

ALBILAD BANK

Higher Net Funded Income & Lower Impairments support the profitability

1Q21 Net Profit lower than our estimate

Albilad Bank recorded a rise by 45.4% YOY in Net Profit to SAR393 mm in 1Q21 from SAR270 mm in 1Q20, missing our estimate by 3.4%. This increase was primarily due to a rise in Net Funded income and a decrease in Impairment charges.

P&L highlights

The Bank's Operating income increased by 12.8% YOY in 1Q21 to SAR1,133 mm from SAR1,004 mm in 1Q20, missing our forecast by 0.9%. Other Non-funded income significantly increased to SAR2 mm in 1Q21 from negative SAR17 mm in 1Q20. Moreover, Total Non-funded income slightly increased by 0.2% YOY to SAR274 mm in 1Q21. Net Funded income increased by 17.5% YOY to SAR859 mm in 1Q21 from SAR731 mm in 1Q20. While the Exchange Income decreased by 15.1% YOY to SAR74 mm in 1Q21 from SAR87 mm in 1Q20. General & administrative expenses increased by 5.1% YOY to SAR526 mm in 1Q21, while the Cost/Income "C/I" decreased by 340 bps to 46.4% from 49.8% in 1Q20. Impairment charges have decreased by 16.7% YOY to SAR170 mm compared to SAR203 mm in 1Q20, supporting the profit to advance.

Balance sheet highlights

The Banks' Net advances increased by 20.7% YOY to SAR75.5 bn in 1Q21 from SAR62.5 bn in 1Q20. While, Customer deposits climbed by 12.6% YOY to SAR76.9 bn in 1Q21 from SAR68.3 bn in 1Q20. Total Assets increased by 15.8% YOY to SAR102.5 bn in 1Q21, and the Total Equity climbed by 13.6% YOY to SAR10.8 bn in 1Q21.

Target price and rating

We assign a HOLD rating with a target price of SAR36.30. Bank Al-Bilad's strategy is to foster sustainable growth by leveraging its channels, networks, and expertise. To ensure the success of its business, AlBilad has consistently focused on innovation, operational excellence, and creating a performance-driven culture. AlBilad reported a Net profit of SAR392.8 mm in first quarter 2021, an increase by 46% compared to SAR 270 mm same period 2020 and an increase by 4% QOQ from SAR 377.8 mm. The year-on-year increase was mainly driven by an increase of 13% in Total Operating income due to higher Net Income from investment and financing activities by almost 5% as compared to the same period last year, and an increase in Fees and Commissions despite the persistent situation of COVID-19 pandemic; worth noting that a slight decrease of 1% in Total Operating expenses was recorded on lower Impairment charges for credit losses. At the same time, the increase quarter-on-quarter was due to a decrease by 4% in Total Operating Expenses and a decline in General and Administrative Expenses. On the other hand, the Net Funded Income to Operating Income ratio of the Bank stands at 75.8% in 1Q21 compared to 72.8% in 1Q20. The annualized NIM for the bank increased at 4.1% compared to 4.2% 1Q20 while annualized NIS decreased to 4.0% in 1Q21 as compared to

Rating : HOLD

First Look Note – 1Q21

Sector: Banking

Recommendation

Current Price (10-May)	37.00
Target Price	36.30
Upside/Downside (%)	-1.89%

Stock Information

Market Cap (SAR/mm)	27,750.00
Paid Up Capital (mm)	7,500.00
52 Week High	38.70
52 Week Low	21.56
3M Avg. daily value (SAR)	40,691,860



Financial Ratios

Dividend Yield (12month)	2.70
Dividend Payout	0.00
Price-Earning Ratio	18.82
Price-to-Book Ratio	2.56
Book Value	14.45
Return-on Equity	14.43
Earning Per Share	1.97
Beta	1.09

Stock Performance

5 Days	0.41%
1 Months	4.23%
3 Months	25.85%
6 Months	40.68%
1 Year	71.14%
Month to Date (MTD%)	-1.20%
Quarter to Date (QTD%)	5.11%
Year to Date (YTD%)	30.51%

4.2% in 1Q20. The Cost to Income ratio for the bank stands at 46.4% in 1Q21, compared to 49.8% over same period 2020. The ROAE for the company stands at 3.9% compared to 3% in 1Q20. ROAA for the company in 1Q21 was 0.4%, witnessing an increase compared to the previous year's 0.3% in 1Q20. The Bank has a CAR of 17.07% lower than CAR at the end of the year for 17.95% and CAR for 17.63% in first-quarter 2020 but is still considered a healthy figure exceeding the requirements. The Bank's Common Equity Tier 1 (CET1) ratio also decreased to 13.48% from 13.66% in 1Q20 and 14.2% at the end of the previous year. Total assets have increased by 16% as compared to 1Q20, reaching SAR 102.52 mm from 88.49 mm in 1Q20 with an increase by 20.7% in Financing Investments reaching SAR 75.53 mm from SAR62.58 mm in 1Q20. On the other hand, Deposits increased by 12.6%, reaching SAR76.96 mm from SAR 68.38 mm, which led to an increase in ADR from 91.5% in 1Q20 to 98.1% in the current reporting period. In 1Q21, the EPS increased to 0.52 per share as compared to 0.36 per share in 1Q20, and the stock is currently trading at a P/B multiple of 2.53x Therefore, we assign a HOLD rating.

