

April 14, 2010

THE SAUDI BRITISH BANK (1060.SE)

12-Month Fair Value: SAR 51.10

Last Close (13 April 2010): SAR 48.00

Recommendation: Accumulate - Risk Level: 2

- The Saudi British Bank (SABB) reported a net profit of SAR 621 million in 1Q2010, 18% below 1Q2009, but significantly higher than the SAR 26 million net profit achieved in 4Q2009. The level of provisions taken in 1Q2010 was not disclosed. However, it looks like provisioning decreased in 1Q2010 compared with the average quarterly provisioning level taken in 2009.
- Net interest income was weak reaching SAR 770 million, 13% below 1Q2009 and 5% below 4Q2009. However, non-interest income was relatively strong, reaching SAR 435 million, 7% above 1Q2009 and 15% above 4Q2009. No breakdown of non-interest income was provided. Operating income stood at SAR 1,205 million, 6% below 1Q2009 but 2% above 4Q2009.
- SABB's total assets dropped by 5% in 1Q2010 to stand at SAR 120.5 billion. Loan growth continued to be weak, dropping by 1% in 1Q2010 after declining by 5% in FY2009. Deposits increased by 1% in 1Q2010 to stand at SAR 90 billion.
- The weak net interest income combined with the relatively strong non-interest income resulted in a top-line that is slightly below our forecast for 1Q2010. The presumed decrease in provisioning in 1Q2010 compared with the average for 2009 is in line with our view that provisioning for SABB will be lower in FY2010 than it was in FY2009. Our fair value for SABB (SAR 51.10) is 6% above the bank's latest closing price (SAR 48.00), hence, our recommendation on the stock is "Accumulate".

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Related Research

- SABB 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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