

SAMBA FINANCIAL GROUP



EVENT FLASH

Good income growth offset by provisioning

Samba reported higher than industry total operating income growth of 11.7% YoY for 1Q13. However, the estimated 42% YoY growth in provisioning offset most of the growth in non-interest income and NSCI. Therefore, net income grew by a moderate 1.3% YoY to SR1,159mn, 8.1% better than our estimate.

- **Net sp. comm. income:** 1Q13 came in at SR1,082mn slightly below the NCBC estimate of SR1,110mn. 1Q13 was an increase of 2.6% YoY (SR1,055mn in 1Q12).
- **Total operating income:** 1Q13 came in at SR1,897mn vs. NCBC estimate of SR1,698mn. 1Q13 increased 5.6% YoY (SR1,796mn in 1Q12).
- **Net Income:** 1Q13 came in at SR1,159mn vs. NCBC estimate of SR1,072mn. 1Q13 was an increase of 1.3% YoY (SR1,145mn in 1Q12).
- Samba's net income grew moderately by 1.3% YoY to SR1,159mn, but came in better than our expectation of SR1,072mn and 4.4% better than consensus. The better than expected net income is attributable to the higher than expected fee and other income. This is in-line with most other banks that have reported results so far.
- Samba's total operating income increased 5.6% YoY driven by the 10% YoY growth in fee and other income. The bank's NSCI grew 2.6% YoY led by the growth in loans and investments. In addition, our calculation suggests that the Samba's NIMs remained flat YoY in 1Q13.
- The bank's deposit base increased 8.6% YoY, slower than loan growth of 15.3% YoY. As a result, its fund utilisation improved which increased its loan to customer deposit to 70.7% in 1Q13 from 66.3% in 1Q12. This reflects the management's strategy to expand its loan book and increase its LTD ratio.
- Based on the preliminary numbers, our estimate for the bank's total operating expense including provisions increased 13.3% YoY. Samba's provisions for the quarter increased 41.9% YoY to SR195mn.
- We are currently Overweight on Samba with a PT of SR57.7. We are positive on the bank's strategy to grow lending and increase the loan-to-customer deposit ratio to expand NSCI and hence the net income.

1Q13 Results Summary

SR mn	1Q13A	1Q12A	% Y O Y	1Q13E	% VAR [^]
Net sp comm income	1,082	1,055	2.6	1,110	(2.5)
Fee and other income	815	741	10.0	588	38.5
Total operating income	1,897	1,796	5.6	1,698	11.7
Net income	1,159	1,145	1.3	1,072	8.1
Loans (bn)	107	93	15.3	107	(0.4)
Deposits (bn)	152	140	8.6	151	0.4
Investments (bn)	64	55	16.1	54	19.3
Assets (bn)	201	196	2.5	202	(0.7)
EPS (SR)	1.29	1.27	1.3	1.19	8.1

Source: Company, NCBC Research [^] % Var indicates variance from NCBC forecasts

OVERWEIGHT

Target price (SR) 57.7

Current price (SR) 45.5

STOCK DETAILS

M52-week range H/L (SR)	54.8/43.4
Market cap (\$mn)	10,920
Shares outstanding (mn)	900
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	3.2	(2.8)	(15.3)
Rel. to market	0.1	(4.3)	(11.2)

Avg daily turnover (mn)	SR	US\$
3M	12.6	3.4
12M	9.5	2.5

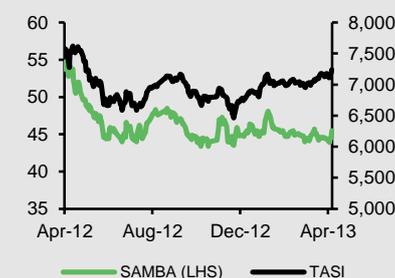
Reuters code	1090.SE
Bloomberg code	SAMBA AB
	www.samba.com.sa

VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	10.3	9.4	8.4
P/BV (x)	1.3	1.2	1.1
P/ABV (x)	1.3	1.2	1.1
Div Yield (%)	3.5	3.9	5.6

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

Mahmood Akbar +966 2 690 7943
m.akbar@ncbc.com

BANK ALJAZIRA



EVENT FLASH

Profits flat YoY, but better than our expectations

BJAZ's net income remained flat YoY at SR144mn, better than our estimate of SR108mn. The bank's NSCI grew significantly, negating the decline in fee and other income. Total operating expenses and provision, however, increased which limited the profit growth.

