthermore, cash levels have decelerated slightly to 8.5% in 2Q2012 from 2011's 11.3% as banks increased their risk appetite and granted more loans (figure 8).

8. Cash/Total Assets, 2Q12

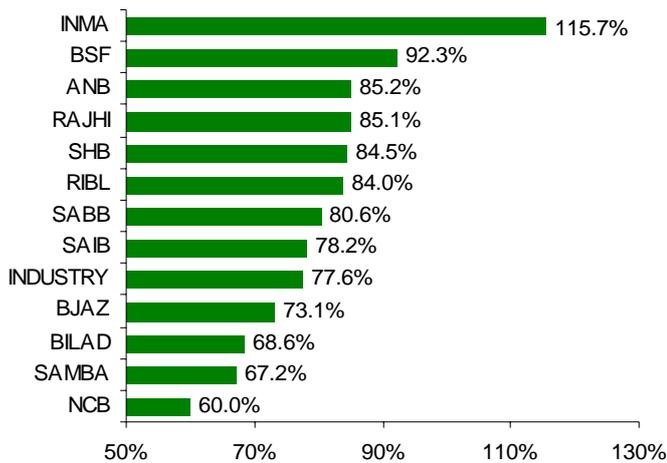


Source: Banks' Annual Reports

Beginning 2012, the loans portfolio accelerated at a faster pace than the flows of deposits into banks. Reflecting a certain amount of optimism in deploying their assets, banks added almost SAR89 billion during 2011 and a further SAR85.5 billion by the 2Q2012. Fresh lending was focused towards the

retail sector as the consumer and credit cards sector witnessed a 23.4% gain, or an addition of SAR46.0 billion in 2011. Additionally, the electricity, water, gas, and healthcare sector gained the most with 53.8% Y/Y in 2011. Total loans last year picked up by 11.6%, while deposits rose only 10.7% to drive the Loans-to-Deposits (L/D) ratio up from 73.9% in 2010 to 74.5% in 2011. The L/D ratio continued to increase in 1H2012 reaching 77.6% as loans outpaced deposits again with 16.5% against 9.4%, respectively (figure 9). The leading banks in effectively utilizing their deposits are INMA and BSF with an L/D ratio of 115.7% and 92.3%, respectively. Attributed to its large depository base, NCB recorded an L/D ratio of 60.0%, despite the rise of its net loans by 15.4% in 2Q2012.

9. Loan-to-Deposit Ratio³, 2Q12



Source: Banks' Annual Reports

Deposits in the banking system surpassed the SAR1.2 trillion level by the end of June 2012. The composition of deposits by type has been reshaped in the aftermath of the financial crisis. With interest rates being suppressed on a global scale, Saudi was no exception. While time deposits used to account for the majority of deposits prior to the crisis, demand deposits have tipped the scale with a share of 60.9% and time deposits dropped to a record low of 34.7% by the end of 2Q2012. Even though demand deposits do not generate any returns, holding of cash to grasp opportunities is more appealing than time deposits as many investors await the perfect timing to reinvest in risky as-

sets domestically and internationally. Additionally, foreign currency deposits edged higher by 13.8% Y/Y by the end July 2012, primarily supported by government entities that increased their buildup of hard currencies by 26.1% Y/Y.

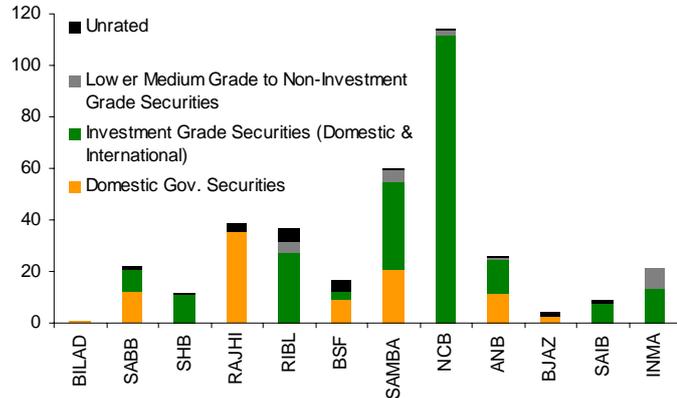
III. Investments

On an industry level, net investments lost steam during 2011 in comparison to the pace of 2010's. The sudden surge during 2010, when banks recorded a growth of 11.5%, on an annual basis, was mostly attributed to the accumulation of domestic government securities as well as capital gains across asset classes. Banks' conservative approach only added a marginal 2.9% of additional investments last year that are mostly denominated in US dollar fixed income securities. The slow momentum is maintained throughout this year with an addition of only SAR7.8 billion, or 2.2% during the first half of 2012. The four heavy weights in this category, namely NCB, RAJHI, SAMBA, and RIYAD held 68.9% of total market's investments in 2010 and have managed to expand their shares by increasing their aggregate share to 72.9% by the end of 2011.

