

July 12, 2010

BANQUE SAUDI FRANSI (1050.SE)

12-Month Fair Value: SAR 49.30

Last Close (12 July 2010): SAR 44.50

Recommendation: Accumulate - Risk Level: 2

- Banque Saudi Fransi (BSF) reported a net profit of SAR 757 million in 2Q2010, 9% above 2Q2009 and 6% above 1Q2010. The level of provisions taken in 2Q2010 was not disclosed. However, it looks like provisioning in 2Q2010 increased compared to 1Q2010, but decreased compared with the average quarterly figure in FY2009.
- Net interest income stood at SAR 776 million, 2.5% above 2Q2009 and 7% above 1Q2010. Non-interest income grew by 12% year-on-year (Y-o-Y) and 9% quarter-on-quarter (Q-o-Q). Total operating income reached SAR 1,155 million, 5% above 2Q2009, 8% above 1Q2010 and 6% above our forecast for 2Q2010.
- BSF's total assets remained flat at SAR 121 billion at the end of June 2010. Net loans grew by 3% in 2Q2010 to SAR 82 billion, compared with SAR 79.6 billion at the end of March 2010, bringing the year-to-date (YTD) loan growth to 4.7%, almost reaching our FY2010 loan growth forecast of 6%. Deposits increased by 5% in 2Q2010 to SAR 92 billion, after declining by 4% in 1Q2010. Hence, BSF's loans-to-deposits ratio (LDR) declined to 89% at the end of June 2010, compared with 91% at the end of March 2010.
- BSF's results are broadly in-line with our forecasts in terms of operating income and the presumed decrease in provisioning so far in 2010. Our fair value estimate for BSF stands at SAR 49.30, which is 11% above the bank's latest closing price. Hence, our recommendation on the stock is "Accumulate".

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Related Research

- BSF Analyst Comment - 18 April 2010
- BSF Update - 31 March 2010

RISK AND RECOMMENDATION GUIDE

| RECOMMENDATION | | UPSIDE (DOWNSIDE) POTENTIAL | | |
|----------------|---|-----------------------------|---|---|
| BUY | | MORE THAN 20% | | |
| ACCUMULATE | | BETWEEN 5% AND 20% | | |
| HOLD | | BETWEEN -10% AND 5% | | |
| REDUCE | | BETWEEN -25% AND -10% | | |
| SELL | | LESS THAN -25% | | |
| RISK LEVEL | | | | |
| LOW RISK | | HIGH RISK | | |
| 1 | 2 | 3 | 4 | 5 |

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