

Bank Albilad

Profitability driven by margin expansion and reversal in provisioning costs – Maintain Neutral

Rating: Neutral

12M Target Price: SR 39

February 5, 2025

Market Data		Valuations				
		2024A	2025F	2026F	2027F	
Last Price (SR)*	38.65	Net Income (SRbn)	2.8	3.1	3.5	4.0
Target Price (SR)	39	Adj. EPS (SR)	2.3	2.5	2.8	3.2
Upside / Downside (%)	1%	PER (x)	17.2	15.8	13.8	12.0
Market Cap (bn) (SR/USD)	49/13	P/BV (x)	2.9	2.6	2.3	2.1
52 week High / Low (SR)	41.4/31.7	DPS (SR)	0.9	1.0	1.1	1.3
12-month ADTV (mn) (SR/USD)	40/11	Div. Yield (%)	2.3	2.5	2.9	3.3
YTD Return (%)	-1%	RoAE (%)	17.6	17.3	17.7	18.3
Bloomberg Code	ALBI:AB	RoAA (%)	1.9	1.8	1.9	2.0

*last price as of 4 February 2025

Financials (SR mn)	4Q24A	4Q24E*	Var (%)	4Q23A	YoY (%)	3Q24A	QoQ (%)
Net Interest Income	1,144	1,286	-11	1,004	14	1,160	-1
Non-Interest Income	333	339	-2	333	0	286	16
Total Income	1,477	1,625	-9	1,337	10	1,446	2
Operating expenses	(654)	(743)	-12	(614)	7	(730)	-10
Impairment provisions	58	(97)	n.a	(47)	n.a	(54)	n.a
Net Income	790	705	12	607	30	703	12
Adj. EPS	0.64	0.56	14	0.49	31	0.57	12
Assets	154,965	159,338	-3	143,106	8	153,722	1
Investments	25,032	24,288	3	22,080	13	23,000	9
Loans & Advances	109,304	109,959	-1	102,080	7	106,695	2
Deposits	121,776	127,211	-4	112,831	8	122,342	0
Shareholder Equity	16,693	16,891	-1	15,258	9	16,132	3
NIM (%) - annualized	3.4	3.8	-42 bps	3.2	17 bps	3.6	-17 bps
Provisions/Loans (bps)	(5)	9	-14 bps	5	-10 bps	5	-10 bps
Simple LDR (%)	90	86	332 bps	90	-71 bps	87	255 bps
Assets to Equity (x)	9.3	9.4	-2	9.4	-1	9.5	-3

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg and anbc research

Bank Albilad (ALBI AB) reported a net profit of SR790mn in 4Q24, up 30% YoY. Profitability growth was driven by higher net interest income coupled with a reversal of credit provisioning costs. Sequentially, the bottom line increased by 12% QoQ, primarily on lower expenses. The earnings were 12% ahead of our estimates, primarily on lower-than-expected expenses and provision reversals, even though operating income came in below our expectations

- Net interest income increased 14% YoY in 4Q24 on margin expansion and higher interest earnings assets. However, sequentially, it declined by 1% QoQ. We estimate that annualized NIM expanded by 17bps YoY, though it fell by 17bps QoQ. For 2024, net interest income grew by 8% YoY as NIM was broadly stable.
- Non-interest income was nearly flat YoY, though it increased by 16% QoQ in 4Q24. Meanwhile, operating income increased by 10% YoY/2% QoQ. For 2024, operating income grew by 7% YoY while non-interest income was up 4% YoY.
- Operating expenses grew at a slower pace of 7% YoY and declined by 10% QoQ.
- Bank Albilad recorded a reversal in impairment provisioning of SR58mn in 4Q24 vs. a charge of SR47mn in 4Q23 and SR54mn in 3Q24. For 2024, impairment provisioning costs fell 60% YoY, with provisioning costs to net loans declining to 12bps from 32bps in 2023.
- Total assets increased by 8% YoY/1% QoQ, driven by a 7% YoY/2% QoQ increase in the lending portfolio and a 13% YoY/9% QoQ increase in the investment portfolio. Meanwhile, deposit growth stood at 8% YoY (0% QoQ), resulting in an LDR ratio of 90% in 4Q24.
- Albilad's performance came below our estimates at the operating level since the margin improvement was relatively lower than expected. However, we think the full impact of rate cuts in 2H24 is likely to filter through in the next few quarters as well. Meanwhile, despite a balanced positioning in the corporate and retail sector, its lending growth had been relatively weak in 2024. While the bank's share price has come close to our target price, we await for detailed financials before updating our models. However, at a valuation of 2025e PER of 15.8x and PBV of 2.5x, we think valuations remain slightly stretched out for RoAEs, which are unlikely to expand significantly; hence, we maintain our rating.

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