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Samba Financial Group (1090.SE)**January 21, 2009**

- Samba Financial Group (Samba) reported a net profit of SAR 4.45 billion for 2008, 7.7% below 2007 and in-line with our SAR 4.5 billion forecast (a difference of 1%). Net profit in 4Q2008 stood at SAR 826 million, reflecting a 13.5% year-on-year drop, and a 31% quarter-on-quarter drop.
- Loan growth for Samba stood at 1.8% in 4Q2008, resulting in a full-year loan growth of 22%. In fact, Samba's loan growth has already been weak in 2Q2008, when net loans slightly dropped during that quarter. Sector data shows a significant drop in lending growth in Saudi Arabia in 4Q2008, as total sector loans grew by 1.1% and 0.9% in October 2008 and November 2008, respectively, compared to a monthly average growth rate of 2.1% since the start of 2007. We believe this is a main reason behind SAMA's recent decision to cut interest rates. The Repo was cut by 0.5% to 2%, while the Reverse Repo was cut by 0.75% to stand at 0.75%.
- Samba's deposits grew by SAR 9 billion (7%) in 4Q2008 to reach SAR 134 billion at the end of 2008. This follows a weaker deposit growth in 2Q2008 and 3Q2008, when deposits increased by 3.1% and 1.9%, respectively. Deposit growth for full 2008 stands at 16%. The quicker growth in deposits as compared with loans in 4Q2008 dropped the loans-to-deposits ratio to 73%, compared with 77% as of September 2008. This makes Samba's loans-to-deposits ratio one of the lowest in the Saudi banking sector.
- Of all earning components in 4Q2008, only net interest income was disclosed. Net interest income reached SAR 1.29 billion in 4Q2008, 1.5% over our forecast. For full 2008, net interest income reached SAR 5.06 billion, 2.4% over 2007, in-line with our 2% growth forecast.
- No data was disclosed regarding any investment losses, provisions, or costs in 4Q2008.
- We will be waiting for the full financial statements to assess whether a change in fair value for Samba is warranted.

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Related Research

- Samba Financial Group Initiation - 28 Aug. 2008