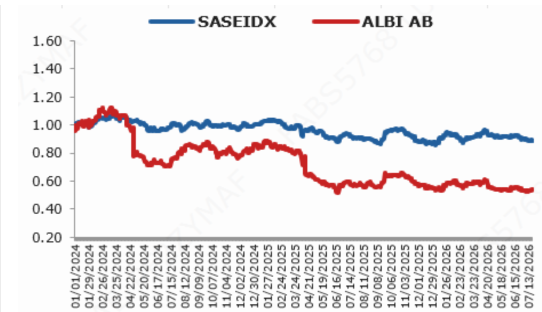
Bank Albilad (ALBI)

Balance sheet expansion continues to support profitability

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 24.49	SAR 30.00	+22.5%	BUY

- Net advances increased 15.3% YOY and 2.8% QOQ to SAR 133.4 Bn in 2Q26, while customer deposits grew 18.8% YOY and 4.9% QOQ to SAR 147.2 Bn in 2Q26.
- ALBI's headline loan-to-deposit ratio decreased from 92.5% in 1Q26 to 90.6% in 2Q26.
- The Bank's net funded income increased 8.1% YOY to SAR 1,272 Mn in 2Q26, while non-funded income declined 6.3% YOY to SAR 316 Mn.
- Cost-to-income ratio remained largely stable at 41.8% in 2Q26 compared to 41.4% in 2Q25.
- ALBI distributed cash dividends of SAR 825 Mn, equivalent to SAR 0.55 per share for 2H25.



Stock Information	
Market Cap (SAR, Mn)	36,735.00
Paid Up Capital (Mn)	1,500.00
52 Week High	30.16
52 Week Low	23.80
3M Avg. daily value(SAR)	1,516,768

2Q26 Result Review (SAR, Mn)	
Total Assets	186,478
Total Equity	23,770
Total Deposits	147,188
Net Profit	792

Financial Ratios	
Dividend Yield (12m)	4.50
Dividend Pay-out (%)	48.89
Price-Earnings Ratio(x)	12.14
Price-to-Book Ratio (x)	1.97
Book Value (SAR)	12.61
Return-on Equity (%)	17.13

Stock Performance	
5 Days	2.08%
1 Months	-3.05%
3 Months	-8.89%
6 Months	-1.25%
1 Year	-5.81%
Month to Date (MTD%)	0.41%
Quarter to Date (QTD%)	0.41%
Year to Date (YTD%)	-1.33%

2Q26 net profit in line with our estimate

Albilad Bank's ("ALBI", "The Bank") net profit increased by 3.4% YOY to SAR 792 Mn in 2Q26, in line with our estimate of SAR 800 Mn. The growth in net profit is mainly attributable to the higher net funded income, driven by rise in investment and financing activities, partially offset by decline in non-funded income, along with higher G&A expenses, impairment charges and zakat expenses.

P&L Highlights

ALBI's funded income rose 15.4% YOY to SAR 2,594 Mn in 2Q26, driven by growth in net advances and investments activities. On the other hand, funded expenses increased by 23.3% YOY to SAR 1,322 Mn in 2Q26, driven by an increase in customer deposits. As a result, net funded income grew 8.1% YOY to SAR 1,272 Mn in 2Q26. The Bank's non-funded income declined 6.3% YOY to SAR 341 Mn in 2Q26, primarily due to a decline in net fee and commission income, net gain on fair value through statement of income instruments, net exchange income and dividend income. Despite the decline in non-funded income, the Bank's total operating income increased by 4.7% YOY to SAR 1,613 Mn in 2Q26. Furthermore, the Bank's G&A expenses increased 5.7% YOY to SAR 675 Mn in 2Q26, driven by higher salaries & employee related benefits, depreciation & amortization and other general and administrative expenses. The Bank's cost-to-income ratio remained largely stable at 41.8% in 2Q26, compared to 41.4% in 2Q25, largely due to growth in operating income was offset by increase in operating expenses. The Bank's impairment charges grew 14.3% YOY to SAR 56 Mn in 2Q26, due to higher net impairment charge for expected credit losses on financing. The Bank's zakat expenses increased 3.4% YOY to SAR 91 Mn in 2Q26, in line with the growth of net profit. Thus, the Bank's net profit grew 3.4% YOY to SAR 792 Mn in 2Q26.

Balance sheet highlights

The Bank's total assets grew 15.3% YOY and 3.6% QOQ to SAR 186.5 Bn in 2Q26, driven by growth in financing and investments activities. Net advances increased 15.3% YOY and 2.8% QOQ to SAR 133.4 Bn in 2Q26. ALBI's investment portfolio grew 12.1% YOY and 2.6% QOQ to SAR 32.1 Bn in 2Q26. ALBI's customer deposits rose 18.8% YOY and 4.9% QOQ to SAR 147.2 Bn in 2Q26. Thus, the headline loan-to-deposit ratio declined from 92.5% in 1Q26 to 90.6% in 2Q26, reflecting strong growth in customer deposits relative to net advances. Total shareholders' equity increased 14.5% YOY and 0.5% QOQ to SAR 23.8 Bn in 2Q26.

