

Bank Albilad

Impairment reversal boosted profitability

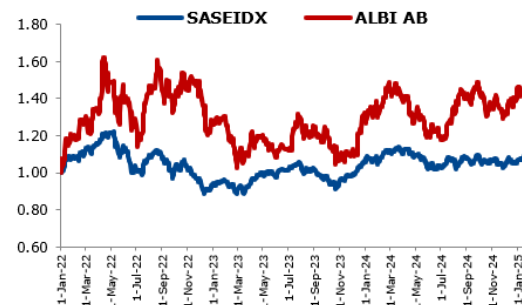
Current Price
SAR 37.90

Target Price
SAR 38.00

Upside/Downside (%)
+0.3%

Rating
HOLD

- NIMs grew 11 bps YOY but fell 14 bps QOQ to 3.0% in 4Q24.
- The Bank's cost-to-income ratio improved 162 bps YOY to 44.3% in 4Q24.
- ALBI recorded an impairment reversal of SAR 58 Mn in 4Q24 compared to an impairment charge of SAR 47 Mn in 4Q23.
- Net advances grew 7.1% YOY and 2.4% QOQ to SAR 109.3 Bn in 4Q24.
- ALBI's board of directors recommended the issuance of one bonus share for every five shares held. It will increase the share capital from SAR 12.5 Bn to SAR 15.0 Bn.



Stock Information

Market Cap (SAR, mn)	47,375.00
Paid Up Capital (mn)	12,500.00
52 Week High	41.36
52 Week Low	31.70
3M Avg. daily value(SAR)	45,869,730

4Q24 Result Review (SAR, Mn)

Total Assets	154,965
Total Liabilities	138,271
Total Equity	16,693
Total Deposits	121,776
Net Profit	790

Financial Ratios

Dividend Yield (12m)	2.64
Dividend Pay-out (%)	22.27
Price-Earnings Ratio(x)	16.77
Price-to-Book Ratio (x)	2.84
Book Value (SAR)	13.35
Return-on Equity (%)	17.57

Stock Performance

5 Days	0.26%
1 Months	-5.01%
3 Months	8.13%
6 Months	-1.56%
1 Year	-4.10%
Month to Date (MTD%)	-5.01%
Quarter to Date (QTD%)	-2.94%
Year to Date (YTD%)	-2.94%

4Q24 Net Profit higher than our estimate

Albilad Bank's ("ALBI", "The Bank") net profit grew 30.1% YOY to SAR 790 Mn in 4Q24, higher than our estimate of SAR 697 Mn. The growth in the net profit is mainly attributable to the increase net funded income coupled with impairment reversal partially offset by higher operating & zakat expense.

P&L Highlights

ALBI's funded income grew 7.8% YOY to SAR 2,190 Mn in 4Q24, driven by growth in advances and other interest-bearing assets partially offset by lower asset yield. On the other hand, funded expenses inched up 1.8% YOY to SAR 1,045 Mn in 4Q24. Thus, net funded income grew 13.9% YOY to SAR 1,144 Mn in 4Q24. Fees and commission income rose 28.9% YOY to SAR 206 Mn in 4Q24. Exchange income fell 10.0% YOY to SAR 105 Mn, while other non-funded income declined from SAR 56 Mn in 4Q23 to SAR 21 Mn in 4Q24. As a result, total non-funded income marginally fell 0.2% YOY to SAR 332 Mn in 4Q24. Thus, the Bank's total operating income rose 10.4% YOY to SAR 1,477 Mn in 4Q24. Furthermore, the Bank's operating expenses rose 6.5% YOY to SAR 654 Mn in 4Q24 mainly due to the increase in salaries and employee-related expense and other G&A expenses partially offset by lower D&A expenses. However, the Bank's cost-to-income ratio improved 162 bps YOY to 44.3% in 4Q24. The Bank recorded an impairment reversal of SAR 58 Mn in 4Q24 compared to an impairment charge of SAR 47 Mn in 4Q23. Zakat expenses grew 30.1% YOY to SAR 91 Mn in 4Q24 in line with growth in profitability.

