

Below expectations on higher expenses

1Q16 profit below our expectations and consensus

AlBilad Bank (ALBI) posted 1Q16 net profit of SAR 175 mn, which was below our estimates and consensus by 24% and 17% respectively. At the NSCI level, the bank outperformed our estimates (+7.7% deviation), where net yield (proxy for NIM) fell 3 bps Q/Q despite strong loan growth of 9% Q/Q and 28% Y/Y and higher LDR of 85%. Deviation from our forecasts was primarily because of higher operating costs which were mainly driven by increase in provisions charges. Non-interest income recorded 5.5% Q/Q growth due to higher banking fee. During the quarter, loan growth (9% Q/Q) out-paced deposit growth (-1% Q/Q) resulting in simple LDR expanding to 85% from 81%. LDR on Y/Y basis increased by 814 bps. Cost-to-income (incl. provisions) was a high 72% vs. 65% in 4Q15 and 69% in 1Q15.

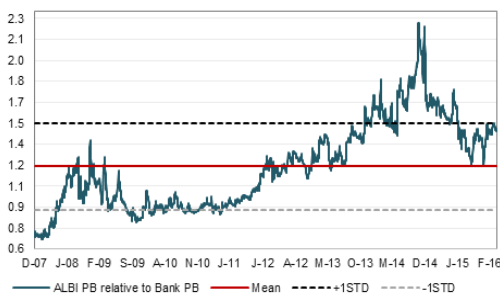
Out-performing sector on deposits and loan growth

ALBI out-performed the sector on deposit and loan growth. Deposit growth (4% Q/Q) out-performed the sector (YTD Feb 2016: -1.3%). Net yield on Q/Q has declined by 3 bps. The bank also recorded strong Q/Q loan growth (9.0%) versus 2.5% (YTD Feb 2016) for the sector. Simple LDR at 85% is below the sector's 88%.

Maintain SELL rating with TP of SAR22.40

We will tweak our model upon full disclosure of financial statements by the company later this month. The stock has risen +2%YTD 2016. The fall in share of non-interest bearing deposits and high NPL accretion remain a concern, where rise in Q/Q provisions raise the possibility that 4Q15 NPL uptick may have carried through to 1Q16. The bank also relies heavily on remittance income which could be impacted by the trend in expat job losses. Most covered banks, to have reported thus far, have recorded lower credit provision costs in 1Q16. At 1.8x 2016E PBV and a 1.8% prospective dividend yield ALBI appears expensive on valuations. *Note: Effective 11 April 2016 ALBI paid-up capital stands at SAR 6 bln (600 mn shares) after 1 for 5 bonus issue.*

Bank Albilad P/B relative to Bank index P/B



Source: Bloomberg, SFC

SAR mln	1Q16	4Q15	1Q15	Q/Q %	Y/Y %	1Q SFC	Dev %	1Q Cons.	Dev %
Net Commission Income	334	310	272	7.6	22.8	310	7.7	-na-	
Other Operating Income	293	278	283	5.5	3.5	325	-9.8		
Total Income	627	588	555	6.6	12.9	635	-1.3	616	1.9
Operating Expenses	453	384	381	17.9	18.7	405			
Net Income	175	204	174	-14.6	0.2	230	-24.1	210	-16.9
Total Assets	54,364	51,220	46,313	6.1	17.4				
Investments	3,002	2,949	1,906	1.8	57.5				
Net Loans	37,331	34,255	29,090	9.0	28.3				
Deposits	43,928	42,179	37,856	4.1	16.0				
Simple LDR	84.98	81.21	76.84	377	814				

Rating Summary

Recommendation	SELL
12-Month Target price (SAR)	18.50
Upside/(Downside)	(12%)

Stock Details

Current Price*	SAR	21.0
Market Capitalization	SAR Mn	12,570
Shares Outstanding	Mn	600
52-Week High	SAR	34.4
52-Week Low	SAR	14.4
Price Change (YTD)	%	2%
EPS 2016E	SAR	1.5
Ticker (Reuters/Bloomberg)	1140.SE	ALBI AB

Source: Tadawul, Bloomberg *as of 13 Apr 2016

Estimates

SAR	2016E	2017E
EPS	1.5	1.8
DPS	0.4	0.7
Net Interest Margin (%)	2.8%	3.1%

Source: SFC, Company reports

Price Multiples

	2016E	2017E
P / E	14.0x	12.0x
P / B	1.8x	1.6x
Dividend Yield (%)	1.8%	3.3%

Source: SFC, Company reports

1-Year Share Performance



Source: Bloomberg

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Rating Framework

BUY

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

HOLD

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

SELL

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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