

Bank Albilad (ALBILAD)

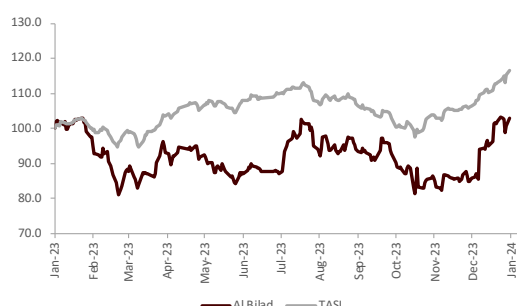
Target Price: SAR 50.0/share

Upside: 10.2%

Recommendation	Buy
Current Market Price (SAR)	45.4
52wk High / Low (SAR)	46.7/35.3
Mkt. Cap. (USD/SAR Mn)	12,092/45,350
Shares Outstanding (mn)	1,000
Free Float (%)	90.3%
3m Average Vol. (000)	1,269.3
3m Avg Daily Turnover (SAR'000)	50,128
Dividend Yield '24e (%)	1.4%
P/E'24e (x)	17.8
P/B'24e (x)	2.4

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2021	2022	2023e	2024e
Net yield income	3,489	3,887	4,156	4,639
Non yield income	1,094	1,305	1,177	1,153
Operating income	4,584	5,191	5,332	5,792
Impairment charge	570	551	349	583
Net income	1,687	2,082	2,384	2,533
Cost to income (%)	47%	45%	44%	41%
EPS (SAR)	1.69	2.09	2.39	2.54
RoE (%)	15%	16%	16%	15%
Financing	82,933	91,179	104,469	111,701
Customers' deposits	81,110	94,843	110,599	115,614

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Mohammad Ibrahim Al Subaei & Sons Co.	19.34%
Khaled Abdulrahman Saleh Al Rajhi	8.87%
Abdulrahman Abdulaziz Saleh Al Rajhi	6.68%
Abdullah Ibrahim Al Subaei Investment Co.	6.36%

Source: Bloomberg, Yaqeen Capital

Lower provisioning aided bottom-line growth

- ALBILAD net income increased by 14.0% YoY to SAR 616mn (+5.2% QoQ) in 3Q2023 as provisions related to financing portfolio declined to SAR 73mn during the quarter compared to SAR 132mn in 3Q2022.
- Operating income was marginally up by 0.8% YoY (+3.2% QoQ) to SAR 1,336mn in 3Q2023 largely on account of higher net yield income (+4.8% YoY, +3.5% QoQ). However, lower other operating income of SAR 13mn vs. SAR 57mn in 3Q2022 partially offset the gains at yield income level. Meanwhile, net fee from banking services came broadly flat at SAR 145mn vs. SAR 148mn in 3Q2022.
- Operating expenses came lower by 2.4% to SAR 576mn and cost to income ratio improved by 142bps to 43.1% in 3Q2023 owing to efficiency gains.
- As of 3Q2023, net financing portfolio grew 10.1% YoY to SAR 102bn (+2.8% QoQ) as of 3Q2023 supported by growth in both commercial as well as retail segments.
- Customer deposits were up by 16.0% YoY to SAR 109bn (+2.5% QoQ) as of 3Q2023 led by a steep rise in time deposit accounts (+99.6% YoY) while demand deposits continued to decline.
- Cost of risk dropped to 0.37% in 3Q2023 vs. 0.61% in 3Q2022 while NPL ratio rose to 1.46% compared to 1.24% in 3Q2022. Meanwhile, NPL coverage ratio remained healthy at 193% as of Sep 2023.
- As of Sep 2023, Capital adequacy ratio (CAR) stood at 17.7% and Liquidity coverage ratio (LCR) reached 133.0%.
- For 9M2023, net income came at SAR 1,762mn (+14.3% YoY) driven by lower provisioning (-32.8% YoY) and supported by higher net yield income (+6.9% YoY)

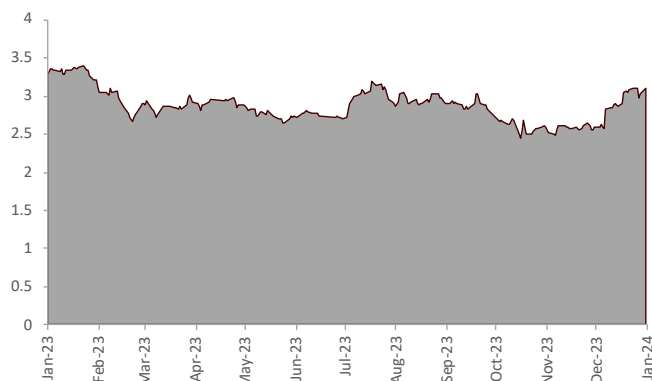
Outlook & Valuation: We maintain an optimistic outlook on domestic banking sector on expectations of sustained strong credit growth, lower provisioning, solid capitalization levels and healthy NIM levels. The projected decrease in interest rates during FY2024, driven by easing inflationary pressures, is expected to stimulate credit demand and decrease funding costs, thereby reinforcing our positive perspective on domestic banks including ALBILAD. We have projected ALBILAD earnings to grow at a CAGR of ~13% during FY2022-26 on account of expected higher net yield income and lower cost to income ratio. The stock is currently trading at a P/B of 2.4x (based on FY2024e BVPS). Based on equal weighted valuation using Residual Income and P/B methodologies, we arrive at a fair value of SAR 50.0/share (+10.2% upside from current level), implying buy recommendation on the stock.

Financial Summary

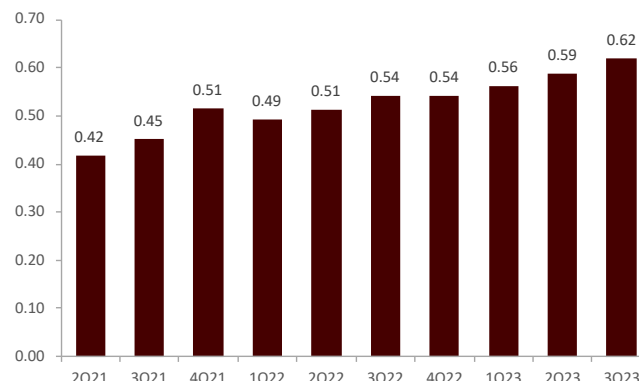
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Net yield income	1,052	1,003	5%	1,016	4%
Non yield income	284	322	-12%	278	2%
Operating income	1,336	1,325	1%	1,294	3%
Impairment charge	73	132	-45%	75	-4%
Net income	616	541	14%	586	5%
Cost to income (%)	43%	45%		44%	
Cost of risk (%)	0.37%	0.61%		0.40%	
NPL ratio (%)	1.46%	1.24%		1.49%	
EPS (SAR)	0.62	0.54	14%	0.59	5%

Source: Company Reports, Yaqeen Capital

Price to Book Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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