- **Net sp. comm. income:** 1Q13 came in at SR266mn in-line with the NCBC estimate of SR270mn. 1Q13 was an increase of 21.7% YoY (SR219mn in 1Q12).
- **Total operating income:** 1Q13 came in at SR443mn vs. the NCBC estimate of SR407mn. 1Q13 was an increase of 3.7% YoY (SR427mn in 1Q12)..
- **Net Income:** 1Q13 came in at SR144mn vs. the NCBC estimate of SR108mn. 1Q13 was in-line with 1Q12 net income of SR143mn.
- BJAZ's net income remained flat YoY at SR144mn for 1Q13, but came in better than our estimate of SR108mn. Although BJAZ's fee and other income declined YoY, it was higher than our expectation leading to the better than expected net income growth.
- The bank's NSCI was in-line with our estimate and recorded a 21.7% YoY growth. This is mainly attributable to the expanded loans portfolio. The bank's net loans grew 29.3% YoY and 8.4% QoQ while NIMs declined 10bps YoY. In addition, the bank's brokerage income for 1Q13 declined 44.5% YoY in value traded terms. We believe this is the major reason for the 15.1% YoY decline in fee and other income. However, fee and other income came in 29% higher than our expectations. Consequently total operating income grew 3.7% YoY, 8.8% higher than our estimates.
- Total operating expenses including provisions grew 5.3% YoY, in-line with our estimates. According to our calculations, provisions increased 14.4% YoY to SR55mn. The bank's provision coverage stood at 132% in 2012, which required the banks to book higher provisions to improve its coverage ratio.
- We are currently Neutral on BJAZ with a PT of SR23.3. Although, the bank is rapidly growing its loan and net income, weak asset quality and excess dependence on brokerage remains.

1Q13 Results Summary

SR mn	1Q13A	1Q12A	% Y O Y	1Q13E	% VAR [^]
Net sp comm income	266	219	21.7	270	(1.5)
Fee and other income	177	208	(15.1)	137	29.1
Total operating income	443	427	3.7	407	8.8
Net income	144	143	0.7	108	32.8
Loans (bn)	32	25	29.3	31	5.2
Deposits (bn)	41	35	19.7	42	(0.6)
Investments (bn)	9	7	23.1	9	(2.7)
Assets (bn)	54	43	25.1	52	3.7
EPS (SR)	0.48	0.48	0.7	0.36	32.8

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts

NEUTRAL

Target price (SR) 23.3

Current price (SR) 26.8

STOCK DETAILS

M52-week range H/L (SR)	29.6/21.3
Market cap (\$mn)	2,144
Shares outstanding (mn)	300
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(3.2)	(7.9)	(6.6)
Rel. to market	(6.4)	(9.5)	(2.5)

Avg daily turnover (mn)	SR	US\$
3M	25.6	6.8
12M	23.5	6.3

Reuters code	1020.SE
Bloomberg code	BJAZ AB
	www.baj.com.sa

VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	16.5	14.4	12.1
P/BV (x)	1.6	1.4	1.3
P/ABV (x)	1.5	1.3	1.2
Div Yield (%)	-	-	2.2

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

Mahmood Akbar +966 2 690 7943
m.akbar@ncbc.com

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Kindly send all mailing list requests to research@ncbc.com

NCBC Research website

<http://research.ncbc.com>

Brokerage website

www.alahlitadawul.com
www.alahlibrokerage.com

Corporate website

www.ncbc.com

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OVERWEIGHT:	Target price represents expected returns in excess of 15% in the next 12 months
NEUTRAL:	Target price represents expected returns between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

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