



Improvement in NSCI & lower provisions result in a 12.4% Y/Y increase in Q4-23 bottom line; NIMs decline on Q/Q basis

Bank Albilad posted earnings of SAR 607mn in Q4-23, up 12.4% Y/Y down 1.5% Q/Q. The Y/Y increase in earnings is mainly attributed to 2.3% increase in Net Special Commission Income (NSCI) and 66.1% decline in provision expenses. Net income for 2023 is up 13.8% to SAR 2.4bn, on account of 5.7% increase in NSCI and 41.2% decline in provision expenses. Along with the result, bank announced one bonus share for every four shares and SAR 0.5 per share cash dividend. NIMs for the bank contracted by 28bps and 18bps Y/Y and Q/Q respectively in Q4-23. Albilad has posted a 19.0% Y/Y increase in deposits, while its loans have grown by 12.0% in 2023. Bank Albilad trades at 2024E P/B of 2.6x on ROE of 16.0%, whereas 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 on Albilad, with a TP of SAR 41.50/share. Improvement in fundamentals is in the price.

- Albilad Bank posted earnings of SAR 607mn in Q4-23, up 12.4% Y/Y down 1.5% Q/Q. The Q4-23 net income was in line with our expectation of SAR 619mn. The Y/Y increase in earnings is mainly attributed to 2.3% increase in Net Special Commission Income and 66.1% decline in provision expenses. Net income for 2023 is up 13.8% to SAR 2.4bn, on account of 5.7% increase in NSCI and 41.2% decline in provision expenses.
- Yield on assets came in at 5.68% in Q4-23 as compared to 5.74% in Q3-23 and 4.57% in Q4-22, however, NIM was lower at 3.24% in Q4-23 as compared to 3.51% in Q4-22 (3.42% in Q3-23).
- Loan book expanded by 12.0% Y/Y & 0.5% Q/Q to SAR 102.1bn, inline with our estimate of SAR 102.6bn. Meanwhile, deposits grew 19.0% Y/Y and 3.6% Q/Q to SAR 112.8bn, as compared to our estimate of SAR 110.0bn. As deposit growth outpaced loan growth, the ADR ratio declined to 90.5% in Q4-23 from 96.1% in Q4-22 (93.3% in Q3-23).
- The bank posted operating income of SAR 1.3bn (-0.8% Y/Y, +0.1% Q/Q). The Y/Y decline in operating profit, despite 2.3% Y/Y increase in NSCI, can be attributed to the 9.1% attrition in non-funded income.
- Operating expense (excluding debt provisions) stood at SAR 614mn (+0.9% Y/Y, +6.5% Q/Q) was slightly above our estimate of SAR 589mn. Albilad posted provisions of SAR 47mn (-66.1 Y/Y, -35.3% Q/Q), lower than our estimate of SAR 100mn. Consequently, cost of risk dropped to 18bps in Q4-23, vs 61bps in Q4-22. Cost to income ratio stood at 45.9% in Q4-23 as compared to 45.1% in Q4-22 and 43.1% in Q3-23.

AJC view and valuation: Improvement in NSCI, controlled operating expenses and lower provision expenses resulted in a 12.4% Y/Y increase in Q4-23 bottom line to SAR 607mn, which was line with our and consensus estimate. However, we were negatively surprised by the sequential reduction in NIMs. Bank Albilad trades at 2024E P/B of 2.6x on ROE of 16.0%, whereas 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 on Albilad, with a TP of SAR 41.50/share.

Results Summary

SARmn (unless specified)	Q4-22	Q3-23	Q4-23	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Net financing and investment income	982	1,052	1,004	2.3%	-4.5%	-8.0%
Total Operating income	1,349	1,336	1,337	-0.8%	0.1%	-2.9%
Net Profit	540	616	607	12.4%	-1.5%	-1.9%
EPS	0.54	0.62	0.61	12.4%	-1.5%	-1.9%

Source: Tadawul, Aljazira Capital Research

Recommendation Neutral

Target Price (SAR) 41.5

Upside / (Downside)* -8.4%

Source: Tadawul *prices as of 4th February 2024

Key Financials

SARmn (unless specified)	FY22	FY23	FY24E	FY25E
Net financing and investment income	3,887	4,110	4,804	5,515
Growth %	11.4%	5.7%	16.9%	14.8%
Net Income	2,082	2,369	2,576	3,096
Growth %	23.4%	13.8%	8.7%	20.2%
EPS	2.08	2.37	2.58	3.10

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY22	FY23	FY24E	FY25E
NIMs	3.53%	3.48%	3.50%	3.51%
P/E (x)	21.8	19.1	17.6	14.6
P/B (x)	3.60	2.95	2.62	2.29
DPS*	0.5	0.5	0.5	0.75
Dividend Yield	1.1%	1.1%	1.1%	1.7%
C/I	44.7%	44.1%	43.2%	40.7%
ROA	1.7%	1.8%	1.7%	1.7%
ROE	16.4%	16.5%	16.0%	17.1%

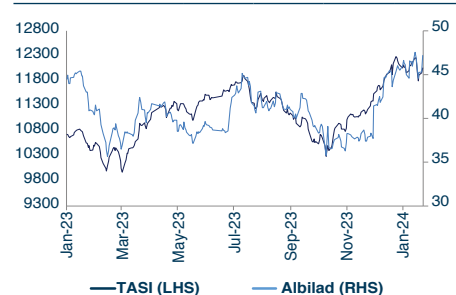
Source: Company reports, Argam, AJC research

Key Market Data

Market Cap(bn)	47.3
YTD%	3.7%
52 week (High)/(Low)	48.2/35.3
Share Outstanding (mn)	1,000.0

Source: Company reports, Bloomberg, Aljazira Capital

Price Performance



Source: Bloomberg, AJC 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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