

## BANK ALJAZIRA

## RESULT ANALYSIS

Q3 2021

## Estimates missed despite earnings growth

BJAZ reported a mix set of Q3 21 results, with a net income of SAR205mn (+12.6% yoy, -18.6% qoq). This compares to the SNB Capital and consensus estimates of SAR237mn and SAR256mn, respectively. Revenues came in at SAR878mn (+8.2% yoy, +6.0% qoq) and were higher than our estimates. However, higher operating costs impacted earnings, with cost-to-income ratio increasing to 55% in Q3 21 vs 54% and 53% in Q3 20 and Q2 21, respectively. Loan book grew by 7.9% yoy to SAR58.4bn and was in-line with our estimates.

- Revenues grew 8.2% yoy (+6.0% qoq) to SAR878mn and were higher than our estimate of SAR849mn. NSCI increased 9.2% yoy (+6.7% qoq) to SAR674mn, ahead of our estimate of SAR647mn. Fee and other income came-in at SAR205mn (+4.9% yoy, +3.9% qoq) and was in-line with our estimates.
- Our initial estimates suggest that NIMs remained flat at 2.8%, in-line with our estimate. Asset yields declined c18bps yoy to 3.1%, in-line with our estimate. Funding costs declined c42bps yoy to 0.5% and were in-line with our estimate. We believe this is a key positive of the result, which is attributed to the bank's move to reduce its costly time deposits.
- Operating expenses increased 11.0% yoy (+21.6% qoq) to SAR479mn and were higher than our estimate of SAR433mn. As a result, cost-to-income increased to 55% vs 53% in Q3 20 and 48% in Q2 21. It was higher than our estimate of 51%.
- The bank recorded provisions of SAR159mn (-12.0% yoy, flat qoq), compared to our estimate of SAR143mn. Consequently, cost of risk declined c25bps yoy to 1.1%, marginally higher than our estimate of 1.0%.
- BJAZ's loan book grew 7.9% yoy (+2.7% qoq) to SAR58bn, in-line with our expectations. Deposits increased 17.9% yoy (+5.1% qoq) to SAR74bn, higher than our estimate of SAR72bn. The bank's L/D ratio eased to 79%, compared to 86% in Q3 20. We believe better liquidity position should allow the bank to keep its cost of funds down.

## Outlook

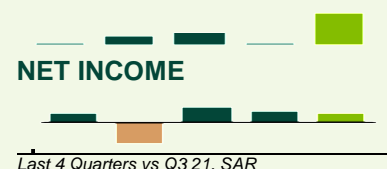
We are Neutral on BJAZ with a PT of SAR20.6. Currently, the stock trades at 2021f PB of 1.2x, higher than its 5-year average of 0.9x. We believe rationalization of funding costs and lower impairment expenses are key positives.

## Q3 21 Results Summary (SAR mn)

	Q3 21	Q3 20	%yoy	Q3 21f	%Var <sup>^</sup>	Q2 21	% qoq
Gross Special Commission Income	758	755	0.3%	737	2.8%	723	4.8%
Net Special Commission Income	674	617	9.2%	647	4.2%	632	6.7%
Fee and other Income	205	195	4.9%	202	1.2%	197	3.9%
Operating Income	878	812	8.2%	849	3.5%	828	6.0%
Net Income	205	182	12.6%	237	(13.8)%	251	(18.6)%
Loans (bn)	58	54	7.9%	59	(0.3)%	57	2.7%
Deposits (bn)	74	63	17.9%	72	2.5%	71	5.1%
Investments (bn)	31	30	3.0%	32	(2.1)%	31	1.4%
Assets (bn)	99	92	7.3%	97	1.6%	96	2.8%
EPS (SAR)	0.25	0.22	12.6%	0.29	(13.8)%	0.31	(18.6)%

Source: Company, SNB Capital Research, <sup>^</sup>% Var indicates variance from SNB Capital forecasts

## REVENUE



Last 4 Quarters vs Q3 21. SAR

## NEUTRAL

Price target (SAR) 20.6

Current price (SAR) 20.0

PT last updated in June 2021

## VALUATION MULTIPLES

	20	21f	22f
P/E (x)	NM	13.0	10.8
P/B (x)	1.4	1.2	1.1
Div Yield (%)	0.0	3.1	4.2
ROE (%)	0.3	9.8	11.1

Source: SNB Capital Research estimates

## STOCK DETAILS

M52-week range H/L (SAR)	20/13
Market cap (\$mn)	4,343
Shares outstanding (mn)	820
Listed on exchanges	Saudi Exchange

Price perform (%)	1M	3M	12M
Absolute	9.0	1.5	49.3
Rel. to market	4.7	(7.2)	40.6

Avg daily turnover (mn)	SAR	US\$
3M	88.5	23.6
12M	81.0	21.6

Reuters code 1020.SE

Bloomberg code BJAZ AB

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