Analyst Comment

NBK CAPITAL

October 14, 2010

SAMBA FINANCIAL GROUP (1090.SE)

12-Month Fair Value: SAR 61.00
Last Close (13 October 2010): SAR 60.50
Recommendation: Hold - Risk Level: 2

- Samba Financial Group (Samba) reported a net profit of SAR 1,103 million in 3Q2010, 9% below 3Q2009 and 10% below 2Q2010. Total operating income stood at SAR 1,729 million in 3Q2010, 2% below 3Q2009 and 2Q2010, and in-line with our forecast (a difference of 1%) for 3Q2010.

- Net interest income stood at SAR 1,108 million in 3Q2010, 14% below 3Q2009. Non-interest income, on the other hand, was stronger, increasing by 35% year-on-year (Y-o-Y). The level of provisions taken in 3Q2010 was not disclosed. However, it looks like provisioning in 3Q2010 increased slightly compared with 2Q2010, and was probably not very far from the average quarterly figure in FY2009.

- Samba's total assets declined by 1.8% in 3Q2010 to stand at SAR 185 billion compared with SAR 188.4 billion at the end of June 2010. Net loans declined for the second quarter in a row, by 1.7% to SAR 81.3 billion as of September 2010, compared with SAR 82.7 billion as of June 2010, taking the year-to-date (YTD) loan decline to -3%. We forecast Samba's net loans to decline by 1% in FY2010. Deposits also declined, for the third quarter in a row, by 3% to reach SAR 131.9 billion at the end of September 2010, compared with SAR 136.1 billion at the end of June 2010. As such, Samba's loans-to-deposits ratio (LDR) increased to 61.6% as of September 2010, compared with 60.8% as of June 2010.

- The weak net interest income combined with the strong non-interest income resulted in a top-line that is in-line with our forecast for 3Q2010. However, loan growth was slightly weaker than expected. Our fair value estimate for Samba stands at SAR 61.00 per share, which nearly matches the bank's latest closing price. Hence, our recommendation on the stock is a "Hold".

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Related Research

- Samba Financial Group Update - 05 October 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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