



Bank AlBilad posted a net income of SAR 540.6mn (EPS of SAR 0.55), in-line with our estimate of SAR 522.6mn and the consensus estimate of SAR 527.2mn. Loans and deposits grew by 12.8%Y/Y and 14.0%Y/Y respectively. While the loans were slightly below (-3.6%) our estimate, deposits were in-line with our estimate. The NIM was in line with our estimate and flat compared to NIM witnessed in Q2-22 and even Q3-21, highlighting the impact from higher interest cost which continues to offset the benefits from higher asset yield. We maintain our recommendation of “Neutral” with TP of SAR 49.9/share.

- Bank AlBilad (AlBilad) posted a Net income of SAR 540.6mn (20.2% Y/Y, 5.8% Q/Q), in-line with our estimate of SAR 522.6mn. Although the top line (SAR 1,310.5mn) was slightly above our estimate (SAR 1,264.1mn), the higher than estimated interest cost offset these gains, and as such, the net financing income came in at SAR 1,003.4mn (in-line with our estimate of SAR 1,029.1mn). The non-funded income at SAR 322.1mn was higher than the estimated SAR 296.3mn which aided the bank post operating income in line with our estimate.
- Loans and deposits grew by 12.8%Y/Y and 14.0% Y/Y to SAR 92.3bn and SAR 93.9bn, respectively. While the loans were slightly below (-3.6%) our estimate, deposits were in line with our estimate. Consequently, the unweighted LDR stands at 98.3%, which is below our estimate of 101.9% and an improvement from Q2-22 LDR of 102.4%.
- Albilad’s operating profit of SAR 1,325.5mn (12.9% Y/Y, 5.8% Q/Q) was in line with our estimate of SAR 1,325.4mn. This was largely supported by higher (8.7%) than expected non-funded income which aided in offsetting the impact from higher interest cost on Net Financing and Investment income.
- Operating expenses (ex. impairment) of SAR 590.7mn (11.3% Y/Y, 5.0% Q/Q) were in-line with our estimate of SAR 588.4mn. As such the cost to income ratio came in at 44.6%, a slight improvement from 44.9% in Q2-22 and 45.2% in Q3-21. The impairment charges were reported at SAR 132.1mn (-7.3% Y/Y, 9.7% Q/Q), lower than our estimate of SAR 154.2mn which supported the bottom line of the bank.

AJC view: Bank AlBilad’s loan growth came in lower (-3.6%) than expected and grew only marginally (1.2%) on a Q/Q basis. Given the elevated cost of borrowing the bank could be experiencing early repayments from borrowers looking to deleverage. It could also be a result of cautious approach towards the MSME segment, likely driven by NPA concerns. Moreover, with the higher time deposit mix (our estimate: 24.0% for FY22) compared to last year (FY21: 17.4%) and its quicker repricing relative to loan assets, the benefits from higher yields on loans are not yet leading to a meaningful expansion. We estimate the loan book to grow at 20.5% Y/Y and deposits to grow at 22.0% Y/Y in FY22 and our EPS estimate stands at SAR 1.99. We maintain our “Neutral” recommendation on AlBilad with TP of SAR 49.9/share.

Results Summary

SARmn (unless specified)	Q3-21	Q2-22	Q3-22	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Net financing & investments income	886.8	956.7	1,003.4	13.2%	4.9%	-2.5%
<i>Net financing margin</i>	<i>3.64%</i>	<i>3.58%</i>	<i>3.64%</i>			
Total operating income	1,174.5	1,252.8	1,325.5	12.9%	5.8%	0.01%
Net Profit	449.7	511.0	540.6	20.22%	5.8%	2.8%
EPS	0.45	0.51	0.55	22.2%	7.6%	4.6%

Source: Company Reports, Aljazira Capital

Recommendation	Neutral
Target Price (SAR)	49.9
Upside / (Downside)*	-6.2%

Source: Tadawul *prices as of 24th of October 2022

Key Financials

SARmn (unless specified)	FY20	FY21	FY22E	FY23E
Net financing and inv. income	3,292.6	3,489.5	4,064.1	5,048.0
Growth %	16.6%	6.0%	16.5%	24.2%
Net Income	1,348.5	1,686.5	1,993.7	2,743.9
Growth %	8.4%	25.1%	18.2%	37.6%
EPS	1.35	1.69	1.99	2.74

Source: Company reports, Aljazira Capital

Key Ratios

	FY20	FY21	FY22E	FY23E
NIMs	4.1%	3.7%	3.6%	3.8%
Operating Margin	41%	50%	45%	50%
P/E (x)	15.7	20.5	24.7	17.9
P/B (x)	1.98	2.90	3.52	3.04
Dividend Yield	-1.8%	0.0%	-1.0%	-1.4%
ROA	1.5%	1.6%	1.6%	1.9%
ROE	13.4%	14.8%	15.4%	18.2%
Gross loans growth	19%	18%	20%	18%

Source: Company reports, Argaam, Aljazira Capital

Key Market Data

Market Cap(bn)	53.3
YTD%	53.2%
52 week (High)/(Low)	60.4/30.9
Share Outstanding (mn)	1,000

Source: Company reports, Aljazira Capital

Price Performance



Source: Bloomberg

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RESEARCH DIVISION

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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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