



Bank Albilad's Q4-19 net income of SAR 327.1mn was in line with our estimates of SAR 336.0mn. Deposit of SAR 66.8bn was 1.0bn higher than our forecast of SAR 65.8bn, while loans of SAR 59.4bn were 1.6% above our estimates. Murabaha lending rate decreased marginally. We maintain our recommendation of **"Neutral"** with a TP of **SAR 24.1/share**.

- Bank Albilad posted earnings of SAR 327.1mn (0.2%Q/Q) compared to a loss of SAR 136.3mn in Q4-18, mainly driven by a 22.1% Y/Y growth in net Income from investment and financing activity, which stood at SAR 735.3mn (3.0%Q/Q, 22.1%Y/Y), in line with our expectation of SAR 722.8mn, on the back of SAR 59.4bn loans (5.2%Q/Q, 17.3%Y/Y), representing an addition of SAR 2.9bn. Our loan expectations stood at SAR 58.4bn. Murabaha rate/lending rate came in marginally below our expectations.
- Deposits increased by SAR 2.7bn to SAR 66.8bn (4.3%Q/Q, 16.8%Y/Y), 1.5% higher than our estimate of SAR 65.8bn. As loan growth marginally outpaced deposit growth, the ADR ratio rose to 88.9% from 88.1% in Q3-19.
- Operating expenses of SAR 677.7mn (2.8%Q/Q, 10.9%Y/Y) were 5.4% below expectation. The company highlighted the increase was due to higher depreciation, SG&A expenses, and impairment on credit losses. However, rent and premises related expenditure declined.
- The company changed its accounting policy of reporting zakat from Q2-19. Accordingly, Albilad's net profit for FY-18 was restated as SAR 612.7mn (reduced by SAR 498mn) from SAR 1.1bn to account for the settlement between the company and GAZT, wherein all zakat claims for the years up to FY-17 were settled.

AJC view: We believe Albilad's strong performance and higher operating income were the result of solid loan and deposit growth. The lending rate was marginally lower than expectations; growth still depends highly on credit growth. Furthermore, funding cost for Albilad would continue to rise as the bank tries to attract higher Murabaha deposits. We expect Albilad to post earnings of SAR 1.7bn in FY20. However, we will re-visit our estimates once the company provides detailed financial results. We maintain our **"Neutral"** recommendation on Albilad with a TP of **SAR 24.1/share**. The strong bottom line resulted in ROE of 13.2% in FY-19 Vs. 7.8% in FY-18; while the stock is currently trading at a PE of 16.2x against a forward PE of 13.3x.

Results Summary

SARmn (unless specified)	Q4-18	Q3-19	Q4-19	Change YoY	Change QoQ	Deviation from AJC Estimates
Net financing & investments income	602.4	713.7	735.3	22.1%	3.0%	1.7%
<i>Net financing margin</i>	<i>78.7%</i>	<i>81.7%</i>	<i>82.7%</i>	-	-	-
Total operating income	902.1	1,023.7	1,041.0	15.4%	1.7%	-4.3%
Net Profit	-136.3	326.6	327.1	NM	0.2%	-2.7%
EPS	-0.18	0.44	0.44	-	-	-

Source: Company Reports, Aljazira Capital *NM: Not meaningful

Neutral

Target Price (SAR) **24.1**

Upside / (Downside)* **-11.1%**

Source: Tadawul *prices as of 4th of February 2020

Key Financials

SARmn (unless specified)	FY18	FY19	FY20E
Net financing & investments income	2,164.2	2,716.9	2,742.0
Growth %	24.5%	25.5%	0.9%
Net Income	612.7	1,243.7	1,691.7
Growth %	-35.0%	103.0%	36.0%
EPS (diluted)	0.82	1.67	2.03

Source: Company reports, Aljazira Capital

Key Ratios

	FY18	FY19	FY20E
NIMs	3.7%	4.4%	4.1%
Operating Margin	41%	41%	46%
P/E	26.69x	16.22x	13.3x
P/B	2.09x	2.14x	2.34x
Dividend Yield	1.8%	3.1%	3.7%
ROA	0.8%	1.4%	1.7%
ROE	8%	13%	19%
Gross loans growth	13%	17%	7%

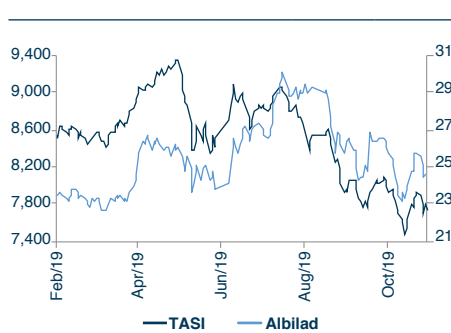
Source: Company reports, Argaam, Aljazira Capital

Key Market Data

Market Cap(bn)	20.7
YTD%	0.7%
52 week (High)/(Low)	30.25/22.39
Share Outstanding (mn)	1,500.0

Source: Company reports, Aljazira Capital

Price Performance



Source: Bloomberg

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- Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
- Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
- Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
- Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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