Saudi banks tend to seek higher grade investments to avoid possibilities of future losses. This is witnessed by the large increase in investments held at amortized costs as opposed to investments which are held for trading or held as Fair Value through Income Statement (FVIS). The latter categories have shown a deceleration given their susceptibility to the global economic turmoil. The majority of investments are secured in high investment grade securities. Lower-medium to non-investment grade and unrated investments barely comprise 11% of the total portfolio, thus reducing their balance sheets to market risks. To further protect themselves, banks shifted their investments over the past four years towards non-turbulent geographical regions. The GCC and Middle East along with South Eastern Asia regions have witnessed a sharp rise in asset allocations. Their combined investment level has risen 433% over the period be-

tween 2007 and 2011 in comparison to North America and Europe's combined growth of 24% over the same period.

10. Credit Exposure of Investments, SAR bn, 2011



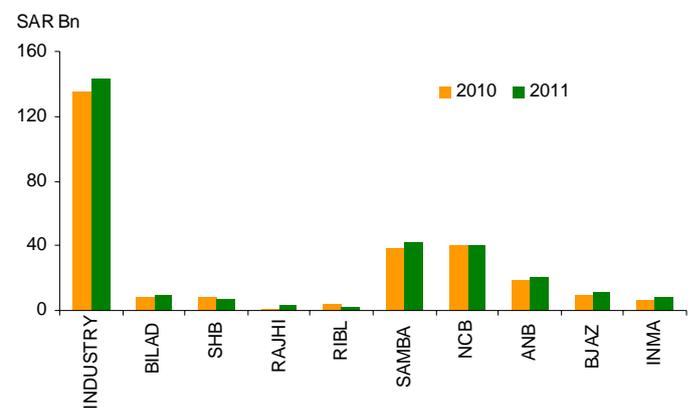
Source: Banks' Annual Reports

IV. Provisions

While global financial systems suffered from the European debt crisis, the Saudi banking system has been protected due to the limited exposure to international markets and safety measures taken by banks and SAMA. The buildup in provisions set aside during 2008-2010 aided banks to mitigate the record write-offs, which occurred in 2010 and 2011. Due to the lagging nature of provisions, total provisions stood at SAR5.9 billion last year, a 40% decrease over 2010 as worries subsided. Investment provisions continued its downward trend as banks' portfolios improved further. Additionally, provisions on credit losses decreased by 10% as the obstacles to family-based credit lines have been somewhat easing last year. Meanwhile, provisions have picked up this year inline with the recent struggle of Al Mojil Group, which posted a loss of SAR540.8 million by the end of June, demonstrating the ongoing concerns with family conglomerates. Additionally, with the European debt crisis and global turmoil picking up, first half year provisions rose by 33.1% Y/Y. The swift response of local banks indicates the will to avoid situations seen in the 2008-2009 global financial and economic crisis and its aftermath.

The pursuit for safer portfolios has been evident by the rising level of collaterals held by banks. With the exception of BSF, SAIB, and SABB (due to lack of full disclosure), industry-wide collaterals in the form of real estate, equity, cash, and other forms of financial security against loans have increased to SAR143.6 billion, a gain of 6.5% during 2011. We believe the total figure to have reached over SAR200 billion as some banks do not fully report their held collaterals (figure 11). The Saudi financial system has been proactively cushioning itself from possible local and external systematic risks.

11. Collaterals held by Banks, SAR bn



Source: Banks' Annual Reports

Notes: The collaterals depicted for RIBL are assets pledged for credit commitments and contingencies. RAJHI's collaterals pertains to past due but not impaired loans and impaired loans and advances, amounting to SAR3.2 bn. Aggregate collaterals should be higher due to a lack of full disclosure.

