

Rating **Neutral**
12- Month Target Price **SAR 30.00**

SAUDI BRITISH BANK
1Q2018 First Look

Expected Total Return

Price as on May-13, 2018	SAR 33.13
Upside to Target Price	(%9.4)
Expected Dividend Yield	4.2%
Expected Total Return	(%5.2)

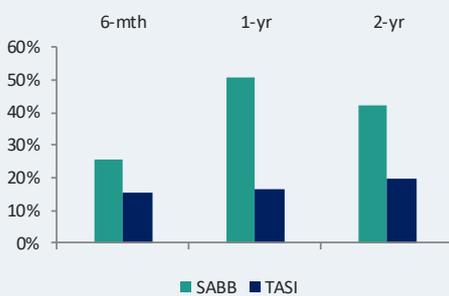
Market Data

52 Week H/L	SAR 33.50/21.70
Market Capitalization	SAR 49,695 mln
Shares Outstanding	1,500 mln
Free Float	32.4%
12-Month ADTV	254,058
Bloomberg Code	SABB AB

1-Year Price Performance



Source: Bloomberg



1Q2018 (SAR mln)	Actual	RC Forecast
Net Comm Income	1,323	1,321
Total Op Income	1,774	1,783
Net Income	1,039	1,013
Loans & Advances	116,495	118,185
Deposits	135,392	138,314

In-Line Results

Saudi British Bank (SABB) reported in-line results. Net income of SAR 1.04 billion (+0.3% Y/Y, +47% Q/Q) came close to our estimates and market consensus of SAR 1.01 billion and SAR 1.02 billion respectively. Profitability was a result of lower operating expenses, particularly provisions. In addition, the bank did well on NSCI front due to lower special commission expenses. However, non-core income of SAR 451 million was -21% lower Y/Y as trading income and fee-based income declined. Net advances were almost flat, retreating slightly by SAR 512 million, while deposits declined by SAR 4.8 billion, leading LDR to increase to 83%. On the other hand, SABB grew its investments by SAR 4.8 billion during the quarter. Trading at a 1.4x 2018E P/B, we maintain our target price of SAR 30.0 and Neutral recommendation.

Deposits drop by almost SAR 5 billion

SABB partially reversed the rise in deposits it witnessed the previous quarter, decreasing by SAR 4.8 billion to SAR 135 billion, whereas it added SAR 5.7 billion last quarter. Most of the drop came from demand deposits, SAR 4.5 billion. Net advances were more or less flat, dipping slightly by SAR 512 million to SAR 116 billion; more than offsetting their SAR 320 million increase last quarter, and in-line with our expectations. Due to the greater decrease in deposits, LDR went up from 81% in 4Q17 to 83%. However, net investments increased by SAR 4.8 billion to SAR 32 billion, in-line with the sector trend.

NSCI up +6% Y/Y

Net special commission income (NSCI) was up +6% Y/Y and +1% Q/Q, reaching SAR 1.3 billion and matching our forecast. This came on the back of a drop in special commission expense by -19% Y/Y and -1% Q/Q. We believe the Y/Y decline was the result of dumping SAR 6.7 billion of time deposits since 1Q17. Special commission income, nonetheless, was more or less flat (+1% Y/Y, +1% Q/Q), which is understandable given the modest growth in net advances. Non-core income declined -21% Y/Y to SAR 451 million, mainly on the back of lower trading income, fee-based income and all other items. Thus, total income came in at SAR 1.8 billion (-3% Y/Y and +2% Q/Q), matching our forecast.

Provisions dip

Operating expenses were down -6% Y/Y and -30% Q/Q to SAR 745 million. The yearly decline was due to a drop in impairment of other financial assets as well as provisions for credit losses, despite the increase in general and administrative expenses. The quarterly drop, however, was primarily due to a substantial decrease in provisions, general and administrative expenses, and salary expenses, given seasonality effect. Provisions amounted to SAR 207 million, lower than our SAR 224 million estimate.

Bottom line meets expectations

Net income was up +0.3% Y/Y and +47% Q/Q to SAR 1.04 billion, in-line with our SAR 1.01 billion estimate and SAR 1.02 billion market consensus. The stock offers a 4.2% dividend yield and trades at a 1.4x 2018E P/B; we maintain our target price of SAR 30.0 and Neutral recommendation.

Key Financial Figures

FY Dec31 (SAR mln)	2017A	2018E	2019E
Net Comm Inc	5,098	4,987	5,119
Prov for cred loss	1,002	820	750
Net Income	3,955	4,473	4,722
EPS (SAR)	2.64	2.98	3.15
DPS (SAR)	1.24	1.40	1.50

Key Financial Ratios

FY Dec31	2017A	2018E	2019E
NIM	2.8%	2.7%	2.6%
ROAE	12.2%	12.9%	12.7%
ROAA	2.1%	2.3%	2.4%
CAR	21.0%	24.0%	24.9%
P/B	1.5x	1.4x	1.3x

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

* The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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