

Rating
12- Month Target Price

Neutral
SAR 29.00

SAMBA FINANCIAL GROUP
3Q2017 First Look

Expected Total Return

Price as on Nov-02, 2017	SAR 22.40
Upside to Target Price	29.5%
Expected Dividend Yield	6.7%
Expected Total Return	36.2%

Market Data

52 Week H/L	SAR 27.10 /19.50
Market Capitalization	SAR 44,800 mln
Shares Outstanding	2,000 mln
Free Float	50.3%
12-Month ADTV	860,987
Bloomberg Code	SAMBA AB

1-Year Price Performance



Source: Bloomberg



3Q2017 (SAR mln)	Actual	RC Forecast
Net Comm Income	1,447	1,380
Total Op Income	2,021	1,964
Net Income	1,308	1,253
Loans & Advances	120,678	121,361
Deposits	166,736	172,224

Unanticipated -3% Fall in Deposits

Samba reported 3Q results ahead of expectations. Net income at SAR 1.31 billion was -2% lower Y/Y but increased +3% Q/Q. At first look, spreads have expanded further Q/Q likely due to higher yields on net advances. While special commission income increased +3%, special commission expenses fell -1%, leading to a +4% rise in NSCI over 2Q. Sequential fall in non-core income has been witnessed in 2017 on the back of declining exchange and trading income. Operating expenses were marginally lower Q/Q but in line with expectations. Surprising development has been the SAR 4.5 billion fall in the deposits number in the quarter; this has plagued some peers (such as SABB and BSF) as well. Net advances were flat Q/Q but investments have grown by a substantial +17%, a trend which has emerged at most banks. Stock price has been under pressure at the Tadawul. Trading at 1.0x 2017E P/B, we recommend a Neutral with a SAR 29.00 target.

NSCI up +4% Q/Q

Net special commission income (NSCI) has risen by +4% Q/Q to SAR 1.45 billion, on the back of a +3% rise in special commission income with special commission expenses falling -1%. We believe spreads have widened as the bank managed to improve yields on net advances although SAIBOR has been flat this quarter. Falling deposits likely explains the drop in special commission expense.

LDR rises back over 72%

LDR is back above 72% this quarter due to a surprising SAR 4.5 billion decline in the total deposit base. On the contrary, net advances have been more or less flat in 3Q. Fall in the amount of deposits to SAR 167 billion was unexpected as Samba had so far managed to preserve it in a volatile operating environment, takes the deposit base to early 2015 levels. In line with sector trend, where banks have found government paper to be attractive, investments have risen by SAR 9.4 billion (+17% Q/Q) to SAR 63 billion.

Non-core income declines

The sequential decline in non-core income has continued in 3Q as well with a further -5% fall to SAR 574 million. Management report indicates that on a quarterly basis, fee-based and gains on non-trading income has improved but exchange and trading income have dragged it down. Operating expenses are almost similar to the preceding quarter at SAR 713 million and close to expectations implying no major movement in heads with provisioning likely close to the SAR 200 million mark.

Spreads lead net income higher

The +3% Q/Q growth in net income to SAR 1.31 billion beat our SAR 1.25 billion estimate, primarily due to better spreads. Our full year 2017 EPS forecast has been raised to SAR 2.54 from SAR 2.47 earlier. Recent drop in stock price at the Tadawul means Samba is now trading at 1.0x 2017E P/B. We maintain Neutral with a SAR 29.00 target price.

Key Financial Figures

FY Dec31 (SAR mln)	2016A	2017E	2018E
Net Comm Inc	5,382	5,601	5,698
Prov for cred loss	200	788	804
Net Income	5,006	5,085	5,213
EPS (SAR)	2.50	2.54	2.61
DPS (SAR)	0.95	1.50	1.50

Key Financial Ratios

FY Dec31	2016A	2017E	2018E
NIM	2.4%	2.5%	2.5%
ROAE	12.1%	11.6%	11.3%
ROAA	2.1%	2.2%	2.3%
CAR	23.6%	19.6%	19.5%
P/B	1.0x	1.0x	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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