



Bank Albilad Q3-19 result came in-line with our estimates. Net income of SAR 326.6mn came slightly below our estimates of SAR 330.5. Deposit of SAR 64.0bn came above our expectation of SAR 61.1bn, whereas loans of SAR 56.4bn were 1.7% above expectation. Murabaha lending rate showed an increase. We maintain our **“Neutral”** recommendation with revising our TP to **SAR24.1/share**.

- Bank Albilad in Q3-19 posted earnings of SAR 326.6mn (7.1%Q/Q, 37.8% Y/Y), mainly driven by 29.3% growth in Net income from financing and investing activity, attributable primarily to i) 13.5%Y/Y growth in murabaha loans and advances, ii) higher than expected murabaha lending rate during the quarter. Total operating income stood at SAR 1.02bn, depicting a jump of 16.0%Y/Y.
- Operating expenses of SAR 661mn(6.5% Q/Q, 11.4% Y/Y), were 3.1% above expectation. The company highlighted the increase was due to higher SG&A expenses, depreciation & amortization, salaries and employee related benefits. However rent and premises expenses and impairment on credit losses declined.
- Deposits of SAR 64.0bn showed a significant growth of 17.4%, loans and advances came above expectation to stand at 56.4bn, depicting a jump of 13.5%. Consequently ADR stood at 88.1% lower than 90.5% in Q2-19.

#### Valuation:

We believe that Albilad's strong performance and higher operating income was a result of solid loans and deposits growth. Lending rate came above expectation despite drop in SAIBOR; growth is still highly dependent on credit growth. Furthermore, funding cost for Albilad will continue rising as the banks tries to attract higher murabaha deposit; share of murabaha deposit in FY18 stood at 46.9% as compared to 40.7% in FY17. Strong TTM net income further enhanced its ROE profile to 17.5% . Albilad is currently trading at a PE of 16.8x, as compared to estimated forward PE of 15.6x, with an expected dividend yield of 2.5% ( SAR 0.6 DPS) for FY19. We maintain our **“Neutral”** recommendation, with a revised TP of **SAR 24.1/share**, based on revised valuation inputs.

#### Results Summary

SARmn (unless specified)	Q3-18	Q2-19	Q3-19	Change YoY	Change QoQ	Deviation from AJC Estimates
Net financing & investments income	552	671	714	29.3%	6.4%	3.4%
<i>Net financing margin</i>	<i>78.2%</i>	<i>81.5%</i>	<i>81.7%</i>			
Total operating income	880	959	1,024	16.3%	6.7%	1.5%
Net Profit	237	305	327	37.8%	7.1%	-1.2%
EPS	0.32	0.41	0.44			

Source: Company reports, Aljazira Capital

## Neutral

Target Price (SAR) **24.1**

Upside / (Downside)\* **5.8%**

Source: Tadawul \*prices as of 27<sup>th</sup> of October 2019

#### Key Financials

SARmn (unless specified)	FY17	FY18	FY19E
Net financing & investments income	1,739	2,145	2,704
Growth %	23.5%	23.4%	26.1%
Net Income	942	1,071	1,253
Growth %	16.59%	13.65%	17.01%
EPS (diluted)	1.26	1.43	1.67

Source: Company reports, Aljazira Capital

#### Key Ratios

	FY17	FY18	FY19E
NIMs	3.5%	3.7%	4.4%
Operating Margin	44%	41%	41%
P/E	13.12	15.27	15.33
P/B	1.30	2.07	2.62
Dividend Yield	2.4%	1.8%	2.5%
ROA	1.5%	1.5%	1.7%
ROE	12%	18%	19%
Gross loans growth	20%	17%	16%

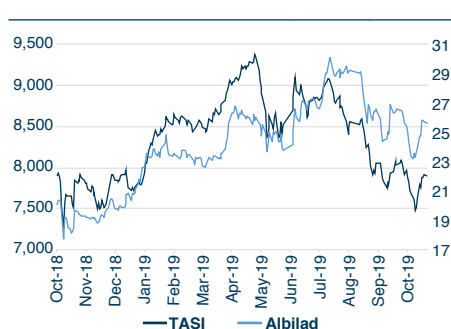
Source: Company reports, Aljazira Capital

#### Key Market Data

Market Cap (bn)	18.9
YTD %	17.4%
Shares Outstanding (mn)	750
52 Week High/ Low	30.05 / 18.80

Source: Company reports, Aljazira Capital

#### Price Performance



Source: Tadawul, Aljazira Capital

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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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