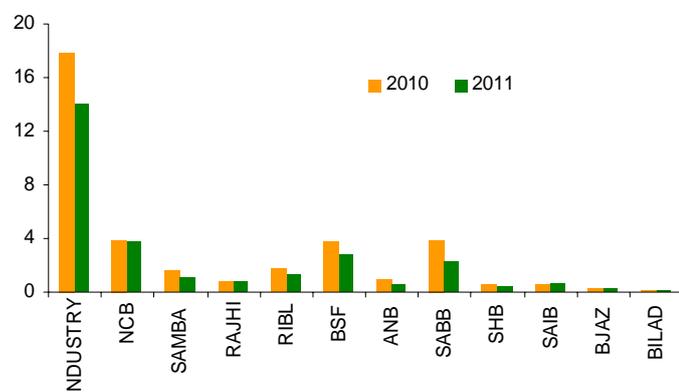
During 2Q2012, the Non-Performing Loans (NPL) coverage ratio edged higher to 138.2% following 2011's 132.8%, a substantial improvement over 2009's 89.8%. Ostensibly, SAMA's stricter directives that demanded banks to top up their coverage ratios to 150% was the driving force supporting this trend. We believe that this key milestone will materialize in 2013. By the end of the first six months of 2012, INMA, ANB, and BILAD are the safest banks with coverage ratios of 192.5%, 176.1%, and 150.1%, respectively.

During 1H2012, NPLs contracted by 8% Y/Y, SAR1.8 billion, to settle at SAR20.5 billion for our coverage universe. In 2011, most NPLs were concentrated in the commerce sector, albeit falling by 23% from the previous year. The majority of sec-

tors have managed to reduce their NPLs contributing to this total contraction. However, the NPLs of building and construction sector increased by a significant 64% as some projects halted due to rising materials costs. Meanwhile, the services sector's NPLs only gained 3%, but "others category", comprising mainly family conglomerates, has seen NPLs decline by 27% Y/Y. Notably, the only banks with rising NPLs are BSF, RIBL, and SAIB recording an increase of 11.0%, 3.6%, and 0.6%, respectively, on an annual basis. We expect the NPLs to inch higher by the end of the year, yet it will remain around the SAR20 billion mark.

The stress on banks continues to lessen as past due but not impaired loans decreased for the second consecutive year in 2011 by a substantial 21.1%, or SAR 3.8 billion. This follows record write-offs experienced in 2011, which amounted to almost SAR6.2 billion. Although, 0-60 days past due but not impaired loans have decreased by 31.5%, over 60 days past due loans have increased by 23.1% on an annual basis. SAIB, BJAZ, and RAJHI were the only banks to add to their stress levels as their past due but not impaired increased by 30.2%, 24.3%, and 6.5%, respectively (figure 12). The reduced level of short-term troubled loans is indicative of a more stable loans portfolio going forward. We do not foresee a challenging scenario for banks as pipeline risk levels remain low for the short-term.

12. Past Due but not Impaired Loans, SAR bn

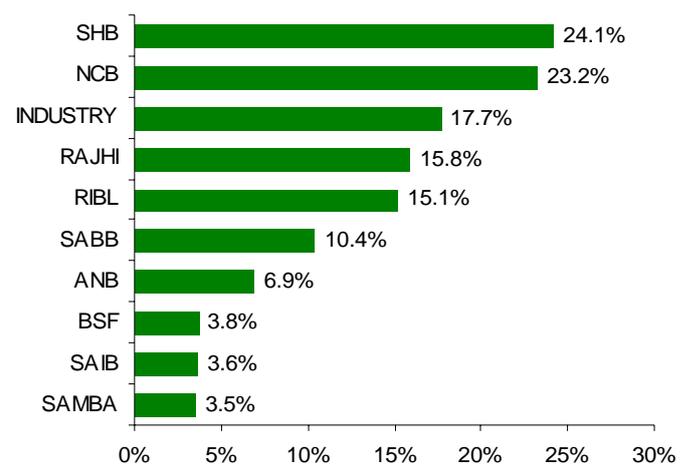


Source: Banks' Annual Reports

V. Profitability

Banks have recorded a stellar performance on the back of the Kingdom's spending spree and higher operational efficiency. Heavy weight banks, namely NCB, RAJHI, and RIBL, boosted profits by 23.2%, 15.8%, and 15.1% Y/Y by the end of 2Q2012, respectively (figure 13). Meanwhile, SAMBA was rather modest, recording the smallest profit growth at 3.5% as it struggled with special commission income and trading income levels coupled with higher provisioning. However, INMA began to create a noticeable presence albeit benign in comparison to its capital. The youngest bank in the Saudi financial system has been promoting a wide range of financing products which resulted in an increase in special commission income on investments according to "Sharia", by 37.0% Y/Y by the end of June. As a result, it has surpassed income levels of BJAZ and BILAD. According to preliminary press releases, during the three quarters of 2012, Saudi banks efficiently increased net income levels by 12.4% Y/Y, reaching SAR27.0 billion, driven by higher banking fees and lower provisioning. As such, we expect banks to maintain net income growth at double digits for FY2012.

