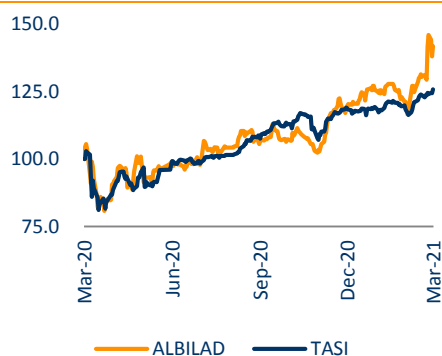


FY20 Results Update
March 03, 2021

Recommendation	Underweight
Previous Recommendation	Neutral
Current Price (SAR)	32.0
Target Price (SAR)	27.8
Upside/Downside (%)	(13.1%)
<i>As of March 02, 2021</i>	

Key Data (Source: Bloomberg)

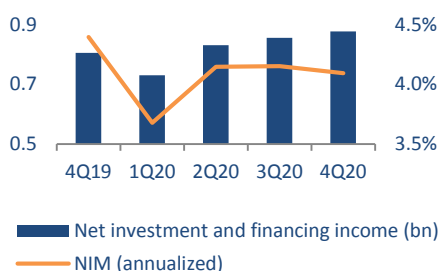
Market Cap (SAR bn)	24.0
52-Wk High (SAR)	34.0
52-Wk Low (SAR)	18.2
Total Outstanding Shares (in mn)	750.0
Free Float (%)	53.8%

ALBILAD vs. TASI (Rebased)


Price Performance (%)	Absolute	Relative
1m	18.3%	11.4%
6m	32.9%	15.8%
12m	41.8%	15.9%

Major Shareholders (%)

Mohamed Ibrahim Al Subaei & Sons Co.	19.34%
Abdullah Ibrahim Al Subaei Investment Co.	11.14%
Khaled Abdulrahman Saleh Al Rajhi	9.11%

Net Investment and Financing Income (SAR bn) and NIM (annualized)


Source: Bloomberg, Company Financials, FALCOM Research; Data as of March 02, 2021

Steady loan book growth in FY20, but liquidity tightens with LDR at 98.0%

Albilad Bank (Albilad)'s net financing and investment income inched up 16.6% YoY to SAR 3.3bn in FY20, aided by the 47.7% YoY reduction in cost of funds to SAR 0.3bn. Total operating income increased 8.0% YoY to SAR 4.3bn in FY20, whereas total operating expenses were up 2.5% YoY to SAR 2.1bn; this led to a 261.6 bps improvement in the cost-to-income ratio to 48.5%. The higher operating income translated into an 8.4% YoY rise in net income to SAR 1.3bn in FY20. The bank's loan book grew 18.3% YoY to SAR 70.1bn, while customer deposits were up 6.6% YoY to SAR 71.6bn. As a result, the loan-to-deposit ratio increased to 98.0% in FY20 from 88.4% in FY19.

Albilad reported steady performance in FY20, despite the economic challenges posed by the COVID-19 pandemic. The bank's net financing portfolio recorded robust growth in FY20, driven by strong growth in its Retail (up 27.2% YoY to SAR 35.7bn) and Commercial (up 10.2% YoY to SAR 34.5bn) assets. The bank's net interest margin remained stable in FY20, despite the lower interest rates during the year compared with FY19. The bank was also able to restrict its NPL ratio to 1.2% and coverage ratio at 279.7% in FY20. However, higher risks posed by new mutations of the COVID-19 virus and the possibility of additional restrictions may cause headwinds for the Saudi banking sector. Furthermore, the bank is facing a tight liquidity scenario with the loan-to-deposit ratio (LDR) at 98.0%. In addition, the recent rally in the stock indicates the stock might have run ahead of its fundamentals. Therefore, we revise our rating to "Underweight" on the stock.

- Albilad's net financing and investment income increased 16.6% YoY to SAR 3.3bn owing to the 4.8% YoY rise in gross financing and investment income to SAR 3.6bn and the 47.7% YoY drop in cost of funds to SAR 0.3bn.
- Operating income inched up 8.0% YoY to SAR 4.3bn in FY20, supported by a 15.4% YoY surge in net exchange income during the year.
- Total operating expense scaled up 2.5% YoY to SAR 2.1bn in FY20 due to higher G&A, salary and depreciation expenses. As a result, the bank's cost-to-income ratio improved to 48.5% from 51.1% in FY19.
- Higher operating income offset the increase in impairment and zakat expenses, resulting in the bank recording an 8.4% YoY rise in net income to SAR 1.3bn in FY20.
- The bank's total assets grew 11.3% YoY to SAR 95.7bn. Net financing increased 18.3% YoY to SAR 70.1bn, whereas customer deposits grew 6.6% YoY to SAR 71.6bn. This resulted in an increase in the LDR ratio to 98.0% against 88.4% in FY19.
- Return on equity (ROE) for the year decreased to 13.4% in FY20 from 14.4% in FY19; return on assets (ROA) contracted to 1.5% compared with 1.6% in FY19.
- Albilad's capital adequacy ratio (CAR) increased to 17.9% in FY20. Additionally, the bank's Tier I capital ratio expanded to 14.2%, whereas its Tier II ratio contracted to 3.7%.
- The bank's NPL ratio stood at 1.2%, whereas the coverage ratio increased to 279.7% in FY20.

Valuation: We revise our target price upward to a fair value of SAR 27.8 per share and alter our rating to "Underweight" on the stock.

	4Q20	4Q19	% YoY	FY21E	FY20	% YoY
Net Financing and Investment Income (SAR bn)	0.9	0.8	8.9%	3.4	3.3	2.1%
Operating Income (SAR bn)	1.1	1.0	10.0%	4.4	4.3	2.2%
EPS (SAR)	0.50	0.44	15.5%	1.89	1.80	5.1%
Net Interest Margin (%)	4.1%	4.4%	(0.3%)	3.7%	4.1%	(0.4%)
Cost to Income (%)	47.5%	51.1%	(3.6%)	49.3%	48.5%	0.8%
RoE (%)	14.4%	14.1%	0.2%	12.4%	13.4%	(1.0%)
Total Assets (SAR bn)	95.7	86.0	11.3%	104.6	95.7	9.2%
Loans and Advances (SAR bn)	70.1	59.3	18.3%	76.8	70.1	9.5%

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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