

Samba CP: 52.1 FV: 62.4 Rating: Accumulate

Q3-13 results in line with our estimate and consensus. NIM expansion and lower impairments driving earnings.

- **Net income meets expectations:** Q3-13 net income of SAR 1,171 mn in line with our estimate of SAR 1,172 mn, flat on Q-o-Q and Y-o-Y basis. Lower impairment charges offset the decreasing non-interest income.
- **NIM expansion:** Net-interest income increased by 3% Q-o-Q for the 3rd consecutive quarter. We estimate that margin increased by an estimated 4 bps Q-o-Q on the back of a lower cost of funds, a trend similar to the one recorded in H1-13.
- **Lower impairments charges:** Q3-13 net provisions are estimated at SAR 44mn below our estimates of SAR 49mn, and lower than Q1-13. With an NPL ratio of 2.2%, and NPL coverage ratio of 140% as of Q1-13, Samba's asset quality remains very decent and is constantly improving.
- **Non-interest income lower:** non-interest income of SAR 564 mn, came below our estimate of SAR 592 mn, down 7% Q-o-Q. We believe that capital gains may have normalized again and fee generation may have been weak during summer.
- **Slightly disappointing lending growth:** While loan growth came in slow at 2% Q-o-Q, the pace of 16% Y-o-Y remains healthy and we could see upside risk in the Q4-13 as other banks face tighter funding. Samba shed pricy deposits with loans to deposits moving to 73% from 71% in Q2-13 but still among the lowest within the sector and well below the regulatory cap of 85%.
- **Attractive valuation:** given its healthy volume growth and NIM improving prospects with among the best funding and capital position within Saudi banks, we re-iterate our Accumulate rating on Samba. Trading at a PB 2013E of 1.37x, PE 2013E of 9.9x, the stock remains attractive.

SAR mn	Q3-12 A	Q2-13 A	Q3-13 A	Q3-13 E	Q-o-Q	Y-o-Y	Vs ASIB Est
Income Statement							
Net Interest Income	1,118	1,149	1,181	1,159	3%	6%	2%
Non-Interest Income	577	607	564	592	-7%	-2%	-5%
Total Banking Income	1,695	1,756	1,745	1,751	-1%	3%	0%
Operating Expenses	499	522	530	530	2%	6%	0%
Pre-Provisions Profits	1,196	1,234	1,215	1,221	-2%	2%	-1%
Provisions	35	59	44	49	-26%	26%	-10%
Net Profit	1,161	1,175	1,171	1,172	0%	1%	0%
Balance Sheet							
Loans	98,064	111,400	113,673	114,600	2%	16%	-1%
Investments	54,323	61,410	59,469	60,182	-3%	9%	-1%
Total Assets	201,511	205,403	205,492	207,500	0%	2%	-1%
Total Deposits	143,215	156,061	155,157	158,558	-1%	8%	-2%

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