

Bank Albilad

Higher Net Funded Income & lower Impairments supported profitability

4Q21 Net Profit lower than our estimate

Bank Albilad (ALBI) recorded a rise by 13.3% YOY in Net Profit to SAR428 Mn in 4Q21, up from SAR378 Mn in 4Q20, missing our estimate of SAR460 Mn by 7.1%. This was primarily due to an increase in Net funded income, besides a lower Impairment charges.

P&L highlights

The Income from Investment increased by 8.4% YOY to SAR975 Mn in 4Q21, up from SAR900 Mn in 4Q20. Similarly, the Return on Deposits & Financial Liabilities increased by 40.1% YOY to SAR74 Mn in 4Q21, up from SAR53 Mn in 4Q20 which leads to an increase by 6.5% YOY in the Net funded income to SAR901 Mn in 4Q21, as compared to SAR847 Mn in 4Q20. Fees and Commissions decreased 6.7% YOY to SAR157 Mn in 4Q21, down from SAR168 Mn in 4Q20. Whereas the Exchange Income slightly declined by 0.6% YOY to SAR86 Mn in 4Q21. Moreover, Other non-funded income significantly decreased by 97.3% YOY to SAR1 Mn in 4Q21, down from SAR44 Mn in 4Q20. Therefore, Total Non-Funded Income decreased by 18.2% YOY to SAR244 Mn in 4Q21, as compared to SAR298 Mn in 4Q20. As a result, Total Operating Income remained stable at SAR1,145 Mn in 4Q21. Furthermore, General & Administrative Expenses marginally increased by 0.6% YOY reaching SAR547 Mn from SAR544 Mn in 4Q20. Thus, the Cost-to-Income (C/I) ratio grew by 24 Bps to 47.8% in 4Q21 compared to 47.5% in 4Q20. Impairment Charges declined by 32.7% YOY to SAR121 Mn in 4Q21, down from SAR180 Mn in 4Q20 supporting the increase in Profit.

Balance sheet highlights

The Banks's Net advances increased by 18.3% YOY to SAR82.93 Bn in 4Q21 from SAR70.12 Bn in 4Q20. While Customer Deposits improved by 13.4% YOY to SAR81.11 Bn in 4Q21 from SAR71.55 Bn in 4Q20. Total Assets increased by 15.8% YOY to SAR110.85 Bn in 4Q21, up from SAR95.74 Bn in 4Q20, Total Liabilities increased by 16.3% YOY to SAR98.87 Bn in 4Q21, as compared to SAR85.01 Bn in 4Q20. Total Equity surged by 11.6% YOY to SAR11.98 Bn in 4Q21 from SAR10.73 Bn in 4Q20.

Target price and rating

We revised our rating to SELL on Albilad, with a target price of SAR42.00. Albilad Bank is a Saudi joint stock company, headquartered in Riyadh. The Bank aims to achieve the highest levels of customer experience and competitiveness by leveraging digital transformation, network, and human capital. Albilad has reported a 25% YOY increase in the Net profit hitting SAR 1.69 Bn at the end of 2021, as compared to SAR 1.35 Bn in the same period last year. This increase was mainly attributed to a lower Impairments, besides an increase in both Net Funded and Non-funded income. The Net funded income surged by 6% YOY to SAR 3.49 Bn, up from SAR 3.3 Bn in 2020, led by a 3.7% YOY increase in the Income from investing & financing assets reaching SAR 3.76 Bn in 2021, as well as a drop by 18.6% YOY in the Return on deposits & financial liabilities to SAR 272 Mn, down from SAR 334 Mn in

Rating : SELL

First Look Note – 4Q21

Sector: Banking

Recommendation

Current Price (24-Feb)	58.90
Target Price	42.00
Upside/Downside (%)	-29%

Stock Information

Market Cap (SAR/mm)	44,775.00
Paid Up Capital (mm)	7,500.00
52 Week High	61.50
52 Week Low	31.15
3M Avg. daily value (SAR)	58,993,710



Financial Ratios

Dividend Yield (12month)	NA
Dividend Payout	0.00
Price-Earning Ratio	26.37
Price-to-Book Ratio	3.74
Book Value	15.97
Return-on Equity	14.85
Earning Per Share	2.26
Beta	1.05

Stock Performance

5 Days	0.51%
1 Months	6.80%
3 Months	40.14%
6 Months	40.80%
1 Year	91.65%
Month to Date (MTD%)	1.19%
Quarter to Date (QTD%)	28.59%
Year to Date (YTD%)	28.59%

