

Bank Albilad (HOLD, TP: SAR 25.0, 1140.SE) 4Q/FY25 Results Review

Loan growth (low double digits) and cost-of-risk (15-20bps) guidance beats the sector; opex growth to remain high but jaws ratio expected to remain positive

Bank Albilad (ALBI)'s net income in 4Q25 was up 3% Y/Y and 7% Q/Q at SAR 817mn (4Q25 EPS: SAR 0.54) as total income increased 12% to SAR 1.65bn driven by higher NSCI and NII. Operating expenses rose 6%, taking the operating cost-to-income ratio (CIR) to 42.1% (-219bps Y/Y). Provisions rose from a reversal of SAR 58mn in 4Q24 to SAR 47mn in 4Q25. Loans grew faster than deposits, leading to a 220bps widening of the headline LDR to 92.0%. Balance sheet leveraging stood at 10.4x vs. 10.2x in 4Q24. Annualized RoAE and RoAA fell 178bps and 13bps to 17.5% and 1.9%, respectively. FY25 net profit rose 9% to SAR 3.05bn from NSCI (+7%), NII (+16%), partly offset by opex (+8%) and impairments (+40%). The BoD proposed a dividend of SAR 0.55 per share, taking the full year DPS to SAR 1.0, translating to a payout ratio of 49.0%.

- NSCI rose 6% Y/Y and 2% Q/Q to SAR 1.22bn led by net investment income(+21% Y/Y, +8% Q/Q) and net financing income (+2% Y/Y, flat Q/Q). In FY25, NSCI increased 7% from higher net investment income (+26%) and financing income (+1%). Calculated NIM in 4Q25 fell 13bps Y/Y and 8bps Q/Q to 3.04%, while for the year it slipped 9bps.
- NII increased 31% Y/Y and 28% Q/Q to SAR 435mn mainly led by other operating income. Y/Y, higher dividend income and lower loss from FVIS investments helped NII. In FY25, NII jumped 16% to SAR 6.19bn mainly from higher other operating income, fee, FVIS investment, and dividend income, partly offset by lower exchange income. Consequently, total operating income in 4Q25 rose 12% Y/Y and 8% Q/Q to SAR 1.65bn, in line with estimates. For the year, it came in 9% higher at SAR 6.19bn.
- Opex in the quarter rose 6% Y/Y and 7% Q/Q to SAR 695mn in 4Q25, while in 2025, it rose 8% to SAR 2.61bn. Increase in opex was broad-based driven by higher other operating, employee, and D&A expenses. CIR, ex provisions, eased 219bps Y/Y and 10bps Q/Q to 42.1% in 4Q25. In 2025, it eased 38bps to 42.2%.
- Provisions in 4Q25 jumped by SAR 105mn from a net reversal of SAR 58bn to a charge of SAR 47mn. Q/Q, they were up 42%. In 2025, they increased 40%. CoR for 4Q25 came in at 0.15% vs 12bps in 4Q24.
- NPL balances fell 9% Y/Y but up 5% Q/Q to SAR 1.22bn with the NPL ratio falling 21bps Y/Y but rising 3bps Q/Q to 0.98%. The NPL coverage ratio stood at 197.9% vs. 204.7% in 3Q25 and 198.4% in 4Q24.
- Net income was up 3% Y/Y and 7% Q/Q, at SAR 817mn, in line with estimates. For FY25, it grew 9% Y/Y to SAR 3.05bn on higher NSCI (+7%) and NII (+16%), partly offset by operating expenses (+8%) and impairments (+40%).
- Total assets were up 12% Y/Y and 3% Q/Q to SAR 172.97bn, mainly attributed to the growth in financing (+12% Y/Y, +3% Q/Q) and investment (+24% Y/Y, +2% Q/Q) assets. Estimated interest-earning assets (IEA) rose 12% Y/Y and 3% Q/Q to SAR 162.46bn, accounting for 93.9% of assets in 4Q25, up 56bps Y/Y but down 15bps Q/Q. Balance sheet leveraging stood at 10.4x in 4Q25, stable Q/Q but up from 10.2x in 4Q24.

SAR mln	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Net income from Financing	879	881	863	0%	2%
Net income from Investments	340	314	281	8%	21%
Net Interest Income	1,218	1,195	1,144	2%	6%
Non-Interest Income	435	340	332	28%	31%
Total Income	1,653	1,535	1,477	8%	12%
Operating Expenses	695	647	654	7%	6%
Impairment provisions	47	33	-58	42%	NM
Income before Zakat	911	855	881	7%	3%
Net Income	817	767	790	7%	3%
EPS	0.54	0.51	0.53	7%	3%
Assets	172,972	167,929	154,965	3%	12%
Investments	31,123	30,440	25,032	2%	24%
Loans & Advances	122,189	119,135	109,304	3%	12%
Deposits	132,879	129,023	121,776	3%	9%
Shareholders' Equity	16,693	16,132	15,258	3%	9%
RoAE (%)	17.5	16.7	19.3	81 bps	-178 bps
RoAA (%)	1.9	1.9	2.0	06 bps	-13 bps
Simple LDR (%)	92.0	92.3	89.8	-38 bps	220 bps
Assets to Equity (x)	10.4	10.4	10.2	0%	2%