13. Net Income Growth, 2Q12



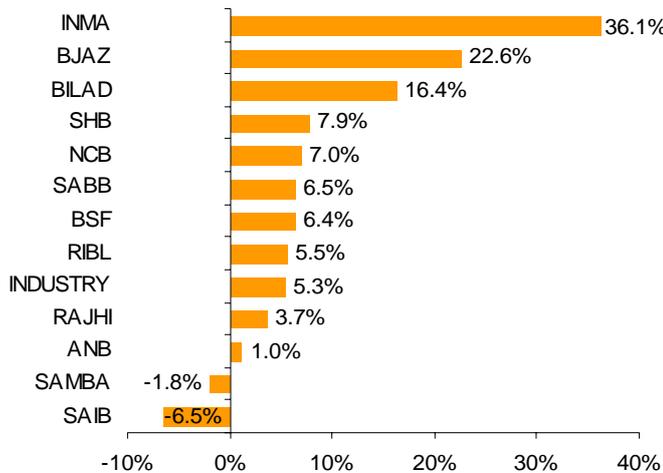
Source: Banks' Annual Reports

Note: The net income growth graph excludes BILAD, BJAZ, and INMA from the comparison to keep a visually comparable chart due to their huge growth figures at 385%, 115%, and 91%, respectively.

The diminishing of credit spreads, attributed to excess liquidity, resulted in pressuring Net Special Commission Income (NSCI) levels during the last

two years. However, by compensating for shrinking asset yields through expanding the loans portfolio, the banking system has regained its momentum by recording a NSCI gain of 5.3% Y/Y in 2Q2012, a positive turnaround compared to a decline of 1.6% and an increase of 2% posted in 2010 and 2011, respectively. In absolute terms, incremental lending increased by SAR132.9 billion over the past twelve months. Income margins have declined triggered by “price wars” to grasp a larger market share. NCB outperformed the other heavy-weights recording an increase of 7.0% in the second quarter, as it extended sizable funds to mega projects, while taking advantage of its massive liquidity position (figure 14). Most banks have managed to expand their NSCI levels apart from SAIB and SAMBA, both declining by 6.5% and 1.8% Y/Y, respectively.

14. NSCI¹Growth, 2Q12

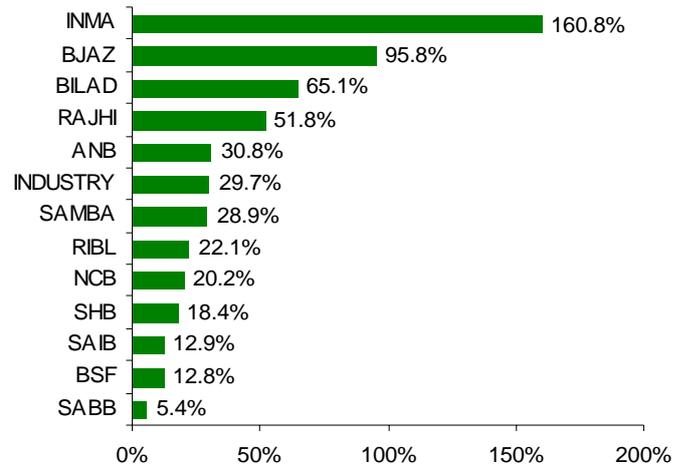


Source: Banks' Annual Reports

Diminishing margins prompted banks to seek different core operating income sources, namely banking fees. Following 2006's vigorous growth of 30.5% from unprecedented activity in the domestic equity market, banking fees remained sluggish until 2011 as it grew by 18.1% Y/Y. The average trading volume at Tadawul has increased from SAR3.1 billion to SAR4.4 billion in 2011, which resulted in higher brokerage income that gained 29.0% Y/Y. The momentum continued into 2012 and the Tadawul Index peaked at 23.6% in the first four months of this year (figure 15). However, intensifying worries surrounding the stability of the EU and

China's growth prospects pressured stock prices and daily trading volumes in 2Q2012. Tadawul activity has been regaining momentum going into 3Q with daily trading levels averaging SAR8.6 billion and the index gaining a rather modest 8.5% by the end of September. We expect banks' income revenues from equity to subside accordingly this year.