2020. Moreover, the Net Fees and commissions have grown by 16.6% YOY reaching SAR 731 Mn in the year ended 2021, mainly due to an increase by 15.5% YOY in the Total Fees and commission income, that was offset by a 13.4% YOY increase in the Total Fees and commission expenses. Furthermore, the Other non-funded income strongly grown YOY reaching SAR 50.2 Mn, up from a loss of SAR 20 Mn in 2020. While the Trading income was down by 13.6% YOY to SAR 313 Mn at the end of 2021. Consequently, the Total Non-funded income increased by 12.9% YOY hitting SAR 1.09 Bn, up from SAR 969 Mn in 2020. Therefore, the Net Operating income surged by 7.6% YOY to SAR 4.58 Bn, compared to SAR 4.26 Bn in the end of 2020. Similarly, the Net Operating expenses have increased by 3.3% YOY to reach a SAR 2.13 Bn at the year ended 2021, driven by an increase in Salaries and employees related expenses, Depreciation and amortization expense, and other G&A expenses. Thus, the Cost to income (C/I) ratio declined by 192 bps to 46.6% in 2021, down from 48.5% in 2020. Additionally, the Net Impairment charges have dropped by 18% YOY to SAR 570 Mn, as compared to SAR 695 Mn in 2020, supporting the bottom-line. The Zakat expenses were up by 26.4% YOY to SAR 194 Mn at the end of 2021. On the other hand, Albilad Bank continued showing a strong performance in the Balance sheet, with a growth by 15.8% YOY in the Total Assets reaching SAR 110.85 Bn in 2021, compared to SAR 95.74 Bn in 2020. Also, the Bank's Net advances have increased by 18.3% YOY to SAR 82.93 Bn at the year ended 2021. Whereas the Customer deposits have increased as well by 13.4% YOY to SAR 81.11 Bn in 2021. As a result, the ADR ratio stood at 102.2% in 2021, up from 98% in 2020. The annualized NIM and NIS have both declined to 3.7% and 3.6%, respectively in 2021. Meanwhile, the ROAE and ROAA ratios have increased both reaching 14.8% and 1.6%, up from 13.4% and 1.5% in 2020, respectively, reflecting a strong profitability ratios. Moreover, the Non-performing loans have increased by 11.5% YOY reaching SAR 943 Mn at the year ended 2021. Whereas the Gross advances have also increased by 18.1% YOY standing at SAR 85.58 Bn in 2021. Therefore, the NPL ratio has slightly dropped by 6 bps to 1.1%, down from 1.2% in 2020. Bank's Tier 1 CAR declined by 0.1% to 14.1% in 2021, as compared to 14.2% in 2020. While the Total CAR increased to 18.74%, up from 17.95% in 2020. Based on our analysis, we revised our rating to SELL on the stock.

Albilad Bank - Relative Valuation

(At CMP)	2017	2018	2019	2020	2021
P/E	46.18	89.02	34.97	32.27	25.84
P/B	5.77	5.59	4.65	4.08	3.66
Dividend yield	0.96%	0.55%	0.86%	0.00%	0.00%

FABS Estimate & Co Data
Albilad Bank - P&L

SAR mm	4Q20	3Q21	4Q21	4Q21F	Var	YOY Ch	QOQ Ch	2020	2021	Change
Income from invest & fin.	900	963	975	950	2.7%	8.4%	1.3%	3,627	3,761	3.7%
Return on deposits & fin. liab.	-53	-77	-74	-71	3.9%	40.1%	-3.4%	-334	-272	-18.6%
Net funded income	847	887	901	879	2.6%	6.5%	1.7%	3,293	3,489	6.0%
Fees and commissions	168	179	157	176	-10.7%	-6.7%	-12.3%	627	731	16.6%
Exchange income	86	80	86	94	-9.1%	-0.6%	7.3%	362	313	-13.6%
Other non-funded income	44	29	1	22	-94.7%	-97.3%	-95.9%	-20.2	50.2	NM
Total non-funded income	298	288	244	293	-16.6%	-18.2%	-15.2%	969	1,094	12.9%
Total operating income	1,145	1,174	1,145	1,171	-2.2%	0.0%	-2.5%	4,262	4,584	7.6%
General & admin. Expenses	-544	-531	-547	-534	2.4%	0.6%	3.1%	-2,066	-2,134	3.3%
Pre provision profit	601	644	598	637	-6.1%	-0.4%	-7.0%	2,196	2,450	11.6%
Impairment	-180	-142	-121	-130	-6.4%	-32.7%	-14.9%	-695	-570	-18.0%
Profit before zakat	421	501	477	508	-6.0%	13.4%	-4.8%	1,502	1,880	25.2%
Zakat expenses	-43	-52	-49	-47	4.4%	14.5%	-4.8%	-153	-194	26.4%
Net profit	378	450	428	460	-7.1%	13.3%	-4.8%	1,349	1,687	25.1%

FABS Estimates & Co Data

Albilad Bank - KPI

	4Q20	3Q21	4Q21	YOY Bps	QOQ Bps	2020	2021	Change
SAR mm								
Net FI/OI	74.0%	75.5%	78.7%	474	320	77.3%	76.12%	-113
NIM	4.0%	3.7%	3.6%	-41	-11	4.1%	3.7%	-39
NIS	4.0%	3.7%	3.6%	-39	-11	4.0%	3.6%	-38
Fees & comms/OI	14.7%	15.2%	13.7%	-98	-153	14.7%	16.0%	123
Trading/OI	7.5%	6.8%	7.5%	-5	68	8.5%	6.8%	-167
Cost to income	47.5%	45.2%	47.8%	24	257	48.5%	46.6%	-192
Impairment/PPP	30.0%	22.1%	20.3%	-972	-186	31.6%	23.3%	-837
NP/OI	33.0%	38.3%	37.4%	437	-93	31.6%	36.8%	515
ROAE	3.7%	4.0%	3.8%	2	-21	13.4%	14.8%	147
ROAA	0.4%	0.4%	0.4%	0	-2	1.5%	1.6%	15

FABS estimate & Co Data

Albilad Bank - Key B/S Items

	4Q20	1Q21	2Q21	3Q21	4Q21	YOY Ch
SAR mm						
Net advances	70,115	75,531	79,130	81,799	82,933	18.3%
QOQ change	3.5%	7.7%	4.8%	3.4%	1.4%	
Total assets	95,744	102,520	107,652	111,606	110,854	15.8%
QOQ change	3.7%	7.1%	5.0%	3.7%	-0.7%	
Customer deposits	71,553	76,963	81,638	82,346	81,110	13.4%
QOQ change	3.9%	7.6%	6.1%	0.9%	-1.5%	
Total equity	10,730	10,838	11,417	11,868	11,980	11.6%
QOQ change	3.9%	1.0%	5.3%	4.0%	0.9%	

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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