

1Q2011 Results: No Major Surprises; Maintain Buy

RESULTS REVIEW

COMMERCIAL BANKS | SAUDI ARABIA

1Q2011 Earnings 25% Higher Q-o-Q on Normalising Provisions

Samba Financial Group (Samba) reported a 25% Q-o-Q rise in 1Q2011 earnings to SAR1,123 million (EPS: SAR1.25), which was in line with our expectations. Revenues recovered strongly on higher non-interest income, while provisions appear to have normalised after a surge in 2H2010. We maintain our Buy rating on Samba, as our unchanged fair value (FV) of SAR66.00/share implies 19% upside potential.

Revenues Boosted by 25% Jump in Non-Interest Income

Samba's revenues grew by 9% Q-o-Q to SAR1,701 million, broadly in line with our expectations. Non-interest income grew strongly in 1Q2011, rising by 25% Q-o-Q to SAR632 million, likely on higher investment income. Net interest income was broadly stable, up 1.4% Q-o-Q. We estimate that net interest spreads have remained broadly stable Q-o-Q, with the bank re-deploying some of its investment in reverse repos with the central bank into higher yielding investments.

Operating Costs Stable; Provisions Estimated to Be 57% Lower Q-o-Q

We estimate that Samba's operating costs were broadly stable on a Q-o-Q basis. While the bank did announce two-month salary bonuses for its employees, we believe that these have not been completely booked in 1Q2011. Provision costs, on the other hand, are estimated to have dropped by 57% Q-o-Q, normalising after a surge in 2H2010.

Loans and Deposits Grow c1.0% Q-o-Q

Samba's net loans grew by 0.9% Q-o-Q to SAR81.0 billion, with growth below the sector average growth of around 2.3% Q-o-Q in 1Q2011. The bank's deposits grew by 1.2% Q-o-Q to SAR135.0 billion, with the bank's loans-to-deposit ratio remaining steady on a Q-o-Q basis at 60% in 1Q2011.

KEY FINANCIAL HIGHLIGHTS

December Year End (SAR mn)	2010a	2011e	2012e	2013e
Total Banking Income	6,901	7,018	8,238	9,375
Pre-Provision Profits	4,991	5,017	6,085	7,016
Attributable Income	4,286	4,491	5,495	6,315
EPS (SAR)	4.76	4.99	6.11	7.02
P/E* (x)	11.7	11.1	9.1	7.9
Dividend Yield*	3.2%	3.2%	3.9%	4.4%
P/BV* (x)	2.0	1.8	1.6	1.4
ROAE	18.4%	17.1%	18.6%	18.9%
Capital Adequacy	18.9%	19.4%	19.3%	19.4%
NPL Coverage	118.1%	125.3%	127.4%	129.7%

*Price as at 12 April 2011

Source: Samba Financial Group, EFG Hermes estimates



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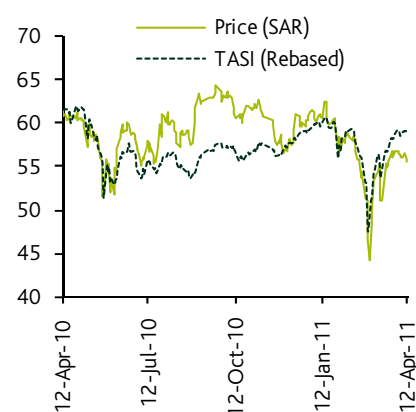
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STOCK DATA

Price	SAR55.50*
Fair Value	SAR66.00
Last Div. / Ex Date	SAR0.75 on 9 Feb 11
Mkt. Cap / Shares (mn)	SAR49,950 / 900
Av. Mthly Liqdtly (mn)	SAR286.2
52-Week High / Low	SAR64.25 / SAR44.10
Bloomberg / Reuters	SAMB AB / 1090.SE
Est. Free Float	50.7%

SHARE PRICE PERFORMANCE RELATIVE TO TASI REBASED



QUARTERLY HEADLINE EARNINGS

(SAR mn)	2010a	2011a/e
Q1	1,211	1,123
Q2	1,220	1,135
Q3	1,104	1,190
Q4	900	1,165

The Extel Survey runs from 7 March 2011 through to 6 May 2011.

To vote for EFG Hermes, go to <http://www.extelsurveys.com> or send an email to extelsurveys@thomsonreuters.com to request a soft copy questionnaire.

Thank you for your support.



RESULT HIGHLIGHTS

FIGURE 1: SAMBA - 1Q2011 PRELIMINARY RESULTS

In SAR million, unless otherwise stated

	1Q10a	4Q10a	1Q11a	Y-o-Y	Q-o-Q	1Q11e	Vs. Est.
Income Statement							
Net Special Commission Income	1,172	1,054	1,069	-8.7%	1.4%	1,090	-1.9%
Non-Special Commission Income*	669	504	632	-5.6%	25.3%	630	0.3%
Total Income	1,841	1,559	1,701	-7.6%	9.1%	1,720	-1.1%
Operating Expense*	(471)	(476)	(500)	6.1%	5.1%	(487)	2.7%
Pre-Provision Profits	1,370	1,083	1,201	-12.3%	10.9%	1,233	-2.6%
Credit & Investment Provisions*	(160)	(183)	(78)	-51.2%	-57.3%	(85)	-8.0%
Net Profit before Minority Interest	1,210	900	1,123	-7.2%	24.8%	1,148	-2.2%
Minority Interest*	1	0	0	-62.2%	30.7%	0	0.0%
Reported Net Profit	1,211	900	1,123	-7.2%	24.8%	1,148	-2.2%
EPS (SAR)	1.34	1.00	1.25			1.28	
Balance Sheet							
Net Investments	70,813	64,883	71,000	0.3%	9.4%	66,180	7.3%
Net Loans	85,197	80,251	81,000	-4.9%	0.9%	81,053	-0.1%
Total Assets	185,885	187,416	191,000	2.8%	1.9%	190,227	0.4%
Customer Deposits	137,247	133,463	135,000	-1.6%	1.2%	134,464	0.4%

*Figures for 1Q11a are estimates based on announced headline numbers

Source: Samba Financial Group (Samba), EFG Hermes estimates

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Neutral	(10%) and 15%
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