15. Banking Fees Growth, 2Q12



Source: Banks' Annual Reports

Profit by business segments has varied since the financial crisis and continues to gyrate. The share of the consumer and corporate segments in aggregate net income fell to 32.3% and 31% in 1H2012 from 34.3% and 38.6% in 1H2011, respectively. In contrast, the treasury segment's share has increased from 22.2% in 1H2011 to 28.2% in 1H2012 driven by a global rebound in equities and the strength of the USD during 2011 and mid 2012. The “others category”, mainly brokerage, grew annually by 102%, which propelled its share of aggregate net income to 8.6% due to Tadawul's pickup (Annex II, figure 8).

Annex I: Glossary of Key Terms and Formulas

1/ Net Loans: Net loans and advances on the balance sheet of conventional banks and net investments on the balance sheet of the two Islamic banks, Al Rajhi and Al Bilad. Net loans and advances is equal to gross performing loans plus non-performing loans, net, minus total provision (portfolio and specific provisions).

2/ Deposits: Customer deposits as recorded on the balance sheet on both commercial and Islamic banks.

3/ Loan to Deposit Ratio: The ratio of loans and advances, net, to customer deposits. In the case of Islamic banks, we use the ratio of investments, net, to customer deposits.

4/ NSCI: Net Special Commission Income: Net special commission income, which is the Saudi equivalent to net interest income, is the difference between special commission (interest) income and special commission (interest) expense. In the two Islamic banks, it is the difference between investment income and investment expense.

5/ Yield on Earning Assets: The ratio of special commission income to the average earning assets, comprised of due from banks, net loans and net investments.

6/ Cost of Funds: The ratio of special commission expense to the average funding base, comprised of customer deposits, term loans and due to banks.

7/ MRA: Minimum Risk Assets. We define as the sum of (1) Cash in Vaults and in SAMA, (2) Due from Banks, and (3) Investment in Government Securities. For the sake of conservatism, we exclude from our calculations net loans and advances to government and quasi-government agencies and holdings of sovereign-rated sukuk.

8/ Cash: Cash denotes the first line item on the balance sheet of banks, Cash in Vaults and in SAMA.

9/ NPL Coverage Ratio: The ratio of loan loss reserves to non-performing loans.

10/ NPL Ratio: The ratio of non-performing loans (as detailed in the footnotes) to total outstanding loans.

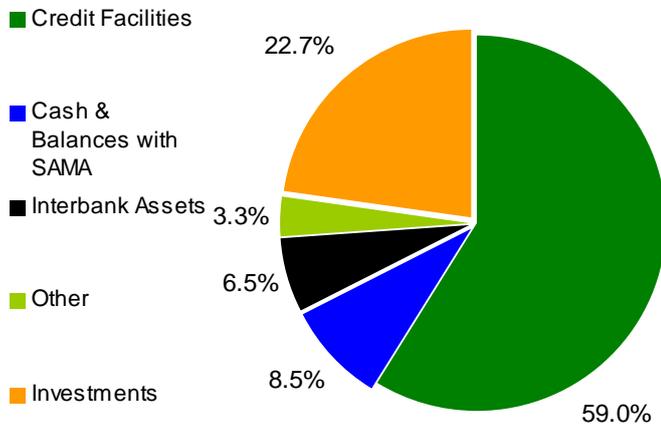
11/ Return on Average Assets: Return on Average Assets (ROAA) is the Ratio of net income to average total assets. Average total assets is the simple arithmetic average of total assets in period t and period t-1.

12/ Tier 1 Capital Adequacy Ratio: The ratio of Tier 1 capital to risk-weighted assets as reported in the footnotes of banks' financial statements.

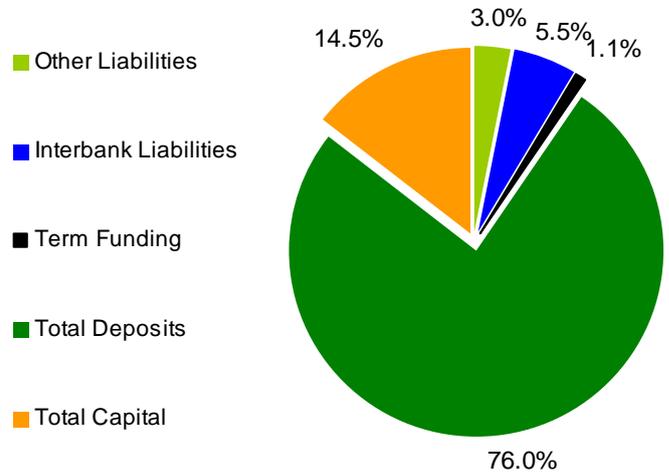
13/ Capital Adequacy Ratio: The ratio of Tier 1 and Tier 2 capital to risk-weighted assets as reported in the footnotes of banks' financial statements.

