

BANK ALBILAD



EVENT FLASH

Strong net income growth due to low provisions

Albilad reported a strong profit growth of 14.7% YoY to SR143mn. This was mainly driven by loan growth and fee and other income. Low provisioning, in our view, contributed to the 9.4% higher than our estimate for net income.

- NCBC view:** The 14.7% YoY growth in Albilad's net income is the result of an increase in NSCI income and fee and other Income. Although the bank's total operating income came broadly in-line with our estimate, lower than expected operating expenses including provisions resulted in net income that was 9.4% better than our estimate.
- Read Across:** Expanding loan books is the main factor driving the NSCI growth. We expect Al Rajhi and SHB to benefit from the same factor despite the pressure on NIMs. Fee and other income will also likely to be higher than expected led by the solid performance of the global markets and financial instruments as well as the strong domestic loan growth. Provisions could also be potentially lower for all the listed banks given the high NPL coverage and the fact that all the banks that reported results so far has seen a significant drop in operating expense which we attribute to lower provisions.
- Albilad's the NSCI grew 10.7% YoY to SR228mn, in-line with our estimates, led by a 25.3% YoY growth in net loans. Albilad's investment base also expanded about 8 times which enabled the strong NSCI growth. However, despite the shift from cash towards higher yielding assets, our calculation suggest that NIMs declined 4bps YoY and 9bps QoQ. This implies that the front loan rates have been declining by a significant level which supports our view that the market for lending is highly competitive in the Kingdom.
- Albilad's total operating expenses including provisions grew 5.0% YoY, but came-in 2.7% below our estimates, enabling the 14.7% YoY growth in profits.
- We are currently Underweight on the stock with a PT at SR17.7 due to its premium valuations. While the bottom line growth is relatively high, we believe that the potential for further growth is already priced in.

2Q13 Results Summary

SR mn	2Q13A	2Q12A	% Y O Y	2Q13E	% VAR [^]
Net sp comm income	228	206	10.7	228	(0.3)
Fee and other income	254	239	6.2	246	3.0
Total operating income	482	445	8.3	475	1.4
Net income	176	153	14.7	161	9.4
Loans (bn)	20	16	25.3	20	4.0
Deposits (bn)	27	24	13.6	26	3.5
Investments (bn)	2.7	0.35	688.6	2	25.0
Assets (bn)	33	29	14.8	32	3.4
EPS	0.44	0.38	14.7	0.40	9.4

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

Please refer to the last page for important disclaimer

UNDERWEIGHT

Target price (SR) 17.7

Current price (SR) 26.0

STOCK DETAILS

M52-week range H/L (SR)	26.5/18.4
Market cap (\$mn)	2,773
Shares outstanding (mn)	400
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	0.8	5.7	23.2
Rel. to market	(0.6)	(2.8)	10.7

Avg daily turnover (mn)	SR	US\$
3M	38.6	10.3
12M	24.1	6.4

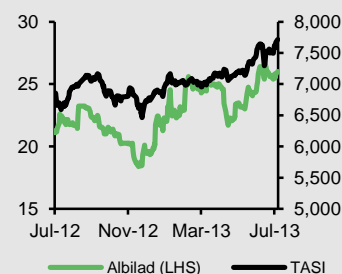
Reuters code	1140.SE
Bloomberg code	ALBI AB
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VALUATION MULTIPLES

	12A	13E	14E
P/E (x)	18.8	16.2	12.6
P/BV (x)	2.4	2.1	1.8
P/ABV (x)	2.2	1.9	1.6
Div Yield (%)	-	-	-

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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Corporate websitewww.ncbc.com**NCBC Investment Ratings**

- 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

Other Definitions

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- CS:** Coverage Suspended. NCBC has suspended coverage of this company
- NC:** Not covered. NCBC does not cover this company

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