First Look Note | 3Q25

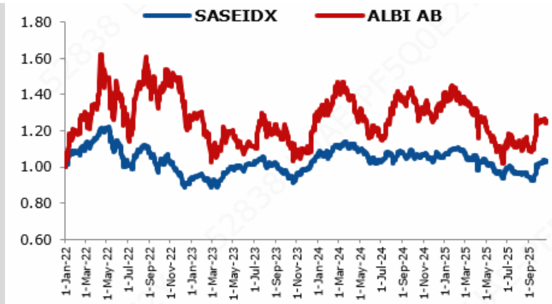
Saudi Equity Research | Sector: Banking | Market: Tadawul

Bank Albilad

Solid growth in non-funded income drove the bottom line

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 29.26	SAR 31.70	+8%	HOLD

- ALBI's loan-to-deposit ratio decreased from 93.4% in 2Q25 to 92.3% in 3Q25.
- Net funded income rose 3.0% YOY to SAR 1,195 Mn in 3Q25, due to a rise in income from investing and financing assets.
- Cost-to-income rose 5 bps YOY and 76 bps QOQ to 42.2% in 3Q25.
- Investment portfolio grew 32.4% YOY and 6.3% QOQ to SAR 30.4 Bn in 3Q25.
- ALBI's net advances rose 11.7% YOY and 3.0% QOQ to SAR 119.1 Bn in 3Q25, while customer deposits grew 5.5% YOY and 4.1% QOQ to SAR 129.0 Bn.



Stock Information	
Market Cap (SAR, Mn)	44,820.00
Paid Up Capital (Mn)	15,000.00
52 Week High	33.88
52 Week Low	23.38
3M Avg. daily value(SAR)	43,082,070

3Q25 Result Review (SAR, Mn)	
Total Assets	167,929
Total Equity	20,910
Total Deposits	129,023
Operating income	1,535
Net Profit	767

Financial Ratios	
Dividend Yield (12m)	2.96
Dividend Pay-out (%)	22.27
Price-Earnings Ratio(x)	14.81
Price-to-Book Ratio (x)	2.16
Book Value (SAR)	13.84
Return-on Equity (%)	16.18

Stock Performance	
5 Days	3.68%
1 Months	4.48%
3 Months	16.17%
6 Months	1.81%
1 Year	-2.43%
Month to Date (MTD%)	3.61%
Quarter to Date (QTD%)	3.61%
Year to Date (YTD%)	-8.18%

3Q25 net profit in line with than our estimate

Albilad Bank's ("ALBI", "The Bank") net profit grew 9.1% YOY to SAR 767 Mn in 3Q25, in line with our estimate of SAR 789 Mn. The growth in net profit is mainly attributable to the increase in net funded and non-funded income, along with a decline in impairments, partially offset by higher operating expenses and zakat charge.

P&L Highlights

ALBI's funded income grew 5.3% YOY to SAR 2,321 Mn in 3Q25, driven by growth in net advances and investments. On the other hand, funded expenses grew 7.8% YOY to SAR 1,127 Mn in 3Q25, due to a rise in customer deposits. Thus, net funded income grew 3.0% YOY to SAR 1,195 Mn in 3Q25. The Bank's non-funded income increased 18.7% YOY to SAR 340 Mn in 3Q25, attributed to a rise in gain on fair value through statement of income (FVSI) instruments, fee and commission income, other operating income and dividend income, partially offset by a decline in exchange income. Thus, the Bank's total operating income rose 6.1% YOY to SAR 1,535 Mn in 3Q25. Furthermore, the Bank's operating expenses increased 6.3% YOY to SAR 647 Mn in 3Q25 mainly due to an increase in G&A expenses, D&A expenses, and salaries & employee-related benefits. As a result, the Bank's cost-to-income ratio rose from 42.1% in 3Q24 to 42.2% in 3Q25. Impairment charges declined 38.5% YOY to SAR 33 Mn in 3Q25, driven by a decline in net impairment charges for expected credit losses, indicating an improvement in the portfolio's overall quality and composition. Bank's zakat expenses increased 9.1% YOY to SAR 88 Mn in 3Q25.

