

BANK ALBILAD

RESULT ANALYSIS

Q3 2022

Strong earnings but in-line with expectation

Bank Albilad reported an in-line set of Q3 22 results, with net income increasing by 20.2% yoy (+5.8% qoq) to SAR541mn. This is in-line with the SNB Capital and consensus estimates of SAR533mn and SAR527mn, respectively. The growth in net income was primarily due to higher NSCI, which grew by 13.2% yoy (+4.9% qoq). Loan book remained strong (+12.8% yoy, +1.2% qoq), which we believe is the key highlight of the result.

- Revenues increased by 12.9% yoy (5.8% qoq) to SAR1.33bn and were in-line with our estimate of SAR1.31bn. The yoy growth in revenues was driven by 13.2% (+4.9% qoq) increase in NSCI to SAR1.00bn, in-line with our estimate of SAR1.02bn. Fee and other income grew by 11.9% yoy (8.8% qoq) to SAR322mn, marginally higher than our estimate of SAR284mn.
- NIM remained flat both yoy and qoq at 3.2% and were in-line with our estimate of 3.3%. Asset yields increased by c80bps yoy and c49bps qoq to 4.7% in Q3 22, higher than our estimate of 4.4%. Funding costs increased c97bps yoy to 1.3% and was higher than our estimate of 0.9%. Increase cost of funding is a common theme across the sector in Q3 22.
- Pre-provision expenses increased to SAR591mn (+11.2% yoy, +4.9% qoq) and were higher than our estimate of SAR579mn. Cost to income ratio declined to 44.6% in Q3 22 vs 45.2% in Q3 21, and was in-line with our estimate of 44.4%.
- Provisioning expenses declined 7.0% yoy (+10.1% qoq) to SAR132mn, in-line with our estimates. Consequently, cost of risk declined to 0.6% compared to 0.7% in Q3 21.
- Loan growth remained strong in Q3 22 and grew by 12.8% yoy (+1.2% qoq) to SAR92bn, though lower than our estimate of SAR95bn. Deposits grew 14.0% yoy (+5.4% qoq) to SAR94bn vs our estimate of SAR92bn. Consequently, an improvement in the L/D ratio to 98.3% (vs. 99.3% in Q3 21 and 102.4% in Q2 22).

Outlook

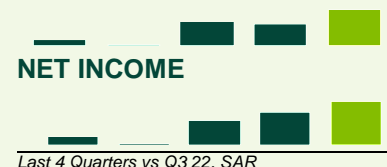
We are Neutral on Albilad with a PT of SAR47.7. Presently, Albilad trades at 2023F PB of 3.3x, higher than the peer average of 2.0x. We believe that strong loan book expansion, lower provisions and improvement in liquidity were the key positives of the result.

Q3 22 Results Summary (SAR mn)

	Q3 22	Q3 21	%yoy	Q3 22f	%Var^	Q2 22	% qoq
Gross Special Commission Income	1,311	963	36.0%	1,235	6.1%	1,139	15.0%
Net Special Commission Income	1,003	887	13.2%	1,021	(1.7)%	957	4.9%
Fee and other Income	322	288	11.9%	284	13.5%	296	8.8%
Operating Income	1,326	1,175	12.9%	1,305	1.6%	1,253	5.8%
Net Income	541	450	20.2%	533	1.4%	511	5.8%
Loans (bn)	92	82	12.8%	95	(2.7)%	91	1.2%
Deposits (bn)	94	82	14.0%	92	1.7%	89	5.4%
Investments (bn)	19	17	9.8%	19	2.7%	18	4.2%
Assets (bn)	127	112	13.8%	126	1.2%	122	4.5%
EPS (SAR)	0.54	0.60	(9.8)%	0.53	1.4%	0.51	5.8%

Source: Company, SNB Capital Research, ^ % Var indicates variance from SNB Capital forecasts

REVENUE



NEUTRAL

Price target (SAR) 47.7

Current price (SAR) 53.3

PT last updated in May 2022

VALUATION MULTIPLES

	21	22f	23f
P/E (x)	31.6	23.5	18.9
P/B (x)	4.4	3.7	3.3
Div Yield (%)	-	1.7	2.4
ROE (%)	14.9	17.3	18.6

Source: SNB Capital Research estimates

STOCK DETAILS

M52-week range H/L (SAR)	60/31
Market cap (\$mn)	14,183
Shares outstanding (mn)	1,000
Listed on exchanges	Saudi Exchange

Price perform (%)	1M	3M	12M
Absolute	11.4	8.0	68.0
Rel. to market	3.2	7.8	66.4

Avg daily turnover (mn)	SAR	US\$
3M	55.5	14.8
12M	63.3	16.9

Reuters code 1140.SE

Bloomberg code ALBI AB

www.bankalbilad.com

Nauman Khan +966 11 874 9774
n.khan@alahlicapital.com

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OVERWEIGHT:	Target price represents an increase in the share price in excess of 15% in the next 12 months
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UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
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