

SAMBA FINANCIAL GROUP (1090.SE)

- Samba Financial Group (Samba) announced a net profit of SAR 1.21 billion in 3Q2009, 1% above 3Q2008 but 3% below 2Q2009. We had forecasted income before provisions to reach SAR 1.33 billion in 3Q2009 and our forecast for Samba's net profit in 2H2009 stands at SAR 2.21 billion. The level of provisions taken in 3Q2009 has not been disclosed yet. However, from the data currently available, it does not look like provisioning in 3Q2009 was higher than in 2Q2009, when it stood at SAR 97 million.
- Net interest income stood at SAR 1.29 billion in 3Q2009, 2.6% over 3Q2008 but 1% below 2Q2009. Operating income reached SAR 1.76 billion, 1% over 3Q2008 but 4% below 2Q2009. Non-interest income dropped by around 11% compared with 2Q2009. We believe lower fees was one reason for that as trading on Tadawul in 3Q2009 was 50% lower than trading in 2Q2009.
- Samba's assets increased by 4% in 3Q2009, reaching SAR 184 billion as of September, while deposits expanded by 3% to reach SAR 142 billion. Loans, however, declined for the third quarter in a row, dropping by 2% in 3Q2009 and bringing the YTD decrease to 12%. Samba's loans-to-deposits ratio (LDR) dropped for the fifth quarter in a row, standing at 61% as of September 2009 compared with 79% as of June 2008.
- Since our last update on Samba on 17 September 2009, the share price increased by 20% to close at SAR 55.5, matching our fair value for Samba (SAR 55.3). Hence, our current recommendation on the stock is a "Hold".

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