

Bank Albilad (ALBI)

Higher operating costs and impairment charges weighed on profitability

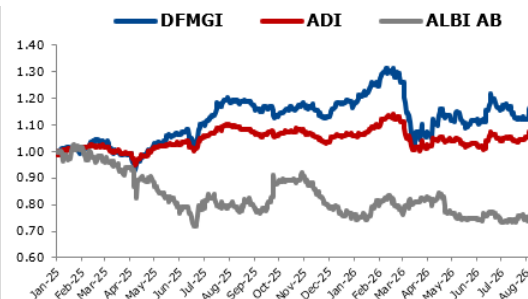
Current Price
SAR 20.30

Target Price
SAR 30.00

Upside/Downside (%)
+48%

Rating
BUY

- Net advances increased 11.4% YOY but declined 0.5% QOQ to SAR 132.8 Bn in 3Q26, while customer deposits grew 12.7% YOY but declined 1.2% QOQ to SAR 145.4 Bn in 3Q26.
- ALBI's loan-to-deposit ratio increased from 90.6% in 2Q26 to 91.3% in 3Q26.
- The Bank's net funded income increased 6.5% YOY to SAR 1,272 Mn, while non-funded income grew 1.1% YOY to SAR 344 Mn in 3Q26.
- Cost-to-income ratio increased to 43.9% in 3Q26 from 42.2% in 3Q25 and 41.8% in 2Q26.
- ALBI distributed interim cash dividends of SAR 750 Mn, equivalent to SAR 0.50 per share for 1H26.



Stock Information

Market Cap (SAR, Mn)	30,450.00
Paid Up Capital (Mn)	15,000.00
52 Week High	30.16
52 Week Low	20.10
3M Avg. daily value(SAR)	32,197,550

3Q26 Result Review (SAR, Mn)

Total Assets	185,891
Investments	31,439
Total Equity	23,258
Total Deposits	145,366
Net Profit	740

Financial Ratios

Dividend Yield (12m)	5.17
Dividend Pay-out (%)	50.60
Price-Earnings Ratio(x)	10.37
Price-to-Book Ratio (x)	1.57
Book Value (SAR)	12.97
Return-on Equity (%)	14.66

Stock Performance

5 Days	-7.52%
1 Months	-17.38%
3 Months	-18.11%
6 Months	-19.38%
1 Year	-30.14%
Month to Date (MTD%)	-14.74%
Quarter to Date (QTD%)	-14.74%
Year to Date (YTD%)	-18.21%

3Q26 net profit lower than our estimate

Albilad Bank's ("ALBI", "The Bank") reported a 3.4% YOY decline in net profit to SAR 740 Mn in 3Q26, lower than our estimate of SAR 800 Mn. The decline in net profit was primarily attributable to higher G&A expenses and impairment charges, partially offset by higher net funded and non-funded income, along with lower zakat expenses.

P&L Highlights

ALBI's funded income increased 12.3% YOY to SAR 2,607 Mn in 3Q26, driven by higher income from investing and financing assets. On the other hand, funded expenses rose 18.5% YOY to SAR 1,334 Mn in 3Q26, reflecting an increase in returns on customer deposits. Consequently, net funded income grew 6.5% YOY to SAR 1,272 Mn in 3Q26. The Bank's non-funded income increased 1.1% YOY to SAR 344 Mn in 3Q26, supported by higher net exchange income, net fee and commission income and other operating income, partially offset by lower net gains on fair value through statement of income (FVSI) instruments and dividend income. As a result, total operating income increased 5.3% YOY to SAR 1,616 Mn in 3Q26. Furthermore, the Bank's G&A expenses increased 9.5% YOY to SAR 709 Mn in 3Q26, primarily driven by higher other general and administrative expenses and depreciation & amortization, partially offset by lower salaries and employee-related benefits. Thus, the cost-to-income ratio increased to 43.9% in 3Q26 from 42.2% in 3Q25, as operating expenses grew faster than operating income. The Bank's impairment charges increased significantly from SAR 33 Mn in 3Q25 to SAR 82 Mn in 3Q26, mainly due to an increase in net impairment charge for expected credit losses on financing. Meanwhile, zakat expenses declined 3.5% YOY to SAR 85 Mn in 3Q26 in line with the decline in profit before tax. Thus, the Bank's net profit decreased 3.4% YOY to SAR 740 Mn in 3Q26.

