

## 1Q22 Results Update

June 30, 2022

Recommendation	Neutral
Previous Recommendation	Underweight
Current Price (SAR)	45.0
Target Price (SAR)	45.1
Upside/Downside (%)	0.2%
<i>As of June 29, 2022</i>	
<b>Key Data (Source: Bloomberg)</b>	
Market Cap (SAR bn)	45.0
52-wk High (SAR)	60.4
52-wk Low (SAR)	26.6
Total Outstanding shares (in mn)	1,000
Free Float (%)	53.2%

### ALBILAD vs. TASI (Rebased)

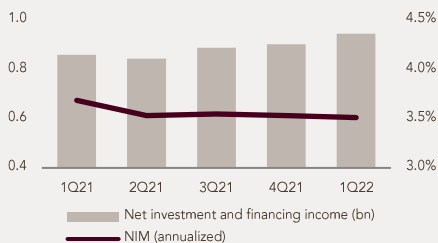


Price Performance (%)	Absolute	Relative
1m	(8.1%)	(0.5%)
6m	29.9%	25.2%
12m	62.9%	56.2%

### 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 June 29, 2022

### Bottomline surged amid higher operating income in 1Q22

AlBilad Bank (Albilad)'s net financing and investment income increased 10.0% YoY to SAR 944.5mn in 1Q22, driven by a 14.2% YoY surge in gross income from investing and financing assets to SAR 1.0bn. However, the rise in net financing and investment income was slightly offset by an 81.8% YoY rise in returns on deposits and financial liabilities to SAR 96.3mn during the quarter. Lower fees from banking service were countervailed by higher exchange income, gains on non-trading investments, and other incomes, which led the bank's operating income to rise 11.6% YoY to SAR 1.3bn in 1Q22. Rise in general and administrative expenses led to a 6.2% YoY increase in total operating expense to SAR 558.4mn during the quarter. However, the bank's cost-to-income ratio improved to 44.2% in 1Q22 from 46.4% in 1Q21. Impairment charges declined 5.9% YoY and slightly offset the 24.8% YoY rise in Zakat expenses, resulting in the bank's net income surging 24.8% YoY to SAR 490.3mn during the quarter. Albilad's loan book swelled by 14.4% YoY to SAR 86.4bn, while customer deposits rose 11.8% YoY to SAR 86.1bn. Consequently, its loan-to-deposit ratio (LDR) rose to 100.4% in 1Q22 from 98.1% in 1Q21.

Albilad's loan book surged 14.4% YoY in 1Q22, attributable to a 17.6% YoY rise in its Commercial portfolio to SAR 45.6bn and a 10.7% YoY surge in its Retail portfolio to SAR 42.6bn in 1Q22. The bank's asset quality marginally declined during the quarter as nonperforming financing rose 16.9% YoY to SAR 993.8mn. However, the bank's NPL ratio was marginally down to 1.05% in 1Q22 from 1.10% in 1Q21. Nevertheless, the bank's coverage ratio fell to 280.3% in 1Q22 from 298.9% in 1Q21. The bank's capital position remained stable, with risk-weighted assets accounting for 77.4% of the total assets in 1Q22 as against 78.9% in 1Q21. Its capital adequacy ratio rose by 111 bps YoY to 18.2% during the quarter. Low interest rate environment during the first quarter led to the bank's NIM to contract to 3.5% in 1Q22 from 3.7% in 1Q21. However, the US Fed increased the interest rates and is likely to announce more rate hikes during FY22, which could improve Albilad's NIM. Additionally, the bank managed to increase its equity by 14%, which supports its financial position for future expansion. Therefore, considering the factors mentioned above, we revise our rating to 'Neutral' on the stock.

- A 14.2% YoY rise in gross financing and investment income was slightly offset by an 81.8% YoY surge in cost of funds as Albilad's net financing and investment income climbed 10.0% YoY to SAR 944.5bn in 1Q22.
- Total operating income soared 11.6% YoY to SAR 1.3bn on gains on non-trading investments, dividend income, and other income during the quarter.
- Higher G&A, salary and employee benefits, and depreciation & amortization expenses led to a 6.2% YoY surge in total operating expense to SAR 558.4bn in 1Q22. The bank's cost-to-income ratio improved to 44.2% from 46.4% in 1Q21.
- Lower impairment charges offset the increase in zakat expenses and resulted in a 24.8% YoY rise in the bank's net income to SAR 490.3mn in 1Q22.
- Total assets climbed 13.6% YoY to SAR 116.4bn, driven by higher financing assets (up 14.4% YoY to SAR 86.4bn) and investment assets (up 13.2% YoY to SAR 18.0bn).
- Customer deposits soared 11.8% YoY to SAR 86.1bn, while LDR increased to 100.4% in 1Q22 from 98.1% in 1Q21.

**Valuation:** We revise the target price to a fair value of SAR 45.1 per share but change our rating to 'Neutral' on the stock.

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Net financing and investment income (SAR bn)	0.9	0.9	10.0%	4.1	3.5	18.6%
Operating income (SAR bn)	1.3	1.1	11.6%	5.2	4.6	13.2%
EPS (SAR)- Adjusted for bonus share	0.7	0.5	24.8%	2.1	2.2	(8.1%)
Net Interest Margin (%)	3.5%	3.7%	(0.2%)	3.8%	3.7%	0.1%
Cost to income (%)	44.2%	46.4%	(2.2%)	44.8%	46.6%	(1.8%)
RoE (%)	15.9%	14.5%	1.4%	15.9%	14.8%	1.0%
Total Assets	116.4	102.5	13.6%	129.5	110.9	16.8%
Loan and Advances portfolio	86.4	75.5	14.4%	95.4	82.9	15.0%

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.

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