

April 16, 2009

BANQUE SAUDI FRANSI (1050.SE)

- Banque Saudi Fransi (BSF) reported a net profit of SAR 741 million in 1Q2009, 1.2% over 1Q2008, 30% over 4Q2008, and in line with our income before provision forecast of SAR 720 million.
- Operating income reached SAR 1.08 billion, about 4.5% over 1Q2008. Net interest income stood at SAR 767 million, around 9% over 1Q2008, but close to 6% below the record net interest income of SAR 815 million achieved in 4Q2008. Non-interest income is estimated to have dropped compared to both 1Q2008 and 4Q2008. No breakdown of this non-interest income is available yet.
- Like other Saudi banks, BSF's balance sheet growth was muted in 1Q2009 with total assets dropping by close to 1.5% while the investment portfolio plummeted by 25% during that quarter. Deposits dropped by around 1% in 1Q2009 but loans managed to grow by close to 0.5%. This marginal growth in loans compares favorably with other Saudi banks that have reported results and which generally witnessed a drop in their lending books.
- Since our initiation of coverage of BSF (28th January 2009), the share price increased by 24% (adjusting for the bonus share) and closed at SAR 48.50 on 15 April 2009. Our fair value of SAR 52.10 per share is now 7% over BSF's latest closing price; hence, we change our recommendation on the stock from the previous "Buy" to a "Hold".

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