

## FY21 Results Update

March 15, 2022

Recommendation	Underweight
Previous Recommendation	Underweight
Current Price (SAR)	56.8
Target Price (SAR)	42.5
Upside/Downside (%)	(25.2%)
As of March 15, 2022	

### Key Data (Source: Bloomberg)

Market Cap (SAR bn)	42.6
52-wk High (SAR)	61.5
52-wk Low (SAR)	32.0
Total Outstanding shares (in mn)	750.0
Free Float (%)	53.2%

### ALBILAD vs. TASI (Rebased)

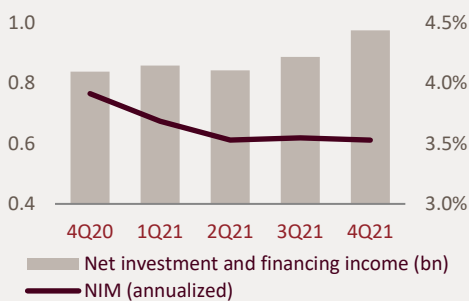


Price Performance (%)	Absolute	Relative
1m	(3.1%)	(3.5%)
6m	35.6%	26.8%
12m	60.9%	32.3%

### 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%
Abdulrahman Abdulaziz Saleh Al Rajhi	6.66%

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



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of March 15, 2022

### Margins hit in FY21 amid low interest rates

Albilad Bank (Albilad's net financing and investment income climbed 6.0% YoY to SAR 3.5bn in FY21, driven by a 3.7% YoY rise in income from investing and financing assets to SAR 3.8bn and 18.6% YoY decline in returns on deposits and financial liabilities to SAR 271.8mn. Rise in fees from banking service, dividend income and other income offset the fall in exchange income, reflected in the bank's operating income increasing 7.6% YoY to SAR 4.6bn in FY21. Total operating expense rose 3.3% YoY to SAR 2.1bn owing to higher salaries and G&A expenses. Consequently, the bank's cost to income ratio improved to 46.6% in FY21 from 48.5% in FY20. Impairment charges dropped 18.0% YoY and offset the rise in Zakat expenses; as a result, the bank's net income surged 25.1% YoY to SAR 1.7bn during the year. Albilad's loan book swelled by 18.3% YoY to SAR 82.9bn, while customer deposits rose 13.4% YoY to SAR 81.1bn. Consequently, its loan-to-deposit ratio (LDR) rose to 102.2% in FY21 from 98.0% in FY20.

Albilad's loan book grew 18.3% YoY in FY21, primarily driven by robust growth in its Commercial portfolio, which increased 21.3% YoY to SAR 43.4bn, and Retail portfolio, which grew 15.0% YoY to SAR 41.2bn. Nonperforming financing rose 11.5% YoY, indicating a marginal decline in the bank's asset quality during the year. However, the bank's NPL ratio declined to 1.10% in FY21 from 1.17% in FY20, while coverage ratio increased to 280.2% in FY21 from 279.7% in FY20. The bank's capital position remained stable, with risk-weighted assets accounting for 77.1% of total assets in FY21 as against 79.4% in FY20. Its capital adequacy ratio rose by 79 bps YoY to 18.7% in FY21. The bank's NIM contracted to 3.7% during the year from 4.1% in FY20 due to the low interest rate environment. However, the US Fed is likely to announce several rate hikes during FY22 which could improve Albilad's NIM. Nevertheless, the continuing uncertainty due to the COVID-19 pandemic may create headwinds for the economy and adversely affect the Saudi banking sector. Therefore, considering the factors mentioned above, we maintain our 'Underweight' rating on the stock.

- Albilad's net financing and investment income increased 6.0% YoY to SAR 3.5bn in FY21, aided by a 3.7% YoY rise in gross financing and investment income and 18.6% YoY decline in cost of funds.
- Total operating income rose 7.6% YoY to SAR 4.6bn on higher fees from banking services, dividend income and other income in FY21.
- Total operating expense climbed 3.3% YoY to SAR 2.1bn in FY21 due to high G&A, salary, and employee benefits expenses. The bank's cost-to-income ratio improved to 46.6% from 48.5% in FY20.
- Lower impairment charges offset the increase in Zakat expenses and resulted in a 25.1% YoY rise in the bank's net income to SAR 1.7bn in FY21.
- Total assets grew 15.8% YoY to SAR 110.9bn, driven by higher financing assets (up 18.3% YoY to SAR 82.9bn) and investment assets (up 14.8% YoY to SAR 17.1bn).
- Customer deposits surged 13.4% YoY to SAR 81.1bn, while LDR increased to 102.2% in FY21 from 98.0% in FY20.

**Valuation:** We revise the target price to a fair value of SAR 42.5 per share but maintain our 'Underweight' rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Net financing and investment income (SAR bn)	0.9	0.8	6.5%	4.3	3.5	24.2%
Operating income (SAR bn)	1.1	1.1	0.05%	5.5	4.6	19.3%
EPS (SAR)- Adjusted for bonus share	0.6	0.5	13.5%	2.9	2.2	28.9%
Net Interest Margin (%)	3.5%	4.0%	(0.4%)	4.0%	3.7%	0.3%
Cost to income (%)	47.8%	48.0%	(0.2%)	45.8%	46.6%	(0.8%)
RoE (%)	14.4%	14.3%	0.03%	18.4%	14.8%	3.6%
Total Assets	110.9	95.8	15.8%	122.3	110.9	10.3%
Loan and Advances portfolio	82.9	70.1	18.3%	92.0	82.9	10.9%

Source: Company Financials, Yaqeen Capital

## Yaqeen Capital Rating Methodology

Yaqeen Capital 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 Yaqeen Capital.

## Yaqeen Capital

**Contact us on the below phone numbers:**

Customer Services: 8004298888

Brokerage Services: 920004711

**Fax or Email us at the below number:**

Fax: +966 11 2032546

Email: [addingvalue@yaqeen.sa](mailto:addingvalue@yaqeen.sa)

**Mail us at the following address:**

P.O. Box 884

Riyadh 11421

Kingdom of Saudi Arabia

## Disclaimer and Risks Warning:

The information in this report was compiled from various public sources believed to be reliable and whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions, future prices and expectations contained herein are fair and reasonable, Yaqeen Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Yaqeen Capital does not represent that the information or expected future prices in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information or the expected prices contained in this report. Yaqeen Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and Yaqeen Capital shall not be in any way responsible for the contents hereof. Opinions, forecasts or price projections contained in this report represent Yaqeen Capital current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results, prices or events will match any such opinions, forecasts or prices projections which represent only one possible outcome and these price estimates may not occur in the future whatsoever. Further, such opinions, forecasts or price projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. Any value or price, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, the person who obtain a copy of this report should understand that this report is not intended to provide personal investment advice and does not take into account his/her financial situation or any specific investment objectives or particular needs which he/she may have. Before making an investment decision the investors should seek advice from an independent financial, investment and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and price estimates contained; are protected by the intellectual property laws, copyright and publishing rules and regulations applied in the Kingdom of Saudi Arabia.

All rights reserved.

Yaqeen Capital acquired the Saudi Capital Market Authority license number (37-06020) on 27/05/2006, and commenced providing its services to the investors in the Saudi Stock Exchange on 19/02/2007 with CR Number 1010226584 Issued on 04/12/1427H.