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Samba Financial Group (1090.SE)**April 15, 2009**

- Samba Financial Group (Samba) reported a net profit of SAR 1.27 billion in 1Q2009, 6% over 1Q2008, 54% over 4Q2008, and in line with our income before provision forecast of SAR 1.25 billion.
- Operating income reached SAR 1.99 billion, 11% over 1Q2008 and 24% over 4Q2008. Net interest income stood at SAR 1.3 billion, nearly unchanged compared with 1Q2008 and 1.5% over 4Q2008.
- Balance sheet accounts witnessed a drop in 1Q2009 with total assets falling by around 6% during that quarter. Similarly, loans and deposits dropped by about 8% compared with their December 2008 levels. Finally, the investment book also witnessed close to 2% drop in 1Q2009.
- We believe this is a mixed set of results. On the one hand, we look favorably on the bottom line growth of 6%. However, the almost flat net interest income (compared to both 1Q2008 and 4Q2008) is not very encouraging. This indicates that it was non-interest income that drove the 11% growth in operating income in 1Q2009. No details were provided as to the components of this non-interest income. As for the balance sheet, although we have single digit growth forecasts for loans and deposits for full 2009, we did not expect an 8% contraction in loans and deposits in 1Q2009. We believe loan and deposit growth will gradually pick up during the year and, hence, we do not see a need to change our loan and deposit forecasts for now.
- Since our latest update on Samba (17th March 2009), the share price surged by 48% from SAR 40 to SAR 59 (as of 14th April), slightly exceeding our fair value of SAR 58.10 per share. Hence, we change our recommendation on Samba from the previous "Buy" to a "Hold".

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- Samba Update - 17 Mar. 2009
- Samba Update - 20 Nov. 2008