



Market	Ticker	Value	% Δ YTD	% Δ MTD	Avg Volume (millions) - 30 days	P/E	P/B
UAE ADX	ADSMI	2,527	5.7	1.6	142.3	6.6	1.2
UAE DFM	DFMGI	1,606	(1.9)	2.4	395.8	4.1	0.7
Saudi Arabia Tadawul	SASEIDX	5,626	17.1	19.6	204.2	12.8	2.0
Qatar DSM	DSM	5,603	(18.6)	14.7	12.5	7.7	1.7
Bahrain BSE	BHSEASI	1,596	(11.5)	0.0	2.5	8.6	1.1
Kuwait KSM	KWSEIDX	7,557	(2.9)	12.0	508.1	33.4	1.1
Oman OSE	MSM30	5,129	(5.7)	10.8	20.7	7.8	1.6

UAE BANKING SECTOR – ADCB, EMIRATES, FGB, NBAD, UNB

- **1Q09 results – Net Profit (-3% yoy) - Growing revenues, balance sheets flat, NPL's ticking up and more provisions** - 1Q08 results had benefited from a robust operating environment, and in some cases revaluation gains on property and real estate. 1Q09 results benefited from the full year income impact of loans originated in 2008, along with asset re-pricing (average interest income was +48% yoy, +4% qoq) and lower provisioning charges after the buildup of reserves in Q408. The average NPL ratio is still at a low of 1.0%, but the continued build up in reserves (average coverage ratio of 140%) reads to us of the extreme caution being exercised. Also, although funding costs have dropped, the banks are reluctant to grow their loan books at the pace of previous years and are requiring more collateral and a better quality borrower.
- **Banks choosing to convert Ministry of Finance deposits into Tier II capital** - Two advantages to this – a) a cost efficient form of long term funding (4.5% for the first 5 years), and b) enhances the capital ratios at the banks to an estimated average of 20.1%. Although this shows extreme caution from the banks and increases CAR to well above regulatory requirements, we are concerned as to the a) heavy levels of non income generating capital and b) the sentiment surrounding the need to be 9-10% above the regulatory requirement. This is probably an exercise in boosting confidence in the banking system.
- **Liquidity crunch easing in the market** - The EIBOR 3 month rate has dropped from 4.3% at the beginning of the year to 2.5% as of this report (a drop of 42%). Although still higher than the rate seen before the crisis began, it is encouraging to see the pressure reducing. In addition, Dubai CDS is now trading at 564bp, a spread of 313bp over Abu Dhabi, whereas the spread to Abu Dhabi CDS had increased to an all time high of 555bp in January 2009. This came on the back of UAE entities being successfully able to retire or roll some debt securities and federal help via the Central bank subscription into the first \$10 billion tranche of Dubai bonds.

SAUDI BANKING SECTOR – ARNB, RIYAD, RJHI, SABB, SAMBA

- **1Q09 results – Net Profit (-0.5% yoy) - Revenues up (funded and non-funded), provisions up, investment portfolios stabilizing** – 4Q08 had been dragged down by a sizeable build up of provisions for investment and loan losses. Of the 5 stocks we follow in the market – ARNB, Rajhi and Samba reported improvements in quarterly income (+5.8% yoy). SABB was flat and Riyadh bank reported a 36.2% drop in net income compared to 1Q08. Total revenues grew based on strength in interest income and somewhat surprisingly in non-interest income. Although costs dropped, the continued build up of provisions impacted the bottom line. We believe the investment portfolios of the banks have found a soft bottom, and the downside may be limited by the fact that a sizeable portion of the investment portfolios are listed in government or quasi government bonds.
- **SAMA cuts its reverse repo rate to 0.5% from 0.75%** - to discourage the banks from depositing excess funds at the central bank and instead on deploying it into the market in the form of loans and credit facilities. We consider this as a 'soft' move by SAMA to spur loan growth. Other arrows in its arsenal would be to a) adjust the repo rate or b) drop the cash reserve requirement on deposits, although we believe the Central bank will wait for more signs of a steady local and to a certain extent regional economy before moving in that direction.

