

2Q22 Results Update

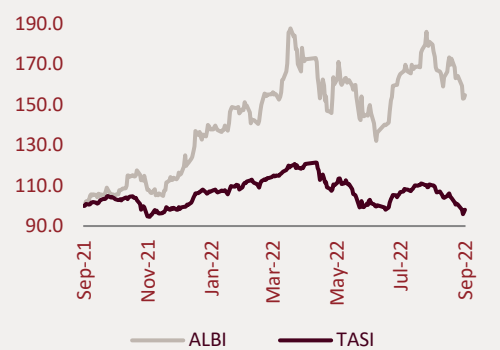
September 29, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	46.5
Target Price (SAR)	46.9
Upside/Downside (%)	0.9%

As of September 28, 2022

Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	46.5
52-wk High (SAR)	60.4
52-wk Low (SAR)	30.0
Total Outstanding shares (in mn)	1,000
Free Float (%)	53.2%

ALBILAD vs. TASI (Rebased)

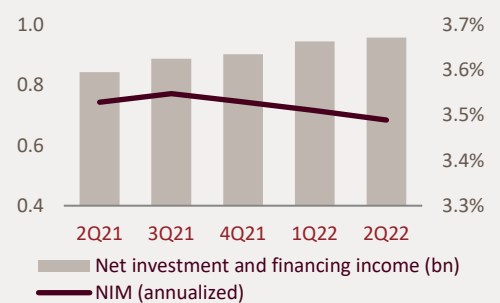


Price Performance (%)	Absolute	Relative
1m	(13.9%)	(3.1%)
6m	(0.9%)	13.6%
12m	54.8%	56.7%

Major Shareholders (%)

Mohamed Ibrahim Al Subaei & Sons Co.	19.34%
Abdullah Ibrahim Al Subaei Investment Co.	11.14%
Khaled Abdulrahman Saleh Al Rajhi	9.13%

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



Source: Bloomberg, Company Financials, Yaqeen Capital;
Data as of September 28, 2022

Rise in operating income led to surge in bottom line in 2Q22

AlBilad Bank (Albilad)'s net financing and investment income surged 13.6% YoY to SAR 956.7mn in 2Q22, driven by 25.1% YoY rise in gross income from investing and financing assets to SAR 1.1bn during the quarter. However, the rise in gross financing and investment income was offset by 167.9% YoY increase in returns on deposits and financial liabilities to SAR 182.7mn during the quarter. Increase in exchange income, dividend income, and other income countervailed the fall in fees from banking service and gains from non-trading investments, resulting in the bank's operating income to rise 10.8% YoY to SAR 1.3bn in 2Q22. Total operating expense soared 6.0% YoY to SAR 562.7mn during the quarter, led by increase in salaries and employees related benefits and other general and administrative expenses. However, the banks cost-to-income ratio improved to 44.9% in 2Q22 from 46.9% in 2Q21. Impairment charges dropped 11.7% YoY and countervailed 22.8% YoY rise in Zakat expenses, resulting in the bank's net income to surge 22.8% YoY to SAR 511.0mn during the quarter. Albilad's loan book swelled by 15.3% YoY to SAR 91.2bn. Moreover, customer deposits rose 9.2% YoY to SAR 89.1bn. Consequently, the loan-to-deposit ratio (LDR) rose to 102.4% in 2Q22 from 96.9% in 2Q21.

Albilad's loan book advanced 15.3% YoY in 2Q22, driven by 18.5% YoY rise in its commercial portfolio to SAR 48.9bn and 10.8% YoY surge in its retail portfolio to SAR 43.7bn in 2Q22. The bank's asset quality slightly declined during the quarter as non-performing financing rose 16.9% YoY to SAR 1.2bn. Consequently, the NPL ratio marginally rose to 1.26% in 2Q22 from 1.24% in 2Q21, while the coverage ratio fell to 223.2% in 2Q22 from 258.9% in 2Q21. The bank's capital position remained stable, with risk-weighted assets accounting for 77.9% of total assets in 2Q22, as against 79.4% in 2Q21. Its capital adequacy ratio narrowed 159 bps YoY to 17.7% during the quarter. The bank's NIM remained stable at 3.5% in 2Q22 owing to increase in cost of funds. The cost of risk ratio improved owing to growth in financing. The US Fed increased the interest rates and is likely to announce more rate hikes during FY22, which could improve Albilad's NIM. Therefore, considering the factors mentioned above, we maintain our "Neutral" rating on the stock.

- Albilad's gross financing and investment income advanced 25.1% YoY to SAR 1.1bn but was slightly offset by 167.9% YoY surge in cost of funds leading to a 13.6% YoY rise in net financing and investment income to SAR 956.7mn in 2Q22.
- Total operating income surged 10.8% YoY to SAR 1.3bn during the quarter, driven by rise in exchange income, dividend income, and other income.
- Higher G&A expenses, salary and employee benefits, and depreciation and amortization expenses resulted in 6.0% YoY surge in total operating expense to SAR 562.7mn in 2Q22. The bank's cost-to-income ratio improved to 44.9% from 46.9% in 2Q21.
- Rise in zakat expenses was countervailed by decline in impairment charges and led to a 22.8% YoY rise in the net income to SAR 511.0mn in 2Q22.
- Total assets climbed 12.9% YoY to SAR 121.5bn, driven by higher financing assets (up 15.3% YoY to SAR 91.2bn) and investment assets (up 8.9% YoY to SAR 18.3bn).
- Customer deposits soared 9.2% YoY to SAR 89.1bn, while LDR advanced to 102.4% in 2Q22 from 96.9% in 2Q21.

Valuation: We revise the target price to a fair value of SAR 46.9 per share but maintain our "Neutral" rating on the stock.

	2Q22	2Q21	% YoY	FY22E	FY21	%YoY
Net financing and investment income (SAR bn)	1.0	0.8	13.6%	4.2	3.5	19.4%
Operating income (SAR bn)	1.3	1.1	10.8%	5.4	4.6	17.6%
EPS (SAR)- Adjusted for bonus share	0.5	0.4	22.8%	2.2	1.7	29.1%
Net Interest Margin (%)	3.5%	3.5%	(0.0%)	3.8%	3.7%	0.1%
Cost to income (%)	44.9%	46.9%	(2.0%)	44.3%	46.6%	(2.2%)
RoE (%)	16.4%	15.0%	1.4%	16.7%	14.8%	1.8%
Total Assets	121.5	107.7	12.9%	131.7	110.9	18.8%
Loan and Advances portfolio	91.2	79.1	15.3%	97.4	82.9	17.5%

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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