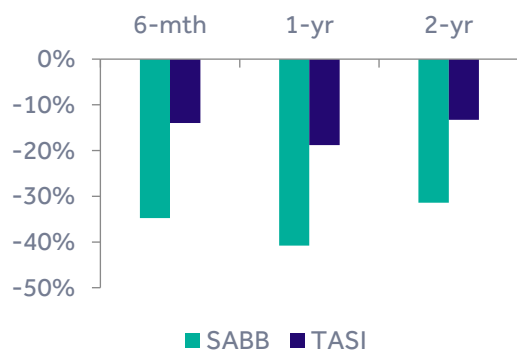


Market Data	
52-week high/low	SAR 37.05/18.20
Market Cap	SAR 56,507 mln
Shares Outstanding	2,055 mln
Free-float	47.3%
12-month ADTV	1,397,441
Bloomberg Code	SABB AB



### Impairment of Goodwill Results In Huge Net loss

August 26, 2020

Upside to Target Price	(13.2%)	Rating	Neutral
Expected Dividend Yield	2.5%	Last Price	SAR 27.65
Expected Total Return	(10.7%)	12-mth target	SAR 24.00

Saudi British Bank	2Q2020	2Q2019	Y/Y	1Q2020	Q/Q	RC Estimate
Net Commission Income	1,815	1,610	13%	1,903	(5%)	1,748
Total Operating Income	2,318	2,011	15%	2,369	(2%)	2,268
Net Income	(6,867)	(196)	-	971	-	863
Loans & Advances	152,952	154,961	(1%)	157,839	(3%)	161,402
Deposits	188,357	196,158	(4%)	188,275	0%	184,377

(All figures are in SAR mln)

- Net loans declined after two quarters of recovery, dropping by SAR 4.9 bln, while deposits remained flat this quarter at SAR 188 bln. As a result, LDR decline from 84% last quarter to 81%.
- Special commission income improved +3% Y/Y but decreased -9% Q/Q to SAR 2.0 bln. NSCI followed a similar trend to reach SAR 1.8 bln, matching our estimates (up by +13% Y/Y but down -5% Q/Q). Non-core income increased +25% Y/Y and +8% Q/Q to SAR 503 mln.
- Provisions jumped to SAR 1,309 mln compared to SAR 239 mln in 1Q20 but lower than SAR 1,592 mln in 2Q19.
- Excluding the impact of the Goodwill Impairment, net income before Zakat was lower by -4% Q/Q to reach SAR 1,102 mln, matching our SAR 1,061 mln estimate, on higher provisions and lower NSCI.
- SABB's net loss deepened to SAR 6.9 bln, primarily driven by the SAR 7.4 bln Goodwill Impairment charge related to the Alawwal Bank merger. This is a one-off accounting loss with no business impact. We plan to issue a more detailed note on this soon. For now, we maintain our target price and Neutral recommendation.

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## 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  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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