QATAR BANKING SECTOR – QNB, CBQ, DOHA

- **1Q09 results – Net Profit (+19.9% yoy) – Revenues and profits rising, balance sheets shrinkage, lower provisioning** - Of note across the region, the loans and deposit growth has reduced, becoming negative in certain situations. The banks are uniformly more careful in doling out new credit, choosing to not rollover certain expiring loans and re-pricing loans on the one hand while taking advantage of a drop in interest rates on the funding side. However, this is having an impact on balance sheet expansion. Qatari banks continue to report robust bottom line growth but this may be coming at a price of reduced provision 188mm in 1Q09, vs. 208mm in 3Q08 and 740mm in 4Q08
- **Selling locally listed equities to the government** - The Qatari banks took advantage of the Qatar government offer (part cash, part 5 year bond) to offload their locally listed securities at purchase price minus impairments taken as of end of 2008. This leaves the MTM losses booked in the equity to be reversed, increasing the equity and together with QIA taking additional 10-20% stakes in the banks should have the impact of increasing the equity base and reducing ROE's. The government launched a \$3bn bond issue to support the support packages.

Company	Ticker	Recommendation	Current Price (LC)	Target Price (LC)	Potential Upside	% Δ YTD	% Δ MTD	Avg Volume (000's) - 30 days	Market Cap (LC billion)	Market Cap (\$ billion)	Assets (LC billion)	Assets (\$ billion)	'08					'09E					
													P/E	P/B	NIM	ROE	Div. Yield	P/E	P/B	NIM	ROE	Div. Yield	
UAE																							
Abu Dhabi Commercial Bank	ADCB UH	Market Perform	1.6	1.9	18.8%	(10.1)	-	1,811	7.7	2.1	147.7	40.2	6.0	0.5	2.1	9.0	5.6	5.1	0.4	2.0	8.9	7.2	
Emirates NBD	EMIRATES UH	Market Perform	2.7	3.5	27.7%	(1.2)	(3.1)	276	15.2	4.1	282.4	76.9	4.3	0.6	2.5	19.1	6.6	4.3	0.6	2.4	17.4	6.9	
First Gulf Bank	FGB UH	Market Perform	10.2	10.1	-0.5%	10.9	20.4	576	14.0	3.8	107.5	29.3	4.6	0.9	3.1	22.5	4.3	5.1	0.7	2.9	15.1	4.2	
National Bank of Abu Dhabi	NBAD UH	Outperform	9.4	10.3	9.6%	15.5	12.6	272	20.4	5.6	164.7	44.8	6.2	1.2	2.6	23.6	3.7	6.5	1.2	2.5	18.9	4.4	
Union National Bank	UNB UH	Market Perform	2.9	2.7	-6.9%	43.7	39.4	899	6.0	1.6	65.2	17.8	4.3	0.7	2.9	19.9	4.5	4.9	0.7	2.5	15.4	3.3	
													5.1	0.8	2.6	18.8	4.9	5.2	0.7	2.5	15.2	5.2	
SAUDI ARABIA																							
Arab National Bank	ARNB AB	Outperform	46.6	37.4	-19.7%	49.4	31.3	350	30.3	8.1	121.3	32.3	9.8	2.2	3.6	24.2	4.0	7.4	1.8	3.5	27.2	3.4	
Rajhi Bank	RJHI AB	Outperform	71.0	62.6	-11.8%	26.8	37.2	2,319	106.5	28.4	164.9	44.0	13.6	3.1	6.7	27.9	5.1	11.1	2.6	6.3	31.1	4.7	
SAMBA	SAMBA AB	Market perform	57.0	55.5	-2.6%	11.2	34.4	548	51.3	13.7	178.9	47.7	10.4	2.0	3.3	24.5	4.1	9.0	1.7	3.1	23.3	5.0	
Saudi British Bank	SABB AB	Outperform	56.3	63.4	12.7%	30.2	12.7	226	42.2	11.3	131.7	35.1	11.0	2.2	3.3	27.6	5.8	9.5	1.8	3.0	25.7	2.6	
Riyad Bank	RIBL AB	Market perform	25.0	23.0	-8.0%	17.9	22.0	795	37.5	10.0	159.7	42.6	13.3	1.2	3.4	14.4	6.7	9.0	1.2	3.2	12.1	7.8	
													11.6	2.1	4.1	23.7	5.1	9.2	1.8	3.8	23.9	4.7	
QATAR																							
Qatar National Bank	QNBK QD	NC	102.6	NC	NC	(25.1)	9.6	157	30.9	8.5	152.0	41.8	8.5	2.1	2.4	24.0	7.3	7.8	1.8	2.3	22.4	4.9	
Doha Bank	DHBK QD	NC	33.7	NC	NC	(19.8)	26.7	431	6.1	1.7	39.0	10.7	6.7	1.3	3.5	22.2	14.8	6.6	1.1	3.2	17.1	8.3	
Commercial Bank of Qatar	CBQK QD	NC	59.5	NC	NC	(32.6)	28.5	631	12.9	3.5	61.3	16.8	7.5	1.5	2.8	21.0	7.9	5.7	1.1	2.7	20.2	8.8	
													7.6	1.6	2.9	22.4	10.0	6.7	1.3	2.7	19.9	7.3	

