

October 13, 2011

THE SAUDI BRITISH BANK (1060.SE)

12-Month Fair Value: SAR 49.00

Recommendation: Buy - Risk Level: 2

Last Close (12 October 2011): 40.00 SAR

- **The Saudi British Bank (SABB) reported a net profit of SAR 630 million in 3Q2011, soaring by 50% YoY.** It looks like provisioning, as expected, dropped sharply YoY, significantly supporting the strong increase in the bottom line.
- **Total operating income reached SAR 1.21 billion in 3Q2011, 4.5% above 3Q2010 and matching our forecast (a difference of 0.3%).**
- **Net interest income decreased by 2% YoY, but inched up by 1% QoQ on steady NIM and increase in loans.**
- **Non-interest income continued to be robust, growing by 18% YoY.** For 9M2011, non-interest income has expanded by 23% YoY driven by all earning components (fees, foreign exchange, and investment earnings).
- **Loans continued to expand, increasing by 3% QoQ, in-line with our forecast.** This brought up YTD loan growth to 11% following negative growth in FY2009 and FY2010. Deposits also increased by around 2% QoQ resulting in YTD growth of 6% and an LDR of 82%.
- **We believe this is a good set of results.** Operating income and loan growth were in-line with our forecasts. The sharp drop in provisioning and, hence, the strong net profit growth witnessed are in-line with our view for SABB for FY2011. **We maintain our "Buy" recommendation on SABB**, with a fair value per share of SAR 49.00, which is 23% above the last closing price.

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Related Research

- Banking Strategy Note - 02 October 2011
- Analyst Comment - 13 July 2011

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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