Rating Summary and Forecasts

Rating Summary

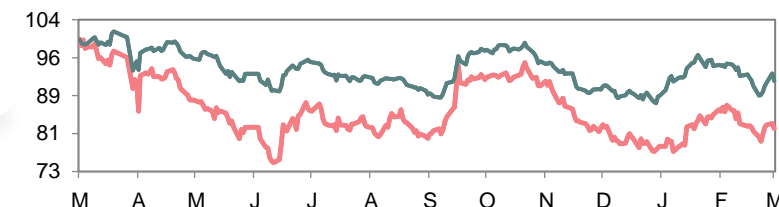
Rating	Hold
Market Price	25.8
12-month Target Price	25.0
Upside / Downside	-3%
Mkt Cap (SAR mn)	38,640
52-week High/Low	31.75/23.38

Forecasts

	12/24 A	12/25 E	12/26 E	12/27 E
Net Income (SAR mn)	3,049	3,353	3,511	3,655
PER (x)	12.7	11.5	11.0	10.6
PBV (x)	2.0	2.0	1.9	1.7
EPS (SAR)	2.03	2.24	2.34	2.44
DPS (SAR)	1.00	1.10	1.15	1.20
RoE (%)	16.1	17.7	17.0	16.2
Dividend Yield (%)	3.9	4.3	4.5	4.7

Price Chart

● ALBI ● TASI



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- Deposit growth of 9% Y/Y to SAR 132.9bn was led by growth of 20% in time deposits and 3% in CASA. CASA share dropped to under 60%. However, most of the time deposit growth came from Wakala accounts, which is individual based and low-cost funding.
- NSFR (108.0%) and LCR (133.6%) are above the regulatory minimum.

Investment thesis

- ALBI's 4Q25 results were mostly at par with street consensus. Low double digit loan growth helped offset the impact of NIM drop in 4Q25, as a result of deposit mix and sticky CoF. NII saw a very healthy growth, however, it was mainly led by other operating income, which we believe was led by realized gains on FVOCI debt investments. Core NII performance (fee, exchange income) was softer in 4Q25. The bank did talk about increased pressures on its subsidiaries that generate fee income such as Enjaz. NII is an integral part of the bank's strategy and plans, and growth in NII is going to be the primary pillar to deliver positive jaws in the year. However, all banks are looking to shore up non-yield income and the competition in the space will only continue, not only from banks but also fintech companies. On the other hand, the impact of SAMA regulations on retail fees will impact ALBI less than the sector as it just started in the credit cards space. Focus on recoveries and regulatory changes to the sector's ability to pursue claims to helped the bank to deliver lower CoR and NPLs. NPL coverage, which is market leading, at just under 200%.
- On the balance sheet, the bank opportunistically grew its investment book by 24% locking in fixed rated investments at higher rates when rates are expected to go lower. ALBI has also guided for low loan double-digit guidance, which is above the sector guidance. It is looking to increase the exposure on SMEs like its peers in order to protect profitability. Having said that, it is committed to maintaining the 50:50 split between corporate loans and retail loans in order to protect the NSCI from cyclicalities.
- The market is currently focused on the Middle East conflict, and rightly so. They appear to be pricing a relatively short-lived conflict; however, uncertainty remains high and ongoing developments are adding to volatility. The Strait of Hormuz remains a critical for Middle Eastern oil exports, with ~18–20mn bpd flowing through the strait, primarily to Asia. Of this, roughly 6–7mn bpd originates from the KSA. Saudi Arabia's East–West Petrolina pipeline, with capacity of around 5mn bpd, provides the ability to move crude to Yanbu on the Red Sea, offering a partial bypass of Hormuz. Given that summer exports tend to be relatively lower, the net impact on the KSA in terms of oil exports will be milder. As long as trade routes remain open, the primary impact could instead be through higher oil prices albeit with lower volumes, which would support government revenues. Supply chain disruptions and higher commodity prices may weigh on corporate margins and investment plans. For the banking sector, heightened uncertainty may delay expansion activity, while slower trade flows could affect fee income from trade finance. At the same time, higher commodity prices could increase demand for working capital financing. While this may support credit growth, it could also pressure asset quality if corporates face margin compression. While our base case remains for a relatively quick resolution, the number of moving geopolitical variables warrants a cautious near-term stance.
- ALBI trades at a PBV (on CET1 capital) of 2.1x and the 5-year forward RoAE (on CET1) post AT1 cost stands at 15.4%. It trades at a 35% premium to the sector average of 1.5x and 53% premium to its 5-year average PBV. Maintain Hold.

Rating and Risks

We are HOLD rated on ALBI and our 12-month price target is SAR 25.0. Upside risks include stronger than anticipated credit growth, recoveries from written off accounts, and expansion of operating leverage. Leading downside risk is the expansion and lengthening of the US-Israel-Iran conflict, prolonged closure of trade routes, and damage to oil infrastructure. Other risks are sharp CASA dilution, material dip in system credit quality, and slowdown in economic activity.

Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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