Balance sheet highlights

The Bank's total assets increased 10.7% YOY but declined 0.3% QOQ to SAR 185.9 Bn in 3Q26, supported by growth in financing and investment activities. Net advances grew 11.4% YOY but declined 0.5% QOQ to SAR 132.8 Bn in 3Q26. ALBI's investment portfolio rose 3.3% YOY but declined 2.1% QOQ to SAR 31.4 Bn in 3Q26. ALBI's customer deposits increased 12.7% YOY but declined 1.2% QOQ to SAR 145.4 Bn in 3Q26. As a result, the loan-to-deposit ratio rose from 90.6% in 2Q26 to 91.3% in 3Q26, reflecting a larger decline in customer deposits than in net advances during the quarter. Total shareholders equity grew 11.2% YOY but declined 2.2% QOQ to SAR 23.3 Bn in 3Q26.

Target Price and Rating

We maintain our BUY rating on ALBI with a target price of SAR 30.00. Bank Albilad reported a decline in profitability in 3Q26, with net profit down 3.4% YOY to SAR 740 Mn, mainly due to higher operating expenses and impairment charges, partially offset by growth in net funded and non-funded income and lower zakat expenses. The Bank's total operating income increased 5.3% YOY to SAR 1,616 Mn in 3Q26, supported by higher net income from investing and financing assets, net exchange income, net fee and commission income and other operating income, partially offset by lower net gain on fair value through statement of income (FVSI) instruments and dividend income. However, operating expenses increased 9.5% YOY to SAR 709 Mn in 3Q26, while impairment charges rose significantly from SAR 33 Mn in 3Q25 to SAR 82 Mn in 3Q26, weighing on profitability. We expect the Bank NIMs to be pressured during a rising interest rate environment owing to a higher share of retail financing and fixed-rate investments. In addition, the normalization of credit risk is further expected to impact profitability over the forecasted period. ALBI recorded an impairment charge on financing of SAR 174 Mn in 9M26 compared to SAR 135 Mn in 9M25. Despite this, we expect the Bank's net profit after zakat is expected to grow at a CAGR of 8.5% from SAR 3.05 Bn in 2025 to SAR 4.6 Bn in 2030 owing to growth in net funded & non-funded income, partially offset by an increase in normalization of credit risk. Net advances grew 11.4% YOY to SAR 132.8 Bn in 3Q26, reflecting continued growth in financing activities, although declining marginally 0.5% QOQ in 3Q26. The Bank's investment portfolio increased 3.3% YOY but declined 2.1% QOQ to SAR 31.4 Bn in 3Q26. Customer deposits rose 12.7% YOY but declined 1.2% QOQ to SAR 145.4 Bn in 3Q26, reflecting continued annual growth in the deposit base. Consequently, the headline loan-to-deposit ratio increased to 91.3% in 3Q26 from 90.6% in 2Q26, as customer deposits declined at a faster pace than net advances during the quarter. Additionally, Bank Albilad distributed interim cash dividends of SAR 750 Mn for 1H26, equivalent to SAR 0.50 per share after zakat deduction, representing 5.0% of the share's par value. Thus, based on our analysis, we assign a BUY rating on the stock.

Albilad Bank - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	18.57	15.05	13.14	11.09	10.50	10.26
PB	2.61	2.43	2.04	1.86	1.46	1.28
BVPS	7.987	8.599	10.233	11.196	14.323	16.369
EPS	1.124	1.388	1.589	1.882	1.988	2.034
DPS	NA	0.333	0.333	0.417	1.000	1.100
Dividend Yield	NA	1.6%	1.6%	2.1%	4.9%	5.4%

FABS Estimates & Co Data

Albilad Bank – P&L

SAR Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Income from invest & fin.	2,321	2,594	2,607	2,664	-2.2%	12.3%	0.5%	9,143	10,261	12.2%
Return on deposits & fin. liab.	-1,126	-1,322	-1,334	-1,355	-1.5%	18.5%	0.9%	-4,392	-5,164	17.6%
Net funded income	1,195	1,272	1,272	1,310	-2.9%	6.5%	0.0%	4,752	5,097	7.3%
Total non-funded income	340	341	344	359	-4.3%	1.1%	0.9%	1,440	1,379	-4.3%
Total operating income	1,535	1,613	1,616	1,669	-3.2%	5.3%	0.2%	6,192	6,476	4.6%
General & admin. Expenses	-647	-675	-709	-712	-0.5%	9.5%	5.1%	-2,611	-2,775	6.3%
Pre provision profit	887	938	908	957	-5.2%	2.3%	-3.3%	3,581	3,701	3.4%
Impairment	-33	-56	-82	-65	26.3%	NM	47.7%	-181	-320	NM
Profit before zakat	855	883	825	892	-7.5%	-3.4%	-6.5%	3,400	3,381	-0.5%
Zakat expenses	-88	-91	-85	-92	-7.6%	-3.5%	-6.6%	-350	-348	-0.5%
Net profit	766	792	740	800	-7.5%	-3.4%	-6.5%	3,049	3,033	-0.5%

