

**Samba CP: 51.0 FV: 62.4 Rating: Accumulate**

**Q2-13 results in line with our estimate and consensus. NIM expansion and lower impairments driving earnings.**

- **Net income meets expectations:** Q2-13 net income of SAR 1,179 mn in line with our estimate of SAR 1,184 mn, up by 1% Q-o-Q and Y-o-Y. Lower impairments charges more than counterbalanced the decreasing non-interest income.
- **NIM expansion:** Net-interest income increased by 5% Q-o-Q for the second consecutive quarter. We estimate that margin increased by an estimated 4 bps Q-o-Q on the back of higher demand deposits, a trend similar to the one recorded in Q1-13.
- **Lower impairments charges:** Q2-13 net provisions are estimated at SAR 56mn below our estimates of SAR 95mn, and significantly lower than Q1-13. With an NPL ratio of 2.1%, and NPL coverage ratio of 135% as of Q1-13, we remain positive on the asset quality of Samba.
- **Non-interest income disappoints:** non-interest income of SAR 607 mn, came below our estimate of SAR 665 mn, down 26% Q-o-Q, following one-off investment gains in Q1-13 as well as a possibly weaker fee generation.
- **Strong lending growth:** Samba's loan book increased by a significant 5% Q-o-Q, and 16% Y-o-Y in Q2-13. Deposits also increased by 3% Q-o-Q. With a loan to deposits ratio of 72%, the bank's liquid balance sheet will continue to support loan growth acceleration in the coming quarters.
- **Attractive valuation:** With the margin expansion and normalizing cost of risk, Samba results are positive. We believe that the bank's fundamentals continue to be strong and the stock's current multiples (PB 2013E of 1.29x, PE 2013E of 9.3x) remain attractive. Given the recent share price increase, we adjust our rating to **Accumulate** from Buy. Samba announced a DPS of SAR 0.8 for the first half in line with expectations, with an expected 3.2% dividend yield for 2013.

SAR mn	Q2-12 A	Q1-13A	Q2-13 A	Q2-13 E	Q-o-Q	Y-o-Y	Vs ASIB Est
<b>Income Statement</b>							
Net Interest Income	1,099	1,082	1,149	1,139	6%	5%	1%
Non-Interest Income	646	815	607	665	-26%	-6%	-9%
Total Banking Income	1,745	1,897	1,756	1,804	-7%	1%	-3%
Operating Expenses	526	520	525	525	1%	0%	0%
Pre-Provisions Profits	1,219	1,377	1,231	1,279	-11%	1%	-4%
Provisions	61	218	56	95	-74%	-8%	-41%
<b>Net Profit</b>	<b>1,158</b>	<b>1,158</b>	<b>1,175</b>	<b>1,184</b>	<b>1%</b>	<b>1%</b>	<b>-1%</b>
<b>Balance Sheet</b>							
Loans	95,727	106,550	111,400	108,148	5%	16%	3%
Investments	59,916	63,749	61,410	66,936	-4%	2%	-8%
Total Assets	192,508	200,497	205,403	204,507	2%	7%	0%
Total Deposits	142,355	151,686	156,061	154,720	3%	10%	1%

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