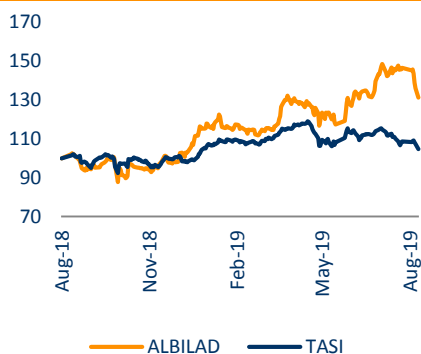


2Q19 Results Update
August 25, 2019

| Recommendation | Neutral |
|-------------------------|---------|
| Previous Recommendation | Neutral |
| Current Price (SAR) | 26.2 |
| Target Price (SAR) | 27.1 |
| Upside/Downside (%) | 3.4% |

As of August 25, 2019
Key Data (Source: Bloomberg)

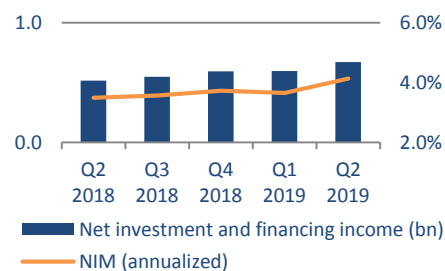
| | |
|----------------------------------|-------|
| Market Cap (SAR bn) | 19.7 |
| 52 Wk High (SAR) | 30.3 |
| 52 Wk Low (SAR) | 17.7 |
| Total outstanding shares (in mn) | 750.0 |
| Free Float (%) | 52.4% |

ALBILAD vs. TASI (Rebased)


| Price Performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1m | (8.4%) | (1.8%) |
| 6m | 14.5% | 16.8% |
| 12m | 31.3% | 26.5% |

Major Shareholders (%)

| | |
|-------------------------------------------|--------|
| Mohamed Ibrahim Al-Subaei & Sons Co. | 19.34% |
| 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 25th August 2019

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

AlBilad Bank (AlBilad)'s net income after zakat increased 14.7% YoY to SAR 304.9mn in 2Q19 owing to a rise in income from investment and financing activities. However, a decrease in fee and commission income, dividend income, net exchange income, and the gains of investments partially limited bottom-line growth. The bank recorded 13.3% YoY growth in net loans to SAR 53.7bn, lower than the growth in deposits at 13.7% YoY to SAR 59.3bn. Consequently, the loan-to-deposit ratio (LDR) for 2Q19 marginally fell to 90.5%, compared with 90.7% in 2Q18.

In July, the Saudi Arabian Monetary Authority (SAMA) announced a cut in repo rates to 275 basis points (bps) from 300 bps, following the Fed's stance of a softer monetary policy in the US. The drop in repo rates is expected to boost credit demand in the country, which had come under pressure due to higher interest rates. Loan growth is expected to boost the company's top line but may put pressure on the company's net interest margin expansion. Given the countervailing factors, we maintain our rating as "Neutral".

- Net financing and investment income grew 28.7% YoY to SAR 670.9mn, mainly owing to growth in the loan portfolio. Income from other operations was recorded at SAR 288.4mn (down 10.2% YoY), driven by a lower fee from banking services and other operating income. Net exchange income dropped 3.2% YoY to SAR 76.8mn, while dividend income contracted 45.4% to SAR 5.9mn. Overall, the total operating income surged 13.8% YoY to SAR 959.2mn.
- Operating expenses rose 11.8% YoY to SAR 482.5mn in 2Q19 due to an increase in depreciation, staff expenses, other general and administrative expenses, and an impairment charge for credit and other financial assets. Meanwhile, rental expense declined 60.5% YoY in 2Q19 to SAR 23.6mn.
- Pre-provision profits grew 16.0% YoY to SAR 476.8mn in 2Q19. Impairment charges for the year for credit and other financial assets rose 1.9% YoY to SAR 137.8mn.
- Assets grew 12.5% YoY to SAR 77.0bn. Investments surged 70.3% YoY to SAR 9.2bn in 2Q19. The ROE improved to 14.7% in 2Q19, compared with 13.8% in 2Q18; The ROA was marginally up to 1.7% in 2Q19, compared with 1.6% a year ago.
- In July 2019, ALBILAD's board recommended a 4% cash dividend for 1H19, amounting to SAR 300.0mn for 750.0mn of its outstanding shares.
- During the quarter, the bank signed an agreement to join the e-finance portal launched by the Small & Medium Enterprises General Authority (Monshaat) with the aim of streamlining procedures for entrepreneurs and the owners of small- and medium-sized enterprises (SMEs) to benefit from the bank's finance services.

Valuation: We revised our target price with a fair value of SAR 27.1 per share and retain our "Neutral" view on the stock.

| | 2Q'19 | 2Q'18 | % YoY | FY19E | FY18 | % YoY |
|----------------------------------------------|-------|-------|--------|-------|-------|--------|
| Net financing and investment income (SAR bn) | 0.7 | 0.5 | 28.7% | 2.5 | 2.1 | 15.6% |
| Operating income (SAR bn) | 1.0 | 0.8 | 13.8% | 3.9 | 3.4 | 13.4% |
| EPS (SAR)- Adjusted for bonus share | 0.4 | 0.4 | 14.7% | 1.6 | 1.5 | 7.1% |
| Net Interest Margin (%) | 4.1% | 3.5% | 0.6% | 3.5% | 3.5% | 0.0% |
| Cost to income (%) | 50.3% | 51.2% | (0.9%) | 54.2% | 53.1% | 1.1% |
| RoE (%) | 14.7% | 13.8% | 1.0% | 14.2% | 14.4% | (0.2%) |
| Total Assets (SAR bn) | 77.0 | 68.4 | 12.5% | 87.2 | 73.6 | 18.5% |
| Loans and Advances portfolio (SAR bn) | 53.7 | 47.3 | 13.3% | 60.2 | 50.6 | 19.0% |

Source: Company Financials, FALCOM Research

FALCOM Rating Methodology

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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