* current prices as of April 30, 2009
LC = local currency
NC = not covered

UAE Banks - ADCB, EMIRATES, FGB, NBAD, UNB					
(AED Millions)	1Q08	4Q08	1Q09	yoy	qoq
Net Interest Income	3,370	4,782	4,988	48.0%	4.3%
Non-Interest Income	2,548	1,183	1,884	-26.1%	59.2%
Total Income	5,918	5,965	6,873	16.1%	15.2%
Non-Interest Expense	(1,832)	(2,329)	(2,162)	18.0%	-7.2%
Provisions	(560)	(2,541)	(1,266)	125.9%	-50.2%
Net Profit	3,542	976	3,434	-3.0%	251.9%
Net Loans	442,607	559,300	573,369	29.5%	2.5%
Total Assets	690,876	762,483	768,339	11.2%	0.8%
Customer Deposit	357,258	473,592	471,201	31.9%	-0.5%
Loans/Deposits	124%	118%	122%		
Efficiency Ratio	-31.0%	-39.0%	-31.5%		

SAUDI Banks - ARNB, RAJHI, RIYAD, SABB, SAMBA					
(SAR Millions)	1Q08	4Q08	1Q09	yoy	qoq
Net Interest Income	6,052	6,024	6,501	7.4%	7.9%
Non-Interest Income	1,671	1,866	2,129	27.4%	14.1%
Total Income	7,723	7,889	8,630	11.7%	9.4%
Non-Interest Expense	(2,352)	(2,751)	(2,549)	8.4%	-7.3%
Provisions	(404)	(1,006)	(1,181)	192.4%	17.4%
Net Income for Shareholders	4,925	3,865	4,900	-0.5%	26.8%
Net Loans and Advances	416,121	490,312	485,272	16.6%	-1.0%
Total Assets	667,584	753,274	742,217	11.2%	-1.5%
Customer Deposits	478,652	545,003	544,303	13.7%	-0.1%
Loans/Deposits	87%	90%	89%		
Efficiency Ratio	-30.5%	-34.9%	-29.5%		

Qatar Banks - QNB, CBQ, Doha					
(QAR Millions)	1Q08	4Q08	1Q09A	yoy	qoq
Net Interest Income	1,080	1,429	1,550	43.5%	8.4%
Non-Interest Income	1,086	876	1,154	6.3%	31.7%
Total Income	2,166	2,306	2,703	24.8%	17.3%
Non-Interest Expense	(557)	(690)	(596)	7.0%	-13.6%
Provisions	(69)	(740)	(188)	173.0%	-74.6%
Net Profit	1,628	950	1,952	19.9%	105.4%
Net Loans	125,517	157,948	140,679	12.1%	-10.9%
Total Assets	211,890	252,310	246,300	16.2%	-2.4%
Customer Deposit + investment accts	129,555	159,715	144,370	11.4%	-9.6%
Loans/Deposits	97%	99%	97%		
Efficiency Ratio	-25.7%	-29.9%	-22.1%		

Disclaimer: This report is not an offer to buy or sell nor a solicitation to buy or sell any of the securities mentioned within. The information and recommendations contained in this report were prepared using information available to the public and sources Al Mal Capital believes to be reliable. Al Mal Capital PSC does not guarantee the accuracy of the information contained within this report and accepts no responsibility or liability for losses or damages incurred as a result of investment decisions taken based on information provided or referred to in this report. Any analysis of historical facts and data is for information purposes only and past performance of any company or security is no guarantee or indication of future results. Al Mal Capital PSC, or its "related group companies" (which may include any of its branches, affiliates and subsidiaries) or any director(s) or employee(s) of the said companies, individually or collectively, may from time to time take positions or effect transactions related to companies mentioned in this report. Al Mal Capital PSC and its related group companies may have performed or seek to perform investment banking or any other financial or advisory services for the companies mentioned in this report.