

Rating **Neutral**
12- Month Target Price **SAR 29.00**

SAMBA FINANCIAL GROUP
2Q2017 First Look

Expected Total Return

Price as on Aug-06, 2017	SAR 25.60
Upside to Target Price	13.3%
Expected Dividend Yield	4.9%
Expected Total Return	18.2%

Market Data

52 Week H/L	SAR 25.60/15.90
Market Capitalization	SAR 51,200 mln
Shares Outstanding	2,000 mln
Free Float	50.3%
12-Month ADTV	827,812
Bloomberg Code	SAMBA AB

1-Year Price Performance



Source: Bloomberg



2Q2017E (SAR mln)	Actual	RC Forecast
Net Comm Income	1,386	1,407
Total Op Income	1,988	1,995
Net Income	1,271	1,290
Loans & Advances	120,522	126,400
Deposits	171,271	172,327

Steady Quarter

Samba announced 2Q results matching our expectations. Reported net income of SAR 1.27 billion was down -3% Y/Y but up +3% over 1Q and in line with our SAR 1.29 billion forecast while market consensus was lower. At first look, we believe spreads have widened Q/Q on the back of a significant -19% decline in special commission expense over the preceding quarter although interest rates were more or less steady in 2Q. While non-core income continues to be constrained in tune with sector trend, operating expenses have dropped Q/Q as provisions have been lower. Deposits have grown just under SAR 1 billion but net advances have declined by almost SAR 4 billion further pushing down the LDR to a shade over 70%, almost 200 bps lower than 1Q. Tweaking our estimates, we raise our target price to SAR 29.00. Trading at 1.1x 2017E P/B, we recommend a Neutral.

Spreads widen

Net special commission income (NSCI) increased to SAR 1.39 billion, up +4% Y/Y and +2% Q/Q due to a fall in special commission expense by -19% Q/Q. Interest rates have been more or less stable in the quarter and Samba has managed to largely preserve special commission income. Higher cost deposits had put a strain in 1Q, which has been addressed.

LDR falls to almost 70%

After an inch up to 72.6% in 1Q, LDR has fallen to 70.4% in 2Q as deposits increased by SAR 860 million while net advances came down by SAR 3.7 billion. Rise in deposits to over SAR 171 billion (with a simultaneous fall in their cost) is a positive sign after two quarters of decline but just fell short of our SAR 172 billion estimate.

Lower provisions

Non-core income at SAR 602 million (in line with our SAR 601 million forecast) is lower on both a Y/Y and Q/Q basis but better than SAR 540 million quarterly average in 2H2016. Management commentary points to a rise in forex and trading income and gains on non-trading investments. Operating expenses have declined -4% Q/Q to SAR 717 million as we believe provisions have been lower despite higher general and admin expenses. Provisions are likely to have accrued under SAR 80 million as compared to SAR 107 million in 1Q.

Target price grows to SAR 29

Net income of SAR 1.27 billion (-3% Q/Q, +3% Y/Y) matched our SAR 1.29 billion forecast. We have tweaked our estimates going forward resulting in a rise in our target price from SAR 25.00 to SAR 29.00. Valuations are in the middle with a 2017E P/B of 1.1x while stock price has recently rallied. We have a Neutral stance on the stock for now.

Key Financial Figures

FY Dec31 (SAR mln)	2016A	2017E	2018E
Net Comm Inc	5,382	5,427	5,698
Prov for cred loss	200	360	350
Net Income	5,006	4,947	5,236
EPS (SAR)	2.50	2.47	2.62
DPS (SAR)	0.95	1.25	1.25

Key Financial Ratios

FY Dec31	2016A	2017E	2018E
NIM	2.4%	2.3%	2.3%
ROAE	12.1%	11.1%	11.0%
ROAA	2.1%	2.1%	2.2%
CAR	23.6%	18.9%	18.9%
P/B	1.2x	1.1x	1.0x

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than 15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

* The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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