Balance sheet highlights

The Bank's total assets grew 9.2% YOY and 3.7% QOQ to SAR 167.9 Bn in 3Q25, driven by growth in advances and investments. Net advances increased 11.7% YOY and 3.0% QOQ to SAR 119.1 Bn in 3Q25. The Bank's investment portfolio rose 32.4% YOY and 6.3% QOQ to SAR 30.4 Bn in 3Q25. Moreover, ALBI's customer deposits grew 5.5% YOY and 4.1% QOQ to SAR 129.0 Bn in 3Q25. Thus, the headline loan-to-deposit ratio fell from 93.4% in 2Q25 to 92.3% in 3Q25. Total shareholders equity increased by 29.6% YOY and 0.7% QOQ to SAR 20.9 Bn in 3Q25.

Target Price and Rating

We revise our rating on ALBI from BUY to HOLD with an unchanged target price of SAR 31.70. The stock price increased 8% since our last rating. ALBI's profitability grew 9.1% YOY in 3Q25, driven by a strong growth in non-funded income, indicating effective diversification of revenue streams. Investment portfolio rose 32.4% YOY and 6.3% QOQ to SAR 30.4 Bn in 3Q25, whereas net advances increased 11.7% YOY and 3.0% QOQ to SAR 119.1 Bn in 3Q25, reflecting robust growth in earning assets and sustained demand across core lending segments. Similarly, customer deposits rose 5.5 YOY and 4.1% QOQ to SAR 129.0 Bn in 3Q25. The headline loan-to-deposit ratio fell from 93.4% in 2Q25 to 92.3% in 3Q25, indicating improved liquidity. The Bank's CASA deposits accounted for 65% of total deposits in 2Q25, reflecting its ability to maintain a low-cost deposit base, thereby supporting NIMs. The Bank also showed improvement in asset quality, with the NPL ratio declining from 1.18% in 1Q25 to 1.05% in 2Q25. However, ALBI's coverage ratio declined from 193% in 1Q25 to 190% in 2Q25. The Bank's CAR stood strong at 20.7% in 2Q25, indicating a strong capital position that enhances the Bank's capacity to support future growth and absorb potential risks. The Bank maintained LCR and NSFR at 131.2% and 109.2%, respectively in 2Q25, well above the regulatory requirement. Thus, based on our analysis, we assign a HOLD rating on the stock.

Albilad Bank - Relative valuation

(at CMP)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025F**
P/E	32.59	26.06	21.11	18.55	15.66	14.13
P/B	4.09	3.67	3.41	2.88	2.63	1.96
EPS	0.899	1.124	1.388	1.579	1.871	2.074
BVPS	7.161	7.987	8.599	10.172	11.129	14.928
DPS	NA	NA	0.333	0.333	0.750	0.900
Dividend Yield	NA	NA	1.1%	1.1%	2.6%	3.1%

FABS Estimates & Co Data

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Albilad Bank – P&L

SAR Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Funded income	2,205	2,249	2,321	2,315	0.3%	5.3%	3.2%	8,559	9,212	7.6%
Funded expense	-1,045	-1,072	-1,127	-1,075	4.8%	7.8%	5.1%	-4,126	-4,277	3.7%
Net funded income	**1,160**	**1,177**	**1,195**	**1,240**	**-3.7%**	**3.0%**	**1.5%**	**4,434**	**4,935**	**11.3%**
Total non-funded income	**286**	**364**	**340**	**333**	**2.2%**	**18.7%**	**-6.5%**	**1,238**	**1,338**	**8.0%**
Total operating income	**1,446**	**1,541**	**1,535**	**1,573**	**-2.4%**	**6.1%**	**-0.4%**	**5,672**	**6,272**	**10.6%**
G&A expenses	-609	-638	-647	-633	2.3%	6.3%	1.4%	-2,413	-2,555	5.9%
Pre provision profit	**837**	**903**	**888**	**940**	**-5.6%**	**6.0%**	**-1.7%**	**3,258**	**3,717**	**14.1%**
Impairment	-54	-49	-33	-60	-44.9%	-38.5%	-32.4%	-130	-249	NM
Profit before zakat	**783**	**854**	**855**	**880**	**-2.9%**	**9.1%**	**0.1%**	**3,129**	**3,468**	**10.8%**
Zakat expenses	-81	-88	-88	-91	-2.9%	9.1%	0.1%	-322	-357	10.8%
Net profit	**703**	**766**	**767**	**789**	**-2.9%**	**9.1%**	**0.1%**	**2,807**	**3,111**	**10.8%**