Albilad Bank - Relative Valuation

(At CMP)	2017	2018	2019	2020	2021
P/E	28.9	55.8	21.9	20.2	16.6
P/B	3.6	3.5	2.9	2.6	2.4
Dividend yield	2.2%	0.0%	2.5%	0.0%	2.7%

FABS Estimate & Co Data
Albilad Bank - P&L

SAR mm	1Q20	4Q20	1Q21	1Q21F	Var.	YOY ch	QOQ ch	2020	2021F	YOY ch
Income from invest & fin.	869	900	912	915	-0.4%	4.9%	1.3%	3,627	3,731	2.9%
Return on deposits & fin. liab.	-139	-53	-53	-55	-3.5%	-61.8%	0.3%	-334	-281	-16.0%
Net funded income	731	847	859	860	-0.2%	17.5%	1.4%	3,293	3,450	4.8%
Fees and commissions	203	168	199	165	20.5%	-2.3%	18.2%	627	670	6.8%
Exchange income	87	86	74	89	-17.1%	-15.1%	-14.6%	362	367	1.3%
Other non-funded income	-17	44	2	29	-93.9%	NM	-96.0%	-20	98.1	386%
Total non-funded income	274	298	274	283	-3.0%	0.2%	-8.0%	969	1,135	17.1%
Total operating income	1,004	1,145	1,133	1,143	-0.9%	12.8%	-1.0%	4,262	4,585	7.6%
General & admin. Expenses	-500	-544	-526	-518	1.5%	5.1%	-3.4%	-2,066	-2,097	1.5%
Pre provision profit	504	601	607	625	-2.8%	20.5%	1.1%	2,196	2,488	13.3%
Impairment	-203	-180	-170	-173	-2.0%	-16.7%	-6.0%	-695	-652	-6.2%
Profit before zakat	301	421	438	452	-3.1%	45.6%	4.1%	1,502	1,837	22.3%
Zakat expenses	-31	-43	-45	-45	-0.2%	47.0%	5.1%	-153	-184	19.9%
Net profit	270	378	393	407	-3.4%	45.4%	4.0%	1,349	1,653	22.6%

FABS Estimates & Co Data
Albilad Bank - P&L KPI

SAR mm	1Q20	4Q20	1Q21	YOY Bps	QOQ Bps	2020	2021F	Ch Bps
Net FI/OI	72.8%	74.0%	75.8%	304	183	77.3%	75.25%	-201
NIM	0.95%	1.0%	1.0%	4	1	4.04%	3.78%	-26
NIS	0.9%	1.0%	1.0%	6	1	4.0%	3.7%	-27
Fees & comms/OI	20.3%	14.7%	17.5%	-272	286	14.7%	14.6%	-11
Trading/OI	8.6%	7.5%	6.5%	-214	-103	8.5%	8.0%	-50
Cost to income	49.8%	47.5%	46.4%	-340	-112	48.5%	45.7%	-274
Impairment/PPP	40.4%	30.0%	27.9%	-1244	-208	31.6%	26.2%	-543
NP/OI	26.9%	33.0%	34.7%	777	167	31.6%	36.1%	441
ROAE	3.0%	3.7%	3.9%	82	11	13.4%	15.0%	166
ROAA	0.3%	0.4%	0.4%	8	0	1.5%	1.7%	20

FABS estimate & Co Data

Albilad Bank - Key B/S Items

SAR mm	1Q20	2Q20	3Q20	4Q20	1Q21	YOY ch
Net advances	62,579	64,923	67,762	70,115	75,531	20.7%
QOQ change	5.5%	3.7%	4.4%	3.5%	7.7%	
Total assets	88,498	88,824	92,294	95,744	102,520	15.8%
QOQ change	2.9%	0.4%	3.9%	3.7%	7.1%	
Customer deposits	68,377	64,876	68,883	71,553	76,963	12.6%
QOQ change	1.9%	-5.1%	6.2%	3.9%	7.6%	
Total equity	9,540	9,852	10,311	10,730	10,838	13.6%
QOQ change	1.2%	3.3%	4.7%	4.1%	1.0%	

FABS estimate & Co Data

Research Rating Methodology:

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

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