

Rating **Neutral**
12- Month Target Price **SAR 22.00**

BANK ALBILAD
1Q2019 First Look

Expected Total Return

Price as on Apr-15, 2019	SAR 26.30
Upside to Target Price	(16.3%)
Expected Dividend Yield	3.8%
Expected Total Return	(12.5%)

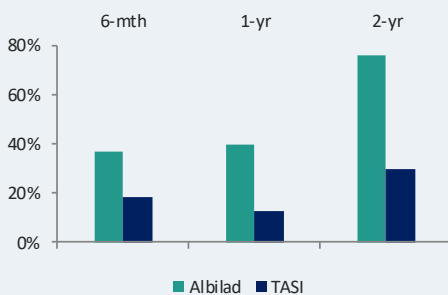
Market Data

52 Week H/L	SAR 27.75/17.67
Market Capitalization	SAR 19,725 mln
Shares Outstanding	750 mln
Free Float	52.5%
12-Month ADTV	481,284
Bloomberg Code	ALBI AB

1-Year Price Performance



Source: Bloomberg



1Q2019 (SAR mln)	Actual	RC Forecast
Net Fin. Income	597	618
Total Op Income	921	920
Net Income	317	316
Net Financing	51,409	52,141
Deposits	57,591	58,644

Another Strong Quarter

Albilad announced its 1Q2019 results with earnings matching our expectations. Net income of SAR 317 million increased +24% Y/Y and +9% Q/Q. Albilad achieved this result on the back of higher net financing and investment income as well as better non-core income, despite higher operating expenses Y/Y. Most expenses rose Y/Y including provisions. Financing and deposits grew modestly by SAR 816 million and SAR 415 million Q/Q, respectively, raising LDR to 86%. Investments, however, surged by SAR 1.9 billion during the quarter. The stock trades at an expensive 2.4x 2019E P/B; we raise our target price to SAR 22.00 but maintain our Neutral recommendation.

LDR increases to 86%

Looking at the movement of Albilad's financing in the past two years, we notice that their growth momentum has slowed in the past two quarters. Net financing grew at a similar pace to 4Q18 by SAR 816 million Q/Q to reach SAR 51.4 billion, in-line with our estimate of SAR 52.1 billion. This likely reflects sector trends where advances growth has been generally slow. Deposits also increased at a slower pace than the previous eight quarters by SAR 415 million Q/Q to SAR 57.6 billion, close to our estimate of SAR 58.6 billion. Given the larger increase in financing, LDR edged up from 85% in 4Q18 to 86%. Investments jumped notably by SAR 1.9 billion Q/Q to SAR 8.3 billion.

Net financing income up +23% Y/Y

Financing income climbed +29% Y/Y and +1% Q/Q to reach a new record level of SAR 770 million, more than offsetting the substantial rise in funding costs to SAR 173 million (+55% Y/Y, and +6% Q/Q). Thus, net financing and investment income went up +22% Y/Y but remained flat Q/Q at SAR 597 million, in-line with our SAR 618 million forecast. Growth in financing and deposits amid high SAIBOR rates had a significant impact on financials. However, given expectations of more stability in interest rates, margin expansion may slow.

Total operating income up +16% Y/Y

Non-core income increased by +6% Y/Y and Q/Q to SAR 324 million in 1Q19, due to an increase in fee-based income, gains from investments, dividend income and other operating income. As a result, total operating income came in at SAR 921 million (+16% Y/Y, and +2% Q/Q), the highest in the bank's history, matching our forecast. Operating expenses rose by +13% Y/Y to SAR 605 million, in-line with our SAR 604 million forecast, on the back of higher provisions, depreciation, staff expenses and other general and administrative expenses. We expect provisions to be around our estimate of SAR 115 million.

Net income in-line with estimates

Net income of SAR 316.5 million (+24% Y/Y, +9% Q/Q) matched our forecast and came in-line with market consensus of SAR 310 million. Albilad continued to grow its financing and deposits, though at a weaker rate this quarter. On the income side, however, it was supported by high SAIBOR rates, though elevated provisioning remain a concern. The stock trades at an expensive 2.4x 2019E P/B. We have revised our assumptions and raise our target price from SAR 21.00 to SAR 22.00, but continue to recommend a Neutral.

Key Financial Figures

FY Dec31 (SAR mln)	2018A	2019E	2020E
Net Fin. Inc	2,145	2,450	2,608
Prov for cred loss	490	619	695
Net Income	1,111	1,265	1,300
EPS (SAR)	1.48	1.69	1.73
DPS (SAR)	-	1.00	1.20

Key Financial Ratios

FY Dec31	2018A	2019E	2020E
NIM	3.2%	3.2%	3.0%
ROAE	14.4%	15.7%	15.4%
ROAA	1.6%	1.6%	1.5%
CAR	17.3%	16.1%	14.8%
P/B	2.0x	2.4x	2.3x

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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