Annex II: Banking Indicators 2Q12

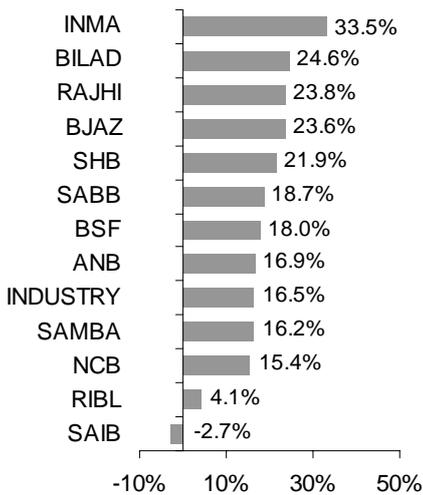
1. Asset/Investment Mix



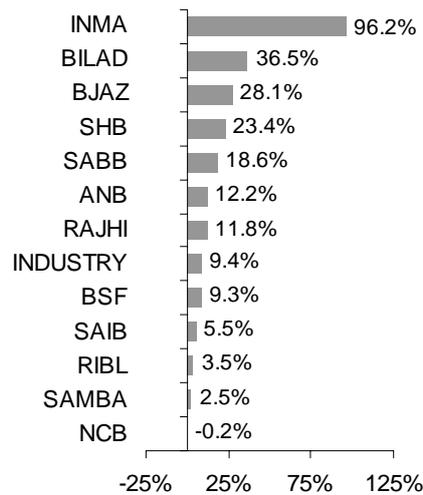
2. Liability/Funding Mix



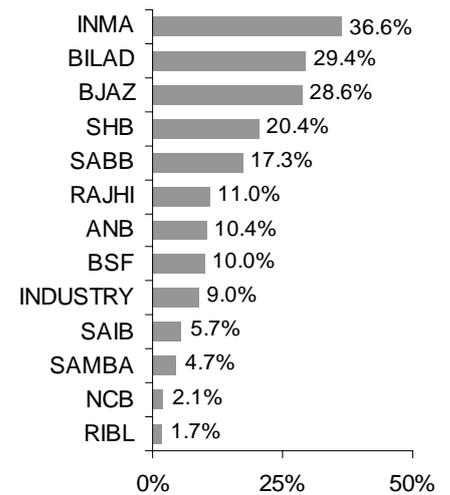
3. Growth in Net Loans



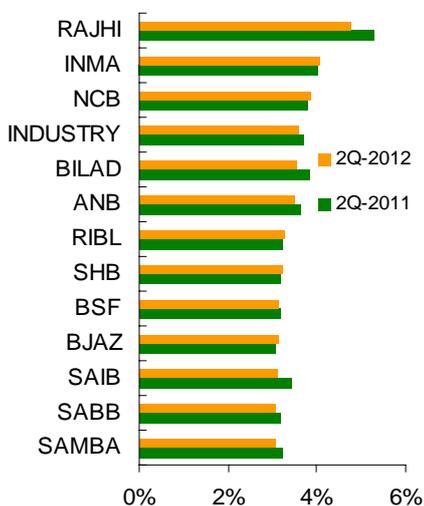
4. Growth in Deposits



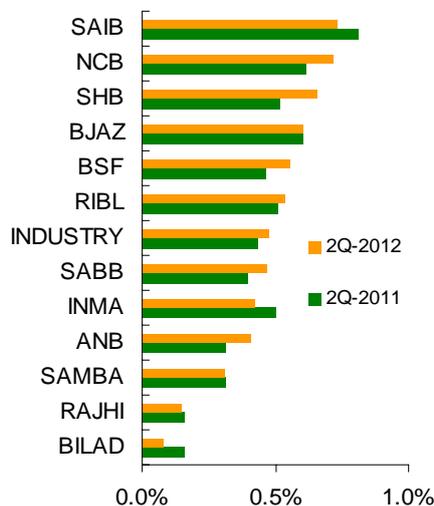
5. Growth in Total Assets



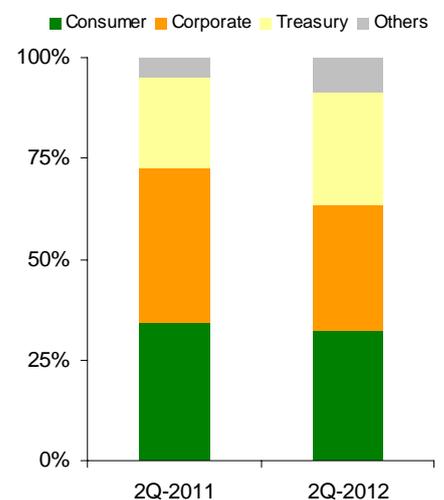
6. Yield on Earning Assets⁵



7. Cost of Funds⁶



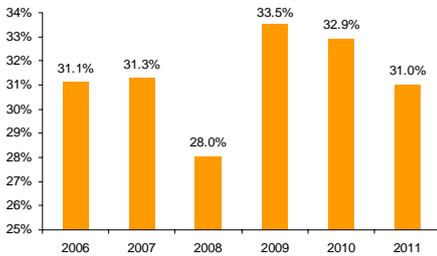
8. Business Segments' Income Share



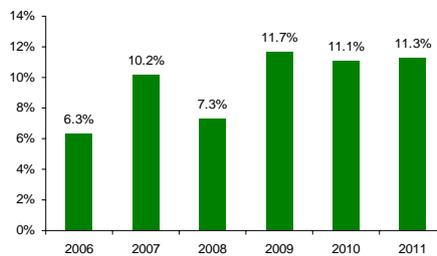
Source: Banks' Annual Reports

Annex III: Banking Indicators

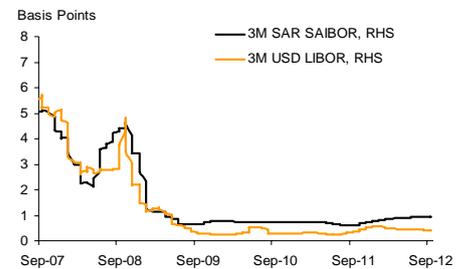
9. MRA⁷/Total Assets



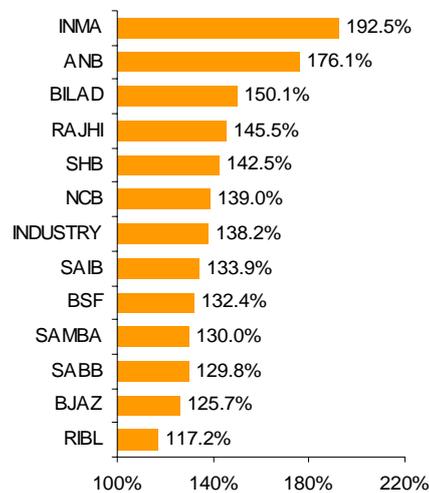
10. Cash⁸/Total Assets



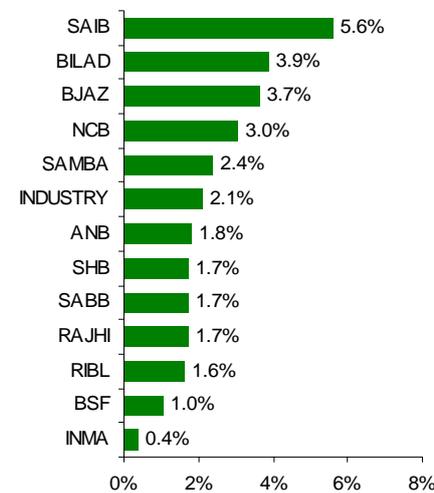
11. 3M SAIBOR - 3M LIBOR



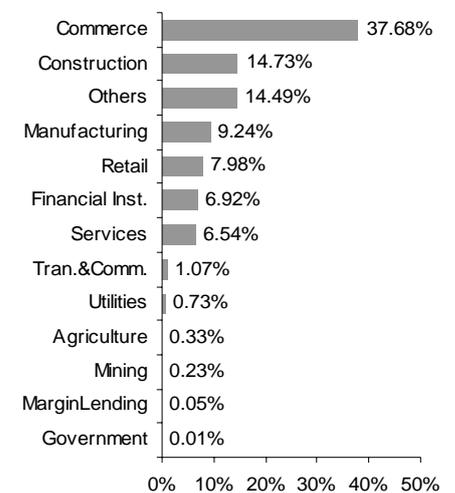
12. NPL Coverage Ratio⁹, 2Q12



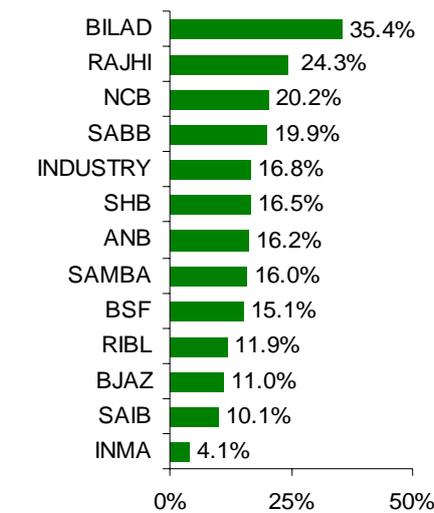
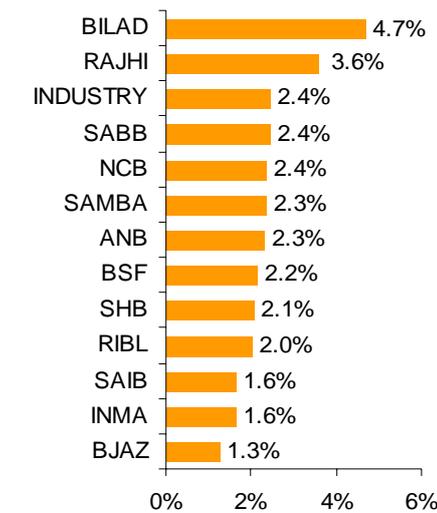
