

July 13, 2010

## SAMBA FINANCIAL GROUP (1090.SE)

**12-Month Fair Value: SAR 60.60**

**Last Close (12 July 2010): SAR 57.75**

**Recommendation: Hold - Risk Level: 2**

- Samba Financial Group (Samba) reported a net profit of SAR 1,220 million in 2Q2010, 2% below 2Q2009 and 1% above 1Q2010. The level of provisions taken in 2Q2010 was not disclosed. However, it looks like provisioning in 2Q2010 decreased compared with 1Q2010 and compared with the average quarterly figure in FY2009, although this cannot be confirmed yet.
- Net interest income stood at SAR 1,202 million in 2Q2010, 8% below 2Q2009, but 3% above 1Q2010. Non-interest income increased by 11% year-on-year (Y-o-Y) but declined by 15% quarter-on-quarter (Q-o-Q). Total operating income stood at SAR 1,772 million in 2Q2010, 3% below 2Q2009, 4% below 1Q2010, and in-line with our forecast for 2Q2010.
- Samba's total assets increased by 1.4% in 2Q2010 to SAR 188.4 billion compared with SAR 185.9 billion at the end of March 2010. Net loans declined by 2.6% to SAR 83 billion in 2Q2010 compared with SAR 85.2 billion at the end of March 2010. Deposits also declined, by 0.8% to SAR 136.1 billion at the end of June 2010, compared with SAR 137.2 billion at the end of March 2010.
- The slightly weak net interest income combined with the strong non-interest income resulted in a top-line that was in-line with our forecast for 2Q2010. The presumed level of provisioning is in-line with our view that provisioning for Samba in FY2010 will decline compared to FY2009. Our fair value estimate for Samba stands at SAR 60.60, which is 5% above the bank's latest closing price. Hence, our recommendation on the stock is "Hold".

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### **Related Research**

- Samba Financial Group Analyst Comment - 18 April 2010
- Samba Financial Group 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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