

Rating  
12- Month Target Price

Neutral  
SAR 25.00

## SAMBA FINANCIAL GROUP

### 1Q2017 First Look

#### Expected Total Return

Price as on April-23, 2017	SAR 21.02
Upside to Target Price	18.9%
Expected Dividend Yield	4.5%
Expected Total Return	23.5%

#### Market Data

52 Week H/L	SAR 25.20 /15.90
Market Capitalization	SAR 42,040 mln
Shares Outstanding	2,000 mln
Free Float	50.3%
12-Month ADTV	719,123

#### 1-Year Price Performance



Source: Bloomberg



1Q2017E (SAR mln)	Actual	RC Forecast
Net Comm Income	1,359	1,296
Total Op Income	1,979	1,830
Net Income	1,231	1,202
Loans & Advances	124,266	124,891
Deposits	170,410	169,410

## Significant Metrics Rebound

Samba 1Q results met our expectations with a net income of SAR 1.23 billion (-2% Y/Y, +13% Q/Q) in line with our SAR 1.20 billion forecast. Market was more pessimistic with a SAR 1.19 billion consensus. We believe higher interest rates from the preceding quarter played a major part as net special commission income increased both on Y/Y and Q/Q basis. This is likely to change in 2Q as SAIBOR has deflated in the first quarter. Non-core income came in surprisingly robust at SAR 621 million led by trading and FVIS investments income. Given that operating expenses more or less match 4Q2016 levels (which was elevated), we are concerned and reason that provisions may have accrued around SAR 55 million. Both net loans and deposits have dropped Q/Q. Given a sub-optimal LDR versus peers, despite trading at an attractive 0.9x 2017E book value, we recommend a Neutral.

### NSCI recovers

We are glad to note a +9% Y/Y and +3% Q/Q rise in net special commission income (NSCI) to SAR 1.36 billion on the back of a +14% Y/Y increase in special commission income. Spreads have improved on both comparable quarters despite a -5% decrease in special commission income. We were apprehensive with constrained NSCI last quarter but this appears to have been addressed pointing to liquidation of higher cost deposits.

### LDR inches up

LDR has finally managed to inch up to 72.9% after a sequential drop from 75.8% in 2Q2016 but Samba continues its conservative lending practices. Deposits have dropped by SAR 1.7 billion Q/Q to SAR 170.4 billion while net loans came down by less than SAR 1 billion to SAR 124.3 billion. However, we are encouraged by an apparent reduction in high cost deposits.

### Non-core income improves

Although non-core income is down -8% Y/Y to SAR 621 million, it is much better than SAR 523 million in the preceding quarter as well as our expectations and reverses a declining trend which prevailed throughout last year. Management commentary points to a rise in income from FVIS investments combined with higher fee based income. Operating expenses are almost flat Q/Q but up +13% Y/Y to SAR 748 million. We were more conservative on the expenses front implying that our estimated provisions of SAR 35 million were below what the bank booked.

### Net income inline

Net income of SAR 1.23 billion (-2% Y/Y, +13% Q/Q) nearly matched our SAR 1.20 billion forecast. Overall, we are pleased to see a rebound in NIMs and profitability as a whole but do not rule out higher provisioning this year given a difficult environment and that no extra provisions have been taken as has been the case with some peers. Despite attractive valuations, we remain Neutral.

### Key Financial Figures

FY Dec31 (SAR mln)	2016A	2017E	2018E
Net Comm Inc	5,382	5,148	5,482
Prov for cred loss	200	250	301
Net Income	5,006	4,861	5,123
EPS (SAR)	2.50	2.43	2.56
DPS (SAR)	0.95	0.95	1.00

### Key Financial Ratios

FY Dec31	2016A	2017E	2018E
NIM	2.4%	2.3%	2.3%
ROAE	12.1%	11.0%	10.8%
ROAA	2.1%	2.1%	2.1%
CAR	23.6%	18.9%	19.0%
P/B	1.0x	0.9x	0.9x

## 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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