

**1Q19 Results Update**
**April 24, 2019**

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	26.1
Target Price (SAR)	25.5
Upside/Downside (%)	(2.4%)

*As of Apr 23, 2019*
**Key Data (Source: Bloomberg)**

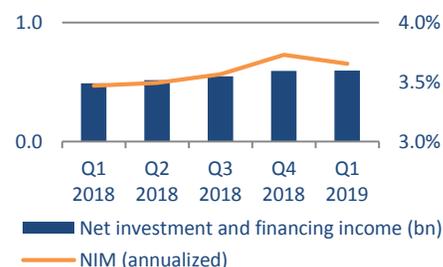
Market Cap (SAR bn)	19.6
52 Wk High (SAR)	27.8
52 Wk Low (SAR)	17.7
Total outstanding shares (in mn)	750.0
Free Float (%)	52.5%

**ALBILAD vs. TASI (Rebased)**


Price Performance (%)	Absolute	Relative
1m	11.5%	4.6%
6m	41.8%	21.0%
12m	33.4%	20.0%

**Major Shareholders (%)**

Mohamed Ibrahim Al-Subaei & Sons Co.	19.24%
Abdullah Ibrahim Al Subaei Investment Co.	11.14%
Khaled Abdulrahman Saleh Al Rajhi	10.54%

**Net investment and financing income (SAR bn) and NIM (annualized)**


Source: Bloomberg, Company Financials, FALCOM Research; Data as of 23<sup>rd</sup> Apr 2019

**AlBilad's bottom line advances on growth in loans and advances**

AlBilad Bank's (ALBILAD) net income increased 23.6% YoY and 8.6% QoQ to SAR 316.5mn during 1Q19 due to a rise in net income from investment and financing activities (22.3% YoY), along with higher dividend, fee and commission income. This rise was partially offset by a decline in net exchange income. The bank recorded 12.7% YoY growth in net loans to SAR 51.4bn, which was marginally outpaced by growth in deposits at 13.4% YoY to SAR 57.6bn. Consequently, the loan-to-deposit ratio (LDR) for 1Q19 fell slightly to 89.3% compared to 89.8% in 1Q18.

Positive movements in oil prices since the start of 2019 are expected to provide an important income boost that could propel the kingdom's economic growth. In addition, the government's focus on expanding spending on non-oil sectors (under Vision 2030) would support credit demand. However, the pace of interest rate hike is expected to slow down in 2019 following the rates hikes last year. The company's margin expansion may come under pressure as the loan growth decelerates and cost of funds rises. Given the countervailing factors, we maintain our rating as "Neutral".

- Net financing and investment income grew 22.3% YoY to SAR 597.1mn, mainly due to growth in the loan portfolio and rise in SAIBOR rates. Income from other operations was recorded at SAR 324.3mn (7.1% YoY), driven by higher fee from banking services and other operating income. Net exchange income dropped 1.3% YoY to SAR 73.9mn, while dividend income grew 14.6% to SAR 2.9mn. Consequently, total operating income surged 16.5% YoY to SAR 921.4mn.
- Operating expenses rose 9.2% YoY to SAR 480mn in 1Q19 due to an increase in salaries, depreciation, and other general and administrative expense. Meanwhile, rental expense declined 58.4% YoY in 1Q19 to SAR 27.2mn. Owing to a higher rise in income, the cost-to-income ratio declined to 52.1% in 1Q19 from 55.6% in 1Q18.
- Pre-provision profits grew 25.7% YoY to SAR 441.4mn in 1Q19. Impairment charges for the year for credit and other financial assets were up 31.2% YoY to SAR 124.8mn.
- Assets grew 10.8% YoY to SAR 72.9bn. Investments advanced 61.9% YoY to SAR 8.3bn during 1Q19. ROE improved to 16.2% in 1Q19 versus 13.5% in 1Q18; ROA was marginally up to 1.7% in 1Q19 compared to 1.6% a year ago.
- In April 2019, the Board of Directors approved a 25% capital increase to SAR 7.5bn from the existing SAR 6bn through issuance of bonus shares. The move is aimed at boosting the bank's solvency margins and funding operations.
- Bank AlBilad named Abdul Rahman bin Ibrahim Al-Humaid and Nasser bin Mohammad Al-Subaei as Chairman and Vice-Chairman respectively for the three-year term starting April 17, 2019.

**Valuation:** We revised our target price with a fair value of SAR25.5 per share and retain our "Neutral" view on the stock.

	1Q'19	1Q'18	% YoY	FY19E	FY18	% YoY
Net financing and investment income (SAR bn)	0.6	0.5	22.3%	2.5	2.1	15.6%
Operating income (SAR bn)	0.9	0.8	16.5%	3.9	3.4	13.4%
EPS (SAR)- Adjusted for bonus share	0.4	0.3	23.6%	1.6	1.5	7.1%
Net Interest Margin (%)	3.7%	3.5%	0.2%	3.5%	3.5%	0.0%
Cost to income (%)	52.1%	55.6%	-3.5%	54.2%	53.1%	1.1%
RoE (%)	16.2%	13.5%	2.7%	14.2%	14.4%	-0.2%
Total Assets (SAR bn)	72.9	65.8	10.8%	87.2	73.6	18.5%
Loans and Advances portfolio (SAR bn)	51.4	45.6	12.7%	60.2	50.6	19.0%

Source: Company Financials, FALCOM Research

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FALCOM Financial Services uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

**Overweight:** The Target share price exceeds the current share price by  $\geq 10\%$ .

**Neutral:** The Target share price is either more or less than the current share price by 10%.

**Underweight:** The Target share price is less than the current share price by  $\geq 10\%$ .

**To be Revised:** No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from FALCOM Financial Services.

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