Balance sheet highlights

Total assets grew 8.3% YOY and 0.8% QOQ to SAR 155 Bn in 4Q24 driven by growth in advances and investments. Net advances grew 7.1% YOY and 2.4% QOQ to SAR 109.3 Bn in 4Q24. The Bank's investment portfolio grew 13.4% YOY and 8.8% QOQ to SAR 25.0 Bn in 4Q24. Moreover, ALBI's customer deposits grew 7.9% YOY but fell 0.5% QOQ to SAR 121.8 Bn in 4Q24. Loan-to-deposit ratio rose from 87.2% in 3Q24 to 89.8% in 4Q24. Total shareholders equity rose 9.4% YOY and 3.5% QOQ to SAR 16.7 Bn in 4Q24.

Target Price and Rating

We maintain our HOLD rating on the ALBI stock with an unchanged target price of SAR 38.0. ALBI reported robust financial performance in 4Q24. NIMs grew 11 bps YOY but fell 14 bps QOQ to 3.0% in 4Q24. In addition, the cost-to-income ratio improved from 45.9% in 4Q23 to 44.3% in 4Q24 reflecting its robust cost control which is likely to benefit the profitability. Moreover, its investment portfolio is witnessing solid growth and majority of the investments are in long term fixed income securities which is likely to benefit the Bank in a declining interest rate scenario. Asset quality improved as NPLs declined from 1.4% in 4Q23 to 1.2% in 4Q24 with a coverage ratio of 198.4% in 4Q24, compared to 202.1% in 4Q23. The coverage provides a cushion in case of potential bad loans. ALBI is poised to benefit from its balanced loan portfolio with exposure to retail as well as corporate sector. The Bank continued to preserve capital to maintain growth with CET 1 and CAR ratios of 14.6% and 18.3%, respectively in 4Q24. The Headline Loan-to-deposit ratio rose from 87.2% in 3Q24 to 89.8% in 4Q24. ALBI's board of directors recommended the issuance of one bonus share for every five shares held. It will increase the share capital from SAR 12.5 Bn to SAR 15.0 Bn, with SAR 1.5 Bn being transferred from retained earnings and SAR 1.0 Bn from statutory reserves. Thus, based on our analysis, we assign a HOLD rating on the stock.

Bank Albilad - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	35.73	28.57	23.15	20.34	17.17	15.62
PB	4.49	4.02	3.74	3.16	2.89	2.56
Dividend Yield	NA	NA	1.0%	1.0%	1.3%	1.3%

FABS Estimates & Co Data

Bank Albilad – P&L

SAR Mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	YOY Ch
Funded income	2,031	2,205	2,190	2,248	-2.6%	7.8%	-0.7%	7,544	8,559	13.5%
Funded expense	-1,027	-1,045	-1,045	-1,061	-1.5%	1.8%	0.1%	-3,434	-4,126	20.1%
Net funded income	1,004	1,160	1,144	1,187	-3.6%	13.9%	-1.3%	4,110	4,434	7.9%
Total non-funded income	333	286	332	310	7.3%	-0.2%	16.0%	1,193	1,238	3.8%
Total operating income	1,337	1,446	1,477	1,496	-1.3%	10.4%	2.1%	5,303	5,672	7.0%
G&A expenses	-614	-609	-654	-639	2.3%	6.5%	7.3%	-2,338	-2,413	3.2%
Pre provision profit	724	837	823	857	-4.0%	13.7%	-1.7%	2,965	3,258	9.9%
Impairment	-47	-54	58	-81	NM	NM	NM	-324	-130	-60.0%
Profit before zakat	677	783	881	777	13.4%	30.1%	12.4%	2,641	3,129	18.5%
Zakat expenses	-70	-81	-91	-80	13.4%	30.1%	12.4%	-272	-322	18.5%
Net profit	607	703	790	697	13.4%	30.1%	12.4%	2,369	2,807	18.5%

