

### 3Q22 Results Update

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	42.8
Target Price (SAR)	45.1
Upside/Downside (%)	5.4%

As of December 15, 2022

#### Key Data (Source: Bloomberg)

Market Cap (SAR bn)	42.8
52-wk High (SAR)	60.4
52-wk Low (SAR)	32.6
Total Outstanding shares (in mn)	1,000
Free Float (%)	53.2%

#### ALBILAD vs. TASI (Rebased)

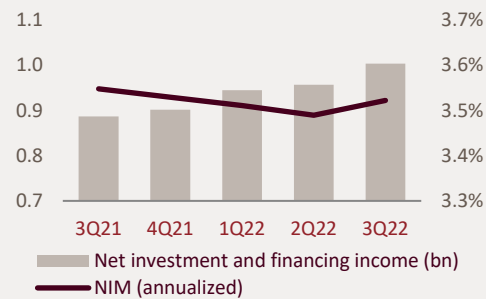


Price Performance (%)	Absolute	Relative
1m	(17.5%)	(10.3%)
6m	(10.8%)	3.3%
12m	32.3%	39.9%

#### Major Shareholders (%)

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

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



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

**December 16, 2022**

#### Surge in corporate and retail financing supports loan book growth

Albilad Bank (Albilad)'s net financing and investment income advanced 13.2% YoY to SAR 1.0bn in 3Q22, driven by a 36.0% YoY surge in gross income from investing and financing assets to SAR 1.3bn. However, a 300.9% YoY rise in returns on deposits and financial liabilities to SAR 307.1mn slightly offset the rise in gross financing and investment income during the quarter. A decline in fees from banking services and reduced dividend income were countervailed by a rise in exchange income, gain on non-trading investments, and other operating income. As a result, the bank's operating income increased 12.9% YoY to SAR 1.3bn in 3Q22. Moreover, a rise in salaries and employee benefits and other general and administrative expenses led to an 11.3% YoY surge in total operating expense to SAR 590.7mn during the quarter. However, the bank's cost-to-income ratio improved to 44.6% in 3Q22 from 45.2% in 3Q21. An increase in zakat expenses was offset by a 7.3% YoY decline in impairment charges, increasing the bank's net income by 20.2% YoY to SAR 540.6mn in 3Q22. During the quarter, Albilad's loan book swelled 12.8% YoY to SAR 92.3bn, and customer deposits rose 14.0% YoY to SAR 93.9bn. Consequently, the loan-to-deposit ratio (LDR) contracted to 98.3% in 3Q22 from 99.3% in 3Q21.

Albilad reported robust performance in 3Q22 as its loan book surged 12.8% YoY, primarily attributed to a 12.9% YoY increase in its commercial portfolio to SAR 48.6bn and a 12.0% YoY surge in its retail portfolio to SAR 45.2bn. The bank's asset quality improved marginally during the quarter, despite a 12.5% YoY rise in non-performing financing to SAR 1.2bn. Consequently, the NPL ratio improved marginally to 1.24% in 3Q22 from 1.25% in 3Q21, while the coverage ratio fell to 235.7% in 3Q22 from 260.2% in 3Q21. The bank's capital position remained stable, with risk-weighted assets accounting for 75.6% of the total assets in 3Q22, as against 76.0% in 3Q21. Its capital adequacy ratio narrowed 85bps YoY to 17.9% during the quarter. The bank's NIM remained stable at 3.5% in 3Q22. An increase in financing led to an improvement in the cost of risk ratio. Albilad announced the incorporation of its subsidiary Enjaz Payment Services Company with a capital of SAR 200mn. The incorporation of Enjaz is in line with Albilad's strategy. The US Fed announced a likely slowdown in rate hikes from December, which may impact Albilad's NIM. Considering the abovementioned factors, we maintain our "Neutral" rating on the stock.

- Albilad's gross financing and investment income jumped 36.0% YoY to SAR 1.3bn but was slightly offset by a 300.9% YoY surge in the cost of funds to SAR 307.1mn. Consequently, net financing and investment income grew 13.2% YoY to SAR 1.0bn in 3Q22.
- An increase in exchange income, gain on non-trading investments, and other operating income led to a 12.9% YoY rise in the total operating income to SAR 1.3bn during the quarter.
- The total operating expenses advanced 11.3% YoY to SAR 590.7mn, attributable to high G&A expenses, salary and employee benefits, and depreciation and amortization expenses. The bank's cost-to-income ratio improved to 44.6% in 3Q22 from 45.2% in 3Q21.
- The company's net income rose 20.2% YoY to SAR 540.6mn as the fall in impairment charges countervailed the rise in zakat expenses during the quarter.
- Albilad's total assets grew 13.8% YoY to SAR 127.0bn in 3Q22, driven by an increase in financing assets (up 12.8% YoY to SAR 92.3bn) and investment assets (up 9.8% YoY to SAR 19.1bn).
- Customer deposits surged 14.0% YoY to SAR 93.9bn, while LDR narrowed to 98.3% in 3Q22 from 99.3% in 3Q21.

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

	3Q22	3Q21	% YoY	FY22E	FY21	%YoY
Net financing and investment income (SAR bn)	1.0	0.9	13.2%	3.9	3.5	12.5%
Operating income (SAR bn)	1.3	1.2	12.9%	5.1	4.6	12.3%
EPS (SAR)- Adjusted for bonus share	0.7	0.6	20.2%	2.1	1.7	22.8%
Net Interest Margin (%)	3.5%	3.5%	(0.0%)	3.6%	3.7%	(0.1%)
Cost to income (%)	44.6%	45.2%	(0.6%)	44.4%	46.6%	(2.1%)
RoE (%)	16.9%	15.5%	1.4%	15.9%	14.8%	1.1%
Total Assets	127.0	111.6	13.8%	126.6	110.9	14.2%
Loan and Advances portfolio	92.3	81.8	12.8%	93.9	82.9	13.2%

Source: Company Financials, Yaqeen Capital

## 3Q22 Results Update Yaqeen Capital Rating Methodology

December 16, 2022

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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