

Below expectations, Maintain SELL

2Q16 profit below our expectations and consensus

AlBilad Bank (ALBI) posted 2Q16 net profit of SAR 184 mn, below our and consensus estimates by 4% and 9% respectively. At the NSCI level, the bank was in line with our estimates (approximately 1% higher), where net yield (proxy for NIM) rose 11 bps Q/Q (+8bps Y/Y) and loan growth was -1.1% Q/Q and +17% Y/Y. Deviation from our forecasts was primarily driven by higher operating costs (3.6% and 6.1% above our and consensus forecasts respectively), due to an increase in provision charges and employee expenses. Non-interest income recorded -0.8% Y/Y growth due to decrease in gains on non-trading investments. During the quarter, loan growth (-1.1% Q/Q) out-paced deposit growth (-4.1% Q/Q) resulting in simple LDR expanding to 87.7% from 85%. LDR on Y/Y basis increased by 496 bps. Cost-to-income (incl. provisions) was a very high 71% vs. 65% in 2Q15.

Out-performing sector on deposits and loan growth

ALBI out-performed the sector on deposit and loan growth. Deposit growth (10% Y/Y) is highest in the sector. Net yield on Q/Q has increased by 11 bps. The bank also recorded strong Y/Y loan growth (16.6%). Simple LDR at 87.7% is below the sector's 90%.

Maintain SELL rating with TP of SAR16.6

We will tweak our model upon full disclosure of financial statements by the company. The stock has declined -15%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 concern an NPL uptick. The bank also relies heavily on remittance income which could be impacted by expat job losses seen over the last 12 months. At 1.5x 2016E PBV and a 2% prospective dividend yield ALBI appears expensive on valuations.

Bank Albilad P/B relative to Bank Index P/B



Source: Bloomberg, SFC

SAR mln	2Q16	1Q16	2Q15	Y/Y %	2Q SFC	Dev %	2Q Cons.	Dev %
Net Commission Income	341	334	287	19.0	336	1.5	-na-	
Other Operating Income	296	293	298	-0.8	293	1.0		
Total Income	637	627	585	8.9	629	1.2	630	1.2
Operating Expenses	453	453	378	19.7	437	3.6	427	6.1
Net Income	184	175	207	-10.9	192	-4.2	203	-9.2
Total Assets	54,413	54,364	49,143	10.7				
Investments	2,993	3,002	2,351	27.3				
Net Loans	36,930	37,331	31,683	16.6				
Deposits	42,118	43,928	38,302	10.0				
Simple LDR	87.68	81.21	82.72	496				

Source: Company Accounts, SFC, Bloomberg

Rating Summary

Recommendation	SELL
12-Month Target price (SAR)	16.6
Upside/(Downside)	-3%

Stock Details

Current Price*	SAR	17.6
Market Capitalization	SAR Mn	10,536
Shares Outstanding	Mn	600
52-Week High	SAR	31.1
52-Week Low	SAR	14.4
Price Change (YTD)	%	-15.4%
EPS 2016E	SAR	1.5
Ticker (Reuters/Bloomberg)	1140.SE	ALBI AB

Source: Tadawul, Bloomberg *as of 21 July 2016

Estimates

SAR	2016E	2017E
EPS	1.5	1.7
DPS	0.4	0.7
Net Interest Margin (%)	2.8%	3.1%

Source: SFC, Company reports

Price Multiples

	2016E	2017E
P / E	12.0x	10.0x
P / B	1.5x	1.4x
Dividend Yield (%)	2.1%	3.9%

Source: SFC, Company reports

1-Year Share Performance



Source: Bloomberg

Aqib Elahi Mehboob
amehboob@fransicapital.com.sa
+966 11 282 6840



Research and Advisory Department

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.

Saudi Fransi Capital

Call Center | 800 125 9999

www.sfc.sa

Commercial Registration | 1010231217

Research and Advisory

P.O. Box 23454

Riyadh 11426

Saudi Arabia

Head Office | Riyadh

research&advisory@fransicapital.com.sa



Research and Advisory Department

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Saudi Fransi Capital LLC

C.R. 1010231217

P.O Box 23454

Riyadh 11426

Saudi Arabia

Head Office | Riyadh

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