

October 11, 2009

## BANQUE SAUDI FRANSI (1050.SE)

- Banque Saudi Fransi (BSF) announced a net profit of SAR 714 million in 3Q2009, 2% below 3Q2008, but 3% over 2Q2009. We had forecasted income before provisions to reach SAR 781 million in 3Q2009 and our forecast for BSF's net profit growth in FY2009 stands at negative 2%. The level of provisions taken in 3Q2009 has not been disclosed. However, from the data currently available, it looks like provisioning in 3Q2009 was lower than in 2Q2009, which stood at SAR 120 million.
- Net interest income reached SAR 758 million in 3Q2009, 11% over 3Q2008, but almost unchanged compared with 2Q2009. Operating income reached SAR 1.06 billion, 7% below 3Q2008 and 3% below 2Q2009. Non-interest income dropped compared with 2Q2009. We believe lower fees was one reason for that as trading on Tadawul in 3Q2009 was 50% lower than trading in 2Q2009.
- BSF's balance sheet stood at SAR 122 billion as of September, nearly unchanged compared with June 2009. Loans and deposits were also flat in 3Q2009, standing at SAR 81 billion and SAR 90 billion, respectively, as of September 2009.
- Since our last update on BSF on 17 September 2009, the share price increased by 7% to close at SAR 43.8. Our fair value for BSF (SAR 46.5) is now 6% over the bank's latest closing price, hence, our current recommendation on the stock is a "Hold".

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