



Earnings beat our and consensus estimate on lower provision and operating expenses.

Banks Albilad posted earnings of SAR 643mn in Q1-24, up 14.9% Y/Y (+6.0% on a Q/Q basis). The Q1-24 net income was 4.4% above our estimates of SAR 616mn. The deviation to our forecast is mainly owed to lower than expected operating costs and provisioning expenses. Net financing and investment margins were down 31bps Y/Y in Q1-24 to ~3.13%. Operating expenses (excluding debt provisions) totaled at SAR 573mn, down 1.7% Y/Y (-6.7% on Q/Q basis). Loan book expanded by 8.2% Y/Y & 1.2% Q/Q to SAR 103.3bn in Q1-24, on the other hand, deposits grew 7.8% Y/Y and 0.8% Q/Q to SAR 113.7bn. Bank Albilad trades at 2024E P/B of 2.5x on ROE of 16.8%, our Gordon growth and residual income based target price implies a target P/B of 2.5x, implying that the script is fairly valued. We maintain our “Neutral” recommendation with TP of SAR 41.5/share.

- Banks Albilad posted earnings of SAR 643mn in Q1-24, up 14.9% Y/Y (+ 6.0% on a Q/Q basis). The Q1-24 net income was 4.4% above our estimates of SAR 616mn. The deviation to our forecast is mainly owed to lower than expected operating costs and provisioning expenses, we highlight that profit before provisions is up just 2.1% Y/Y.
- Net financing and investment margins were down 31bps Y/Y in Q1-24 to ~3.13%, due to ~96bps increase in cost of funds, as compared to a ~55bps Y/Y improvement in asset yields. Margins will increase once rates start moving down. Net fee and other income declined by 49bps Y/Y to SAR 297mn, as net gain on FVSI investments and net exchange income declined.
- Operating income remained largely unchanged at SAR 1,341mn, up 43bps Y/Y (+ 31bps on a Q/Q basis). Operating expenses (excluding debt provisions) totaled at SAR 573mn down 1.7% Y/Y (-6.7% on Q/Q basis), 7.1% lower than our estimates.
- Provision expenses declined by 60.0% Y/Y to SAR 52mn (1.2% on a sequential basis), 31.3% below our estimate of SAR 75mn. Cost to income ratio dropped to 42.7% in Q1-24, as compared to 43.6% witnessed in Q1-23.
- Loan book expanded by 8.2% Y/Y & 1.2% Q/Q to SAR 103.3bn in Q1-24, in line with our estimate of SAR 103.1bn. On the other hand, deposits grew 7.8% Y/Y and 0.8% Q/Q to SAR 113.7bn, as compared to our estimate of SAR 113.9bn.
- As loan growth exceeded deposit growth, the ADR ratio increased by 31bps to 90.8% in Q1-24 from 90.5% in Q1-23. Moreover, the bank has increased its investments by 7.9% Y/Y (4.2% on a Q/Q basis) to SAR 23bn.

AJC view and valuation: Banks Albilad posted earnings of SAR 643mn in Q1-24, up 14.9% Y/Y (+ 6.0% on a Q/Q basis). The Q1-24 net income was 4.4% above our estimates of SAR 616mn. The bank has seen a 31bps Y/Y decline in margins due to faster repricing of liabilities, this will reverse once rate start coming down. Bank Albilad trades at 2024E P/B of 2.5x on ROE of 16.8%, our Gordon growth and residual income based target price implies a target P/B of 2.5x, implying that the script is fairly valued. We maintain our “Neutral” recommendation with TP of SAR 41.5/share.

Results Summary

SARmn	Q1-23	Q4-23	Q1-24	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Net financing and investment income	1,037	1,004	1,045	0.7%	4.0%	-0.1%
Total Operating income	1,336	1,337	1,341	0.43%	0.31%	-2.7%
Net Profit	560	607	643	14.9%	6.0%	4.4%
EPS	0.56	0.61	0.65	14.9%	6.0%	4.4%

Source: Tadawul, Aljazira Capital Research

Recommendation	Neutral
Target Price (SAR)	41.5
Upside / (Downside)*	-4.4%

Source: Tadawul *prices as of 28th April 2024

Key Financials

SARmn (unless specified)	FY21	FY22	FY23	FY24E
Net financing and investment income	3,761	4,972	7,544	8,617
Growth %	3.7%	32.2%	51.7%	14.2%
Net Income	1,687	2,082	2,377	2,720
Growth %	25.1%	23.4%	14.2%	14.4%
EPS	1.69	2.08	2.38	2.72

Source: Company reports, Aljazira Capital

Key Ratios

	FY21	FY22	FY23	FY24E
NIMs	3.7%	3.5%	3.3%	3.5%
P/E (x)	20.6	21.4	19.1	16.0
P/B (x)	2.9	3.3	2.8	2.5
DPS	-	0.50	0.50	0.75
Dividend Yield	0.0%	1.1%	1.1%	2.1%
C/I	46.6%	44.7%	44.1%	42.2%
ROA	1.6%	1.7%	1.7%	1.7%
ROE	14.8%	16.4%	16.6%	16.8%
Loans growth	18.3%	9.9%	12.0%	16.4%
Deposit growth	13.4%	16.9%	19.0%	15.0%

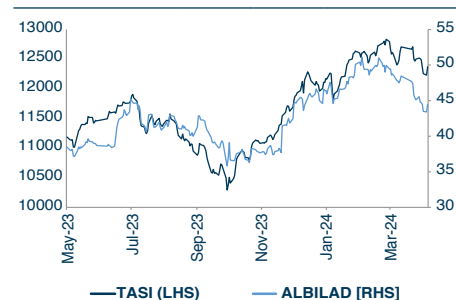
Source: Company reports, Argaam, AJC research

Key Market Data

Market Cap(bn)	44.5
YTD%	-4.5%
52 week (High)/(Low)	51.7/35.8
Share Outstanding (mn)	1,000.0

Source: Company reports, Bloomberg, Aljazira Capital

Price Performance



Source: Bloomberg, AJC Research

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RESEARCH
DIVISION

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RATING
TERMINOLOGY

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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