# Analyst Comment

NBK CAPITAL

January 12, 2010

## SAMBA FINANCIAL GROUP (1090.SE)

- Samba Financial Group (Samba) reported a net profit of SAR 4.56 billion for 2009, 2% above 2008, and 4% below our forecast of SAR 4.73 billion. Net profit in 4Q2009 stood at SAR 835 million, 1.1% above 4Q2008, but 31% below SAR 1.21 billion recorded in 3Q2009.

- Total assets of Samba increased by 4% compared with December 2008, reaching SAR 186 billion as of December 2009. Loans, however, continued to decline for the fourth quarter in a row, reaching SAR 84 billion at the end of 2009, falling by 2% during 4Q2009, and down 14% compared with December 2008. It is clear that Samba has been more conservative in terms of lending than its domestic peers, when compared with the modest 1% growth in total sector loans between December 2008 and November 2009.

- Samba's deposit growth remained healthy, increasing by 4% during 4Q2009, reaching SAR 147 billion at the end of 2009, up 10% compared to 2008. This was in line with the 10% sector deposit growth between December 2008 and November 2009. Thus, Samba's loans-to-deposits ratio (LDR) declined for the sixth quarter in a row, reaching 57% as of December 2009, compared with 73% at the end of 2008.

- Samba reported net interest income (NII) of SAR 5.07 billion in 2009, nearly flat compared with 2008, but 4% below our forecasts. NII for 4Q2009 stood at SAR 1.16 billion, 10% below 3Q2009 and 4Q2008. Operating income dropped for the third consecutive quarter recording SAR 1.55 billion in 4Q2009, taking total operating income for the year to SAR 7.11 billion, 1% above 2008, and 5% below our FY2009 forecast of SAR 7.45 billion. Non-interest income dropped by 22% compared with 4Q2008, most likely due to lower trading fees and a decline in lending.

- While the level of provisions taken in 4Q2009 has not yet been disclosed, we believe heavy provisioning was the main reason for the drop in net profit compared to the previous quarters in 2009.

- Our fair value for Samba (SAR 55.3) is now 2% over the bank's latest closing price (SAR 54), hence, our current recommendation on the stock is a "Hold". We will issue an update report on Samba after the release of the full financial statements.

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### Related Research

- Samba Update - 17 September 2009
- Samba Update - 17 March 2009

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