FABS estimate & Co Data

Bank Albilad - KPI

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Net FI/OI	75.1%	80.2%	77.5%	240	-269	77.5%	78.2%	66
NIM	2.9%	3.2%	3.0%	11	-14	3.1%	3.1%	-3
NIS	2.5%	2.7%	2.6%	15	-11	2.7%	2.6%	-6
Fees & comms/OI	12.0%	12.6%	14.0%	201	140	11.7%	12.4%	64
Other opert inc./OI	12.9%	7.2%	8.5%	-441	128	10.8%	9.5%	-130
Cost to income	45.9%	42.1%	44.3%	-162	214	44.1%	42.6%	-154
Impairment/PPP	6.5%	6.4%	-7.0%	-1351	-1342	10.9%	4.0%	-694
NP/OI	45.4%	48.6%	53.5%	811	492	44.7%	49.5%	481
Cost of risk	0.2%	0.2%	-0.2%	-40	-42	0.3%	0.1%	-21
Loan-to-deposit (headline)	90.5%	87.2%	89.8%	-71	255	90.5%	89.8%	-71
NPL calculated	1.4%	1.2%	1.2%	-19	-7	1.4%	1.2%	-18
Coverage excluding collateral	202.1%	203.0%	198.4%	-370	-459	202.1%	198.4%	-370
CET 1	13.9%	14.6%	14.6%	67	-4	13.9%	14.6%	67
Capital adequacy	17.8%	18.5%	18.3%	56	-15	17.8%	18.3%	56
ROAE	16.8%	17.1%	17.6%	74	50	16.8%	17.6%	74
ROAA	1.7%	1.8%	1.9%	15	8	1.7%	1.9%	15

FABS estimate & Co Data

Bank Albilad - Key B/S items

SAR Mn	4Q23	1Q24	2Q24	3Q24	4Q24	Change
Net advances	102,080	103,306	104,310	106,695	109,304	7.1%
QOQ change	0.5%	1.2%	1.0%	2.3%	2.4%	
Total assets	143,106	143,700	145,291	153,722	154,965	8.3%
QOQ change	4.0%	0.4%	1.1%	5.8%	0.8%	
Customer deposits	112,831	113,741	114,530	122,342	121,776	7.9%
QOQ change	3.6%	0.8%	0.7%	6.8%	-0.5%	
Total equity	15,258	15,701	15,806	16,132	16,693	9.4%
QOQ change	4.4%	2.9%	0.7%	2.1%	3.5%	

FABS estimate & Co Data

Valuation:

We use Residual Income and Relative Valuation (RV) method to value ALBI. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	38.67	70.0%	27.07
Relative Valuation (RV)	36.44	30.0%	10.93
Weighted Average Valuation (SAR)			38.00
Current market price (SAR)			37.90
Upside/Downside (%)			+0.3%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.3%. The cost of equity is calculated by using a 10-year government bond yield of 4.8%, a beta of 0.90, and an equity risk premium of 3.9%. Government bond yield is calculated after adding KSA 10-year CDS spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	7,445
Terminal value (SAR, Mn)	24,199
Book Value of Equity (as of Dec 2024)	16,693
FV to Common shareholders (SAR, Mn)	48,337
No. of share (Mn)	1,250
Current Market Price (SAR)	37.90
Fair Value per share (SAR)	38.67

Residual Income Method

(All Figures in SAR Mn)	2025F	2026F	2027F	2028F	2029F
Net Profit	3,084	3,278	3,773	4,160	4,470
(-) Equity Charge	-1,569	-1,764	-1,974	-2,190	-2,406
Excess Equity	1,515	1,514	1,800	1,970	2,064
Discounting Factor	0.99	0.92	0.85	0.78	0.72
Present Value of Excess Equity	1,505	1,388	1,523	1,539	1,489

Source: FAB Securities

2) Relative Valuation:

We have used local peers to value ALBI and it is valued using the PB multiple. We have applied a premium to the median valuation multiple and is valued at a 2025 PB multiple of 2.4x.

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Riyad Bank	23,206	9.3	8.9	1.4	1.3	5.7	5.9
Alinma Bank	20,571	13.1	11.9	2.1	1.9	3.9	3.8
Al Rajhi Bank	107,970	18.9	16.6	3.7	3.4	3.1	3.5
Saudi National Bank	54,864	9.7	8.9	1.2	1.1	5.8	6.5
Banque Saudi Fransi	11,026	9.4	8.8	1.0	1.0	6.1	6.4
Arab National Bank	11,640	8.9	8.6	1.1	1.0	6.0	6.2
Average		11.5x	10.6x	1.8x	1.6x	5.1	5.4
Median		9.5x	8.9x	1.3x	1.2x	5.7	6.0
Max		12.2x	11.2x	1.9x	1.7x	5.9	6.3
Min		9.3x	8.9x	1.1x	1.0x	4.3	4.3

Source: FAB Securities

