

Earnings supported by one off provision reversals. Pre-provision profits are 10.2% below expectations

Bank Albilad posted earnings of SAR 790mn in Q4-24, up 30.1% Y/Y (+12.4% on a Q/Q basis). The Q4-24 result was broadly in-line (+5.9% deviation) with AJC estimate of SAR 746mn. We highlight that on a pre-provision basis earnings were 10.2% below AJC estimate of SAR 916mn. Net financing and investment income improved by 13.9% Y/Y (-1.3% Q/Q) to SAR 1,144mn in Q4-24 (-5.5% deviation to AJC estimate of SAR 1,211mn). The growth in funded income is owed to 17bps Y/Y (-17bps Q/Q) improvement in NIMs to 3.41% and to asset growth of 7.9% Y/Y. Cost to income ratio improved to 44.3% in Q4-24 as compared to 45.9% in the Q4-23 (AJC estimate 40.6%). Bank recorded provision reversals of SAR 58mn in Q4-24 as compared to impairment of SAR 47mn in Q4-23. At 2025E PB of 2.6x we believe bank trades near its justified PB hence there is less room for rerating. We maintain our **"Neutral"** recommendation with TP of **SAR 43.2/share**.

- Bank Albilad posted earnings of SAR 790mn in Q4-24, up 30.1% Y/Y (+12.4% on a Q/Q basis). The Q4-24 result was broadly in-line (+5.9% deviation) with AJC estimate of SAR 746mn; however was above (+7.9% deviation) consensus estimate of SAR 731mn. Deviation to our earnings estimate arise from net provision reversals of SAR 58mn in Q4-24, as against our expectations of impairment charge of SAR 85mn. We highlight that on a pre-provision basis earnings were 10.2% below AJC estimate of SAR 916mn.
- Net financing and investment income improved by 13.9% Y/Y (-1.3% Q/Q) to SAR 1,144mn (-5.5% deviation to AJC estimate of SAR 1,211mn). The growth in funded income is owed to 17bps Y/Y (-17bps Q/Q) improvement in NIMs to 3.41% and to overall asset growth. NIMs for Albilad expand in a declining rate environment on account of the high fixed rate asset exposure.
- Bank's investments and financing posted growths of 13.4% Y/Y (8.8% Q/Q) and 7.1% Y/Y (2.4% Q/Q) respectively in Q4-24, to SAR 25bn and SAR 109bn. Loans and investments were 1.4% and 6.3% higher than AJC estimates for Q4-24, respectively. Deposits recorded an increase of 7.9% Y/Y (-0.5% Q/Q) to reach SAR 121.7bn (1.4% below AJC estimate).
- Total operating income grew by 10.4% Y/Y (2.1% Q/Q) to SAR 1,477mn, vs AJC estimate of SAR 1,544mn. Operating expenses grew by 6.5% Y/Y (+7.3% Q/Q) to SAR 654mn, (+4.1% deviation to AJC estimate). Cost to income ratio improved to 44.3% in Q4-24 as compared to 45.9% in the Q4-23 (AJC estimate 40.6%).
- Bank recorded provision reversals of SAR 58mn in Q4-24 as compared to impairment of SAR 47mn in Q4-23. Cost of risk stood at +21bps in Q4-24 as compared to -18bps in Q4-23 (deviation of +53bps to our estimate).

AJC view and valuation: Due to favorable asset liability duration mismatch we expect a notable improvement in NIMs and ROE in the medium term as rates continue coming down from peak levels. However, at 2025E PB of 2.6x we believe bank trades near its justified PB hence there is less room for rerating. We maintain our **"Neutral"** recommendation with TP of **SAR 43.2/share**.

Results Summary

SAR mn	Q4-23	Q3-24	Q4-24	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
NSCI	1,004	1,160	1,144	13.9%	-1.3%	-5.5%
Operating income	1,337	1,446	1,477	10.4%	2.1%	-4.4%
Net Profit	607	703	790	30.1%	12.4%	5.9%
EPS	0.49	0.56	0.63			

Source: Company Reports, AlJazira Capital Research

Recommendation	Neutral
Target Price (SAR)	43.2
Upside / (Downside)*	11.2%

Source: Tadawul *prices as of 3rd of February 2025

Key Financials

SAR mn (unless specified)	FY23	FY24	FY25E	FY26E
Net financing & investment income	4,110	4,434	5,162	5,786
Growth %	-4.10%	7.88%	16.43%	12.07%
Net Profit	2,369	2,807	3,085	3,505
Growth %	-6.80%	18.47%	9.94%	13.60%
EPS	1.90	2.25	2.47	2.80
DPS*	0.50	0.75	0.75	1.00

Source: Company reports, AlJazira Capital Research, *2024E

Key Ratios

	FY23	FY24	FY25E	FY26E
NIMs	3.29%	3.31%	3.44%	3.49%
P/E	19.19	17.36	15.84	13.94
P/B	3.20	2.88	2.56	2.28
Dividend Yield*	1.38%	1.93%	2.20%	2.50%
ROA	1.74%	1.88%	1.88%	1.94%
ROE	16.53%	17.66%	17.11%	17.31%
Net loan growth	11.96%	7.08%	10.53%	10.49%
Deposit growth	18.97%	7.93%	10.31%	10.33%

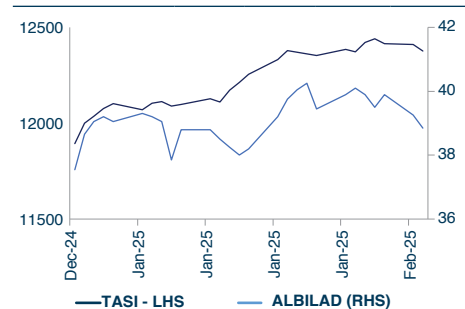
Source: Company reports, AlJazira Capital Research, *2024E

Key Market Data

Market Cap(bn)	48.5
YTD%	-0.51%
52 week (High)/(Low)	41.4/31.7
Share Outstanding (mn)	1,250

Source: Company reports, AlJazira Capital Research

Price Performance



Source: Bloomberg, AlJazira Capital Research

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RESEARCH
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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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