

Bank Aljazira (BJAZ)

Recommendation	Hold
Current Market Price (SAR)	17.7
52wk High / Low (SAR)	18.0/12.3
Mkt. Cap. (USD/SAR Mn)	4,808/18,040
Shares Outstanding (mn)	1,025
Free Float (%)	99.5%
3m Average Vol. (000)	3,083.0
3m Avg Daily Turnover (SAR'000)	50,705
Dividend Yield '24e (%)	3.3%
Adjusted P/E'24e (x)*	15.4
P/B'24e (x)	1.5

Source: Bloomberg

*EPS post sukuk payment

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Net yield income	2,607	2,375	2,855	2,677
Non yield income	888	960	1,001	1,027
Operating income	3,495	3,335	3,856	3,704
Impairment charge	286	229	317	343
Net income	1,109	1,020	1,319	1,129
Cost to income (%)	55%	58%	52%	55%
EPS (SAR)	1.08	1.00	1.29	1.10
Adjusted EPS (SAR)*	1.01	1.01	1.28	1.10
RoE (%)	9%	8%	10%	8%
Financing	70,599	80,781	87,709	94,828
Customers' deposits	86,023	94,054	103,715	110,107

Source: Company Reports, Yaqeen Capital

*EPS post sukuk payment

Major Shareholders (%)

Ibraheem Abdurahman Mohammed Al Konaibit	6.00%
Consolidated Brothers Company	5.00%

Source: Bloomberg, Yaqeen Capital

Earnings increased amid higher net operating income

- In 2Q2024, BIAZ's net income increased by 21.9% YoY and 5.7% QoQ to SAR 318mn, driven by higher operating income. However, the net profit margin declined by 0.9ppts YoY but rose by 0.2ppts QoQ to 16.5%.
- Net financing and investment income grew 11.3% YoY (+1.5% QoQ) to SAR 629mn in 2Q2024, primarily due to higher corporate financing income and increased earnings from banks and other financial institutions, driven by portfolio growth and rising rates.
- Total operating income rose 11.8% YoY and 1.7% QoQ to SAR 903mn in 2Q2024, largely due to increased net financing and investment income, net fees from banking services, net gains on FVIS financial instruments, and higher dividend income, despite declines in net gains on financial assets at amortized cost and net exchange income.
- Operating expenses climbed 6.4% YoY and 0.2% QoQ to SAR 548mn in 2Q2024, driven by higher net impairment charges, other general and administrative expenses, salaries, and depreciation costs, partially offset by a reversal of impairment charges for real estate.
- For 1H2024, net income rose 33.0% YoY to SAR 618mn, supported by higher operating income, driven by increases in net financing and investment income, banking fees, FVIS gains, and dividend income, despite declines in other operating income and exchange income.
- Net financing and investment income for 1H2024 increased 11.1% YoY to SAR 1,249mn, driven by higher income from investments, corporate financing, and shariah-compliant derivatives due to portfolio growth and higher rates.
- The net financing portfolio grew 16.4% YoY to SAR 87.2bn in 2Q2024, with the Commercial segment (~63% of the portfolio, +22.5% YoY) and the Consumer segment (~36%, +7.4% YoY) both expanding.
- Customer deposits reached SAR 98.6bn, up 7.0% YoY in 2Q2024, driven by a surge in savings deposits (+559.5% YoY) and higher time deposits (+8.1% YoY), while demand deposits fell by 7.0% YoY.

Outlook & Valuation: We remain optimistic about domestic banks, driven by strong credit demand from government projects and private sector funding needs amid projected interest rate declines. However, BIAZ's earnings may underperform Shariah-compliant peers due to lower net interest margins, a higher cost-to-income ratio, and weaker return on equity. As a result, we have valued the bank at a significantly lower P/B multiple compared to its peers. Based on a 1-year forward average P/B of 1.5x and FY2024e BVPS of SAR 12.9, we arrive at a fair value of SAR 16.5/share (6.7% downside from current level), implying Hold recommendation on the stock.

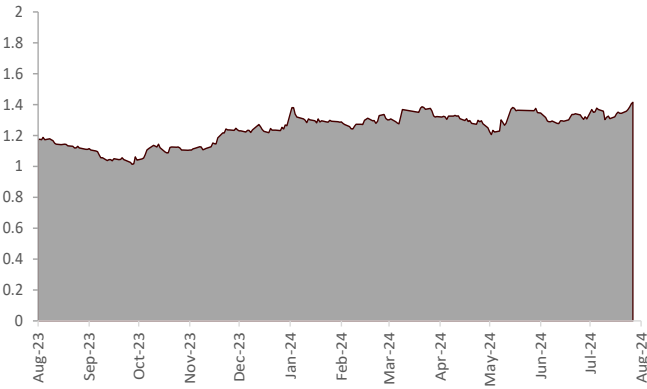
Financial Summary

SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Net yield income	629	566	11%	620	2%
Non yield income	274	242	13%	268	2%
Operating income	903	808	12%	888	2%
Impairment charge	83	52	59%	55	49%
Net income	318	261	22%	300	6%
Cost to income (%)	56%	57%		55%	
EPS (SAR)	0.31	0.25	22%	0.29	6%
Adjusted EPS (SAR)*	0.21	0.22	-1%	0.29	-27%

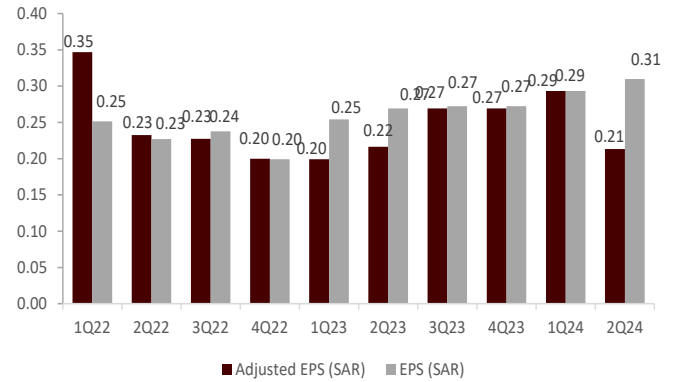
Source: Company Reports, Yaqeen Capital

*EPS post sukuk payment

Price to Book Ratio Trend



EPS & Adjusted EPS* (SAR) Trend



*EPS post sukuk payment

Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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