

Rating **Neutral**
12- Month Target Price **SAR 32.00**

SAMBA FINANCIAL GROUP
2Q2018 First Look

Expected Total Return

Price as on Jul-22, 2018	SAR 32.90
Upside to Target Price	(2.7%)
Expected Dividend Yield	2.3%
Expected Total Return	(0.5%)

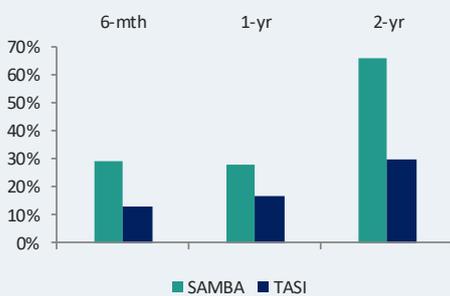
Market Data

52 Week H/L	SAR 33.05/21.80
Market Capitalization	SAR 65,800 mln
Shares Outstanding	2,000 mln
Free Float	50.3%
12-Month ADTV	980,241
Bloomberg Code	SAMBA AB

1-Year Price Performance



Source: Bloomberg



2Q2018 (SAR mln)	Actual	RC Forecast
Net Comm Income	1,541	1,445
Total Op Income	2,079	1,940
Net Income	1,400	1,290
Loans & Advances	116,632	114,903
Deposits	168,598	172,129

NSCI Leads Earnings Beat

SAMBA reported 2Q18 results with a net income of SAR 1.4 billion (+10% Y/Y and +7% Q/Q), beating both our expectations and street estimates of SAR 1.3 billion. Total income inclined Y/Y and Q/Q due to higher NSCI, on the back of increased special commission income, and despite non-core income dropping by -11% Y/Y. Operating expenses were lower Y/Y but higher Q/Q, we believe provisions remained low this quarter and in-line with our expectations. The bank added SAR 2.8 billion in investments, while loans increased by SAR 593 million. Deposits slumped by SAR 3.7 billion, leading to a rise in LDR to 69%. Trading at 2018E P/B of 1.3x, we continue to recommend a Neutral stance with a revised target price of SAR 32.00, previously SAR 29.00.

LDR rises to 69%

LDR edged up from 67% last quarter to 69% on the back of a minor SAR 593 million increase in net advances to reach SAR 117 billion (close to our SAR 115 billion forecast) combined with a substantial fall in deposits of SAR 3.7 billion to SAR 169 billion. Deposits partially reversed their SAR 4.4 billion rise last quarter. SAMBA still has the lowest LDR among banks, meaning the group can afford to raise its lending comfortably. As opposed to deposits, SAMBA added SAR 2.8 billion Q/Q in investments, partly offsetting its SAR 2.9 billion drop last quarter.

NSCI up +11% Y/Y

Net special commission income (NSCI) rose to SAR 1.5 billion, up +11% Y/Y and +8% Q/Q due to an increase in special commission income by +11% Y/Y and +6% Q/Q, as interest rates climbed during the quarter. This had its effect on special commission expense as well, which rose by +7% Y/Y, yet it remained stable Q/Q. Non-core income of SAR 537 million is -11% Y/Y lower but +6% Q/Q higher due to an increase in fees from banking services, exchange income and other operating income. As a result, total income went up +5% Y/Y and +7% Q/Q to SAR 2.1 billion, slightly higher than our SAR 1.9 billion forecast.

Provisions remain low

Operating expenses declined -5% Y/Y but increased +7% Q/Q to SAR 678 million. The Y/Y drop is mainly due to a decrease in salaries, rent, depreciation and provisions. The quarterly increase however is mainly due to an increase in provisions; yet, we believe the banks still has one of the lowest provision levels among its peers. We believe provisions came in close to our SAR 35 million estimates.

Net income beats expectations

Net income of SAR 1.4 billion (+10% Y/Y, +7% Q/Q) was slightly higher than our estimate and market consensus of SAR 1.3 billion. The stock is currently trading at 1.3x 2018E P/B. We raise our net income forecasts for 2018 and beyond. As a result, our target price grows to SAR 32.00 from SAR 29.00. However, we stick to our Neutral recommendation.

Key Financial Figures

FY Dec31 (SAR mln)	2017A	2018E	2019E
Net Comm Inc	5,732	6,062	6,201
Prov for cred loss	287	249	246
Net Income	5,024	5,200	5,325
EPS (SAR)	2.51	2.60	2.66
DPS (SAR)	0.75	0.75	0.80

Key Financial Ratios

FY Dec31	2017A	2018E	2019E
NIM	2.6%	2.7%	2.7%
ROAE	11.5%	11.1%	10.5%
ROAA	2.2%	2.3%	2.2%
CAR	21.1%	19.9%	20.3%
P/B	1.5x	1.3x	1.3x

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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