13. NPL Ratio¹⁰, 2Q12



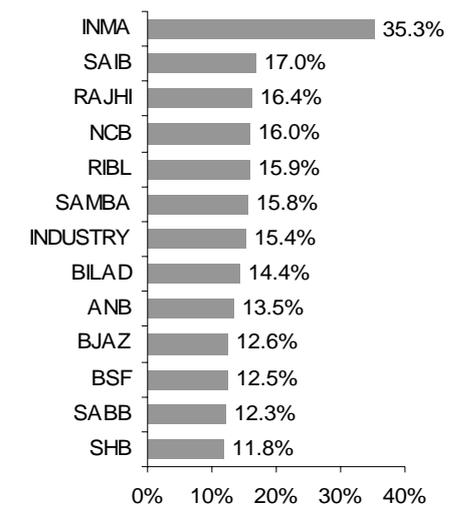
14. Sector Risk Concentrations*



15. Return on Average Assets¹¹, 16. Return on Equity, 2Q12



17. Tier 1 CAR¹², 2Q12



Note: *Shares of specific provisions by economic activity as 31 December 2011.
Source: Banks' Annual Reports



Economics Department

The Economics Department Research Team

Head of Research

Said A. Al Shaikh, Ph.D

Group Chief Economist

s.alshaikh@alahli.com

Macroeconomic Analysis

Tamer El Zayat, Ph.D

Senior Economist/Editor

t.zayat@alahli.com

Majed A. Al-Ghalib

Senior Economist

m.alghalib@alahli.com

Sector Analysis/Saudi Arabia

Albara'a Alwazir

Senior Economist

a.alwazir@alahli.com

Yasser Al-Dawood

Economist

y.aldawood@alahli.com

Management Information System

Sharihan Al-Manzalawi

Financial Planning & Performance

s.almanzalawi@alahli.com

To be added to the NCB Economics Department Distribution List:

Please contact: Mr. Noel Rotap

Tel.: +966-2-646-3232

Fax: +966-2-644-9783

Email: n.rotap@alahli.com

Disclaimer: The information and opinions in this research report were prepared by NCB's Economics Department. The information herein is believed by NCB to be reliable and has been obtained from public sources believed to be reliable. However, NCB makes no representation as to the accuracy or completeness of such information. Opinions, estimates and projections in this report constitute the current judgment of the author/authors as of the date of this report. They do not necessarily reflect the opinions of NCB as to the subject matter thereof. This report is provided for general informational purposes only and is not to be construed as advice to investors or an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or other securities or to participate in any particular trading strategy in any jurisdiction or as an advertisement of any financial instruments or other securities. This report may not be reproduced, distributed or published by any person for any purpose without NCB's prior written consent.