



Bank Albilad posted net income of SAR 382.6mn (EPS of SAR 0.51), above our and consensus estimate of SAR 332.6mn and SAR 324.9, respectively. Deviation from our estimates arose mainly due to the higher-than-expected fee and commission income and lower deposit rate. Deposit and loans increased 7.5% Y/Y and 20.2% Y/Y, respectively. Deposit of SAR 68.9bn was 4.6% above our forecast, while loans of SAR 67.8bn were 4.0% above our estimates. The murabaha lending rate decreased marginally. We maintain “**Neutral**” recommendation with a TP of **SAR 22.5/share**.

- Bank Albilad (Albilad) posted earnings of SAR 382.6mn (17.1% Y/Y, 20.3% Q/Q). Net financing and investment income stood at SAR 855.5mn (17.4% Y/Y, 3.0% Q/Q), in line with our expectation of SAR 832.6mn, on account of SAR 67.8bn loans (20.2% Y/Y, 4.4% Q/Q), representing a Q/Q addition of SAR 2.8bn. Our loan expectations stood at SAR 65.2bn. The Murabaha rate/lending rate came in below our expectations.
- Deposits increased by SAR 4.0bn Q/Q to SAR 68.9bn (7.5% Y/Y, 6.2% Q/Q), 4.6% higher than our estimate of SAR 65.8bn. As loan growth significantly outpaced deposit growth, ADR rose to 98.4% from 88.0% in Q3-19. ADR for Q4-20 might maintain the same levels, as lending rates remains low.
- The company posted operating income of SAR 1,113.5mn (8.8% Y/Y, 11.4% Q/Q), above our estimates of SAR 1,047.9mn. The Q/Q increase in operating profit can be attributed to increase in net financing and investment income, fee and commission income and exchange income.
- Operating expenses of SAR 687.4mn (4.3% Y/Y, 6.5% Q/Q) was in line with our expectation of SAR 678.4mn. The company ascribed the increase to higher depreciation, rise in employee salaries and related benefits, and higher impairment charges. Albilad posted impairment charges of SAR 160mn (16.3% Y/Y, 6.3% Q/Q) compared to our estimate of SAR 170.0mn. We expect marginal Y/Y increase in provisions in Q4-20, which could lead to higher operating expenses, and thereby adversely impact net income.

**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 lower than expectations; growth still depends highly on credit growth. We expect Albilad to post earnings of SAR 1,269mn in FY20. However, we will re-visit our estimates once the company provides detailed financial results. We revise our EPS estimate to SAR 1.69 for FY20, driven by strong growth in loans and lower interest rate. We maintain our “**Neutral**” recommendation on Albilad with a TP of **SAR 22.5/share**.

### Results Summary

SARmn (unless specified)	Q3-19	Q2-20	Q3-20	Change YoY	Change QoQ	Deviation from AJC Estimates
Net financing & investments income	728.6	830.2	855.5	17.4%	3.0%	2.8%
<i>Net financing margin</i>	<i>82.0%</i>	<i>90.5%</i>	<i>93.9%</i>	-	-	-
Total operating income	1,023.7	999.5	1,113.5	8.8%	11.4%	6.3%
<b>Net Profit</b>	<b>326.6</b>	<b>318.1</b>	<b>382.6</b>	<b>17.1%</b>	<b>20.3%</b>	<b>15.0%</b>
EPS	0.44	0.42	0.51	-	-	-

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

## Neutral

**Target Price (SAR)** **22.5**

**Upside / (Downside)\*** **-5.5%**

Source: Tadawul \*prices as of 25<sup>th</sup> of October 2020

### Key Financials

SARmn (unless specified)	FY19	FY20E	FY21E
Net financing & investments income	2,717.0	3,200.6	3,278.4
Growth %	25.5%	17.8%	2.4%
Net Income	1,243.7	1,269.2	1,470.0
Growth %	103.0%	2.0%	15.8%
EPS (diluted)	1.66	1.69	1.96

Source: Company reports, Aljazira Capital

### Key Ratios

	FY19	FY20E	FY21E
NIMs	3.0%	3.7%	3.5%
Operating Margin	41%	39%	44%
P/E	16.2x	14.1x	12.1x
P/B	2.1x	1.6x	1.4x
Dividend Yield	1.5%	0.0%	2.3%
ROA	1.4%	1.4%	1.5%
ROE	13.2%	11.7%	11.8%
Gross loans growth	17%	10%	9%

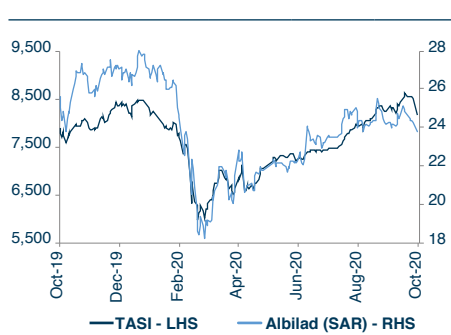
Source: Company reports, Argaam, Aljazira Capital

### Key Market Data

Market Cap(bn)	17.8
YTD%	-11.5%
52 week (High)/(Low)	28.35/18.18
Share Outstanding (mn)	750.0

Source: Company reports, Aljazira Capital

### Price Performance



Source: Bloomberg

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1. **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.
2. **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.
3. **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.
4. **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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