FABS estimate & Co Data

Albilad Bank - KPI

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	80.2%	76.4%	77.8%	-236	146	78.2%	78.7%	51
Cost to income	42.1%	41.4%	42.2%	5	76	42.6%	40.7%	-181
Impairment/PPP	6.4%	5.4%	3.7%	-269	-169	4.0%	6.7%	272
NP/OI	48.6%	49.7%	49.9%	135	24	49.5%	49.6%	11
Loan-to-deposit (headline)	87.2%	93.4%	92.3%	513	-102	89.8%	95.0%	524

FABS estimate & Co Data

Albilad Bank - Key B/S items

SAR Mn	3Q24	4Q24	1Q25	2Q25	3Q25	Change
Net advances	106,695	109,304	112,427	115,689	119,135	11.7%
QOQ change	2.3%	2.4%	2.9%	2.9%	3.0%	
Total assets	153,722	154,965	159,103	161,902	167,929	9.2%
QOQ change	5.8%	0.8%	2.7%	1.8%	3.7%	
Customer deposits	122,342	121,776	124,018	123,929	129,023	5.5%
QOQ change	6.8%	-0.5%	1.8%	-0.1%	4.1%	
Total equity (deduct. Minority Int.)	16,132	16,693	17,592	20,756	20,910	29.6%
QOQ change	2.1%	3.5%	5.4%	18.0%	0.7%	

FABS estimate & Co Data

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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	31.24	70.0%	21.87
Relative Valuation (RV)	32.77	30.0%	9.83
Weighted Average Valuation (SAR)			**31.70**
Current market price (SAR)			29.26
Upside/Downside (%)			+8.3%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.8%. The cost of equity is calculated by using a 10-year government bond yield of 5.5%, a beta of 0.90, and an equity risk premium of 3.7%. 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)	7,153
Terminal value (SAR, Mn)	21,387
Book Value of Equity (as of June 2025)	18,319
FV to Common shareholders (SAR, Mn)	**46,858**
No. of share (Mn)	1,500
Current Market Price (SAR)	29.26
Fair Value per share (SAR)	**31.24**

Residual Income Method

(All Figures in SAR Mn)	2025F	2026F	2027F	2028F	2029F	2030F
Net Profit	3,111	3,219	3,471	3,862	4,231	4,663
(-) Equity Charge	-1,475	-1,763	-1,915	-2,075	-2,258	-2,446
Excess Equity	**1,636**	**1,457**	**1,556**	**1,787**	**1,973**	**2,218**
Discounting Factor	0.98	0.90	0.83	0.76	0.70	0.64
Present Value of Excess Equity	**400[1]**	**1,310**	**1,286**	**1,357**	**1,377**	**1,422**

Source: FAB Securities, [1]Adjusted for partial year

2) Relative Valuation:

We have used local peers to value ALBI and it is valued using the P/B multiple. We have applied a premium as ALBI trades at a premium to its peers and is valued at a 2026 PB multiple of 2.3x.

Company	Market	P/E (x)		P/B (x)		Dividend Yield (%)	
	(USD Mn)	2025F	2026F	2025F	2026F	2025F	2026F
Riyad Bank	21,792	8.6	8.2	1.3	1.2	3.5	6.3
Alinma Bank	17,558	11.2	10.7	1.8	1.7	4.3	4.4
Al Rajhi Bank	115,188	19.0	16.7	3.8	3.5	1.9	3.3
Saudi National Bank	61,843	10.3	9.7	1.3	1.2	5.3	5.8
Banque Saudi Fransi	11,967	9.2	9.1	1.1	1.0	6.1	6.1
Arab National Bank	12,847	9.3	9.1	1.1	1.1	5.5	5.7
Average		**11.3x**	**10.6x**	**1.7x**	**1.6x**	**4.4%**	**5.3%**
Median		**9.8x**	**9.4x**	**1.3x**	**1.2x**	**4.8%**	**5.7%**
Max		**10.9x**	**10.4x**	**1.7x**	**1.5x**	**5.5%**	**6.0%**
Min		**9.2x**	**9.1x**	**1.2x**	**1.1x**	**3.7%**	**4.7%**

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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