FABS estimate & Co Data

Albilad Bank - KPI

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	77.8%	78.9%	78.7%	88	-14	76.7%	78.7%	197
Cost to income	42.2%	41.8%	43.9%	168	203	42.2%	42.8%	68
Impairment/PPP	3.7%	5.9%	9.1%	536	314	5.1%	8.6%	358
NP/OI	49.9%	49.1%	45.8%	-415	-328	49.2%	46.8%	-241
Loan-to-deposit (headline)	92.3%	90.6%	91.3%	-101	68	92.0%	91.7%	-21
ROAA	1.9%	1.8%	1.7%	-14	-4	1.9%	1.7%	-21

FABS estimate & Co Data

Albilad Bank - Key B/S items

SAR Mn	3Q25	4Q25	1Q26	2Q26	3Q26	Change
Net advances	119,135	122,188	129,803	133,418	132,761	11.4%
QOQ change	3.0%	2.6%	6.2%	2.8%	-0.5%	
Total assets	167,929	172,972	179,959	186,478	185,891	10.7%
QOQ change	3.7%	3.0%	4.0%	3.6%	-0.3%	
Customer deposits	129,023	132,879	140,294	147,188	145,366	12.7%
QOQ change	4.1%	3.0%	5.6%	4.9%	-1.2%	
Total equity	20,910	21,356	23,657	23,770	23,258	11.2%
QOQ change	0.7%	2.1%	10.8%	0.5%	-2.2%	

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	31.05	70.0%	21.73
Relative Valuation (RV)	27.57	30.0%	8.27
Weighted Average Valuation (SAR)			30.00
Current market price (SAR)			20.30
Upside/Downside (%)			+47.8%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.1%. The cost of equity is calculated by using a 10-year government bond yield of 5.7%, a beta of 0.90, and an equity risk premium of 3.8%. 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)	6,991
Terminal value (SAR, Mn)	20,358
Book Value of Equity (as of Sep 2026)	18,944
FV to Common shareholders (SAR, Mn)	46,293
No. of share (Mn)	1,491
Current Market Price (SAR)	20.30
Fair Value per share (SAR)	31.05

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Profit	2,815	3,203	3,538	3,908	4,309	4,709
(-) Equity Charge	-1,728	-1,836	-1,965	-2,111	-2,277	-2,466
Excess Equity	1,087	1,368	1,573	1,797	2,032	2,242
Discounting Factor	0.98	0.90	0.83	0.76	0.69	0.64
Present Value of Excess Equity	267¹	1,232	1,299	1,360	1,408	1,424

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used local peers to value ALBI, and it is valued using the PB multiple. We have applied a premium as ALBI trades at a premium to its peers and is valued at a 2027 PB multiple of 1.9x.

BANK	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Riyad Bank	21,294	7.7x	7.4x	1.1x	1.0x	6.0%	6.4%
Alinma Bank	19,184	11.3x	10.4x	1.8x	1.6x	3.4%	3.6%
Al Rajhi Bank	102,950	13.7x	12.8x	2.8x	2.5x	3.8%	4.0%
Saudi National Bank	58,968	8.7x	8.2x	1.1x	1.1x	6.3%	6.7%
Banque Saudi Fransi	12,513	8.9x	8.3x	1.1x	1.0x	5.9%	6.4%
Arab National Bank	10,915	8.5x	8.5x	1.0x	0.9x	6.3%	6.4%
Average		9.8x	9.3x	1.5x	1.3x	5.3%	5.6%
Median		8.8x	8.4x	1.1x	1.0x	6.0%	6.4%
Max		10.7x	10.0x	1.6x	1.5x	6.2%	6.4%
Min		8.5x	8.2x	1.1x	1.0x	4.3%	4.6%

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161612	Shahrukh.Nawaz@Bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.