

Bank Albilad

Robust advances growth and lower provision boosted profitability

2Q22 Net Profit slightly higher than our estimate

Bank Albilad's (ALBI/the Bank) net profit rose 22.8% YOY to SAR 511 Mn in 2Q22, marginally exceeding our estimate of SAR 500 Mn. The increase is mainly due to the rise in funded income and decline in provision partially offset by a decline in operating expenses.

P&L Highlights

Funded income rose 25.1% YOY to SAR 1,139 Mn in 2Q22 due to robust loan growth which rose 5.6% QOQ and rise in asset yield. Interest expense more than doubled to SAR 183 Mn growth in deposits and increase in benchmark interest rates. Thus, net funded income rose 13.6% YOY to 957 Mn in 2Q22. Non-funded income rose 2.6% YOY to SAR 296 Mn in 2Q22 due to an increase in exchange income offset by a decline in net fees and commission income and lower gain from FVSI investments. As a result, total operating income grew 10.8% YOY to SAR 1,253 Mn in 2Q22. Impairments declined 12.0% YOY to SAR 120 Mn. Thus, profit before tax jumped 22.8% YOY to SAR 570 Mn in 2Q22. Zakat expenses rose in line with profit and stood at SAR 59 Mn in 2Q22.

Balance sheet highlights

Net advances rose significantly 15.3% YOY to SAR 91.2 Bn in 2Q22. Customer deposits grew stood 9.2% YOY to SAR 89.1 Bn in 2Q22 with a loan-to-deposit ratio of 102.4% in 2Q22 compared to 100.4% in 1Q22. On the other hand, total Assets increased 12.9% YOY to SAR 121.5 Bn whereas total equity rose 10.4% YOY to SAR 12.6 Bn in 2Q22.

Target price and rating

We revise our rating on Bank Albilad from HOLD to REDUCE with a revised target price of SAR 45.00. The Bank recorded robust leading growth in advances among peers during 1H2022. Advances grew 10.0% on a YTD basis to SAR 91.2 Bn in 2Q22. It also managed to increase its asset yield marginally. We also expect loan growth to remain strong amid strong economic growth and high energy prices. Albilad asset quality remained strong with an unchanged NPL ratio of 1.1%. The coverage ratio also remained strong at 280.2% in 1Q22 with an additional provision buffer to mitigate against unforeseen losses. However, a higher than anticipated increase in the cost of funds pressurized NIMs during 2Q22. We will look at this in detail once the detailed statement is released. ALBI trades at 2022 PE and PB multiple of 23.1x and 3.7x, respectively compared to peer PE and PB average multiple of 17.2x and 2.2x, respectively. This renders the share expensive despite robust growth in advances and profitability. Thus, based on our analysis, we assign a REDUCE rating on the stock.

Rating : REDUCE

First Look Note – 2Q22

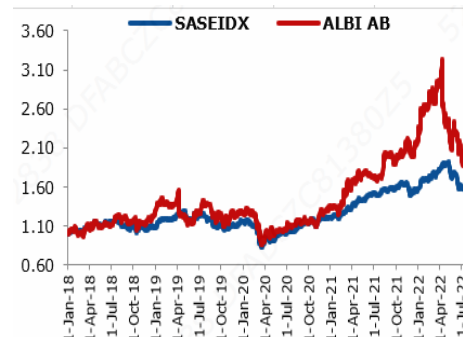
Sector: Banking

Recommendation

Current Price (28-July-22)	49.65
Target Price (SAR)	45.00
Upside/Downside (%)	-9.4%

Stock Information

Market Cap (mm)	49,650.00
Paid Up Capital (mm)	10,000.00
52 Week High	60.40
52 Week Low	26.85
3M Avg. daily value (SAR)	67,559,870



Financial Ratios

Dividend Yield (12m)	-
Dividend Pay-out (%)	-
Price-Earnings Ratio (x)	26.32
Price-to-Book Ratio (x)	3.02
Book Value (SAR)	16.43
Return-on Equity (%)	15.40
Earning Per Share (SAR)	1.89
Beta	1.31

Stock Performance

5 Days	3.76%
1 Months	11.45%
3 Months	-4.15%
6 Months	20.15%
1 Year	81.12%
Month to Date (MTD)	13.60%
Quarter to Date (QTD)	13.60%
Year to Date (YTD)	42.98%

Albilad - Relative Valuation

(at CMP)	2018	2019	2020	2021	2022F
PE	60.4	29.7	27.4	21.9	23.1
PB	6.3	5.3	4.6	4.1	3.7
Dividend Yield	NA	1.4%	NA	NA	1.0%

FABS estimate & Co Data

Albilad Bank - P&L

SAR mm	2Q21	1Q22	2Q22A	2Q22F	Var.	YOY Ch	QOQ Ch	2021	2022F	Change
Income from invest & fin.	911	1,041	1,139	1,096	3.9%	25.1%	9.5%	3,761	4,504	19.7%
Return on deposits & fin.liab.	-68	-96	-183	-108	69.4%	167.8%	89.6%	-272	-527	93.9%
Net funded income	842	944	957	988	-3.2%	13.6%	1.3%	3,489	3,977	14.0%
Total non-funded income	289	320	296	286	3.5%	2.6%	-7.5%	1,094	1,192	9.0%
Total operating income	1,131	1,265	1,253	1,274	-1.7%	10.8%	-0.9%	4,584	5,169	12.8%
Pre provision profit	600	706	690	714	-3.4%	14.9%	-2.3%	2,450	2,949	20.4%
Impairment	-136	-160	-120	-158	-24.1%	-12.0%	-24.8%	-570	-561	-1.5%
Profit before zakat	464	547	570	556	2.5%	22.8%	4.2%	1,880	2,385	26.9%
Zakat expenses	-48	-56	-59	-56	5.6%	22.9%	4.3%	-194	-242	24.9%
Net profit	416	490	511	500	2.1%	22.8%	4.2%	1,687	2,143	27.1%

FABS Estimates & Co Data

Albilad Bank - KPI

	2Q21	1Q22	2Q22A	Yoy Ch	QOQ Ch	2021	2022F	Change
Net FI/OI	74.5%	74.7%	76.4%	188	168	76.1%	76.9%	81
Impairment/PPP	22.7%	22.6%	17.4%	-532	-519	23.3%	19.0%	-423
NP/OI	36.8%	38.8%	40.8%	400	201	36.8%	41.5%	467
ROAE	14.1%	18.5%	16.8%	265	-173	16.7%	18.7%	200
ROAA	1.5%	1.6%	1.6%	9	1	1.6%	1.8%	18

FABS estimate & Co Data

Albilad Bank - Key B/S Items

SAR mm	2Q21	3Q21	4Q21	1Q22	2Q22A	YOY Ch
Net advances	79,130	81,799	82,933	86,391	91,206	15.3%
QOQ change	4.8%	3.4%	1.4%	4.2%	5.6%	
Total assets	107,652	111,606	110,854	116,442	121,511	12.9%
QOQ change	5.0%	3.7%	-0.7%	5.0%	4.4%	
Customer deposits	81,638	82,346	81,110	86,079	89,108	9.2%
QOQ change	6.1%	0.9%	-1.5%	6.1%	3.5%	
Total equity	11,417	11,868	11,980	12,325	12,607	10.4%
QOQ change	5.3%	4.0%	0.9%	2.9%	2.3%	

FABS estimate & Co Data

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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