Target Price and Rating

We maintain our BUY rating on ALBI with a target price of SAR 30.00. ALBI delivered a 3.4% YOY increase in net profit during 2Q26, supported by continued growth in net funded income driven by higher financing and investment activities, partially offset by decline in non-funded income and operating expenses. The Bank maintained healthy balance sheet expansion, with net advances increasing 15.3% YOY and 2.8% QOQ to SAR 133.4 Bn in 2Q26, supported by continued growth in financing activities. The Bank's investment portfolio grew 12.1% YOY and 2.6% QOQ to SAR 32.1 Bn in 2Q26, primarily driven by a higher allocation to fixed-rate investments across domestic and international markets. Customer deposits increased 18.8% YOY and 4.9% QOQ to SAR 147.2 Bn in 2Q26, outpacing loan growth and thereby strengthening the Bank's funding profile. Consequently, the loan-to-deposits ratio moderated to 90.6% in 2Q26 from 92.5% in 1Q26 largely due to strong deposits mobilization while still remaining at healthy levels. During the quarter, the Bank established its wholly owned subsidiary, Dufaa Finance Company to further expand its consumer financing activities. Although this initiative is not expected to have an immediate financial impact on the bank, but is expected to enhance the Bank's retail financing capabilities, broaden its product portfolio and support sustainable long-term growth in financing activities. The Bank's calculated CASA ratio declined to 59.1% in 1Q26 from 67.0% in 1Q25, indicating a shift towards higher cost deposits, which could place some pressure on margins. However, the continued growth in deposits provides a strong funding base despite the tight liquidity environment in the Kingdom. As of 1Q26, ALBI's asset quality remained stable, with the reported NPL ratio of 1.2% and reported coverage ratio stood of 157.0%, reflecting adequate provisioning against expected credit losses. The Bank continued to maintain a robust capital and liquidity position, with its capital adequacy ratio standing at 20.7% in 1Q26. Meanwhile, the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) stood at 139.9% and 107.6%, respectively during 1Q26, comfortably exceeding regulatory requirements. Furthermore, ALBI distributed a total cash dividend of SAR 825 Mn, equivalent to SAR 0.55 per share for 2H25, reflecting its continued commitment to delivering sustainable shareholder returns. Overall, its strong balance sheet, stable asset quality and continued growth in financing and investment activities position the Bank well to sustain earnings in 2026. 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	21.63	17.52	15.31	12.92	12.23	10.93
PB	3.05	2.83	2.38	2.17	1.70	1.47
BVPS	7.987	8.599	10.233	11.196	14.323	16.524
EPS	1.124	1.388	1.589	1.882	1.988	2.226
DPS	NA	0.333	0.333	0.417	1.000	1.100
Dividend Yield	NA	1.4%	1.4%	1.7%	4.1%	4.5%

FABS Estimates & Co Data

Albilad Bank – P&L

SAR Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Income from invest & fin.	2,249	2,395	2,594	2,499	3.8%	15.4%	8.3%	9,143	10,365	13.4%
Return on deposits & fin. liab.	-1,072	-1,136	-1,322	-1,179	12.1%	23.3%	16.4%	-4,392	-5,104	16.2%
Net funded income	**1,177**	**1,259**	**1,272**	**1,320**	**-3.7%**	**8.1%**	**1.0%**	**4,752**	**5,261**	**10.7%**
Total non-funded income	**364**	**270**	**341**	**316**	**8.0%**	**-6.3%**	**26.2%**	**1,440**	**1,480**	**2.8%**
Total operating income	**1,541**	**1,529**	**1,613**	**1,636**	**-1.4%**	**4.7%**	**5.5%**	**6,192**	**6,741**	**8.9%**
General & admin. Expenses	-638	-637	-675	-680	-0.8%	5.7%	5.9%	-2,611	-2,775	6.3%
Pre provision profit	**903**	**892**	**938**	**956**	**-1.9%**	**4.0%**	**5.2%**	**3,581**	**3,967**	**10.8%**
Impairment	-49	-72	-56	-64	-13.3%	14.3%	-22.0%	-181	-267	47.0%
Profit before zakat	**854**	**820**	**883**	**892**	**-1.1%**	**3.4%**	**7.6%**	**3,400**	**3,700**	**8.8%**
Zakat expenses	-88	-84	-91	-92	-1.1%	3.4%	7.6%	-350	-381	8.8%
Net profit	**766**	**736**	**792**	**800**	**-1.1%**	**3.4%**	**7.6%**	**3,049**	**3,319**	**8.8%**

FABS estimate & Co Data

Albilad Bank - KPI

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	76.4%	82.3%	78.9%	248	-347	76.7%	78.0%	130
Cost to income	41.4%	41.7%	41.8%	41	15	42.2%	41.2%	-101
Impairment/PPP	5.4%	8.0%	5.9%	54	-207	5.1%	6.7%	166
NP/OI	49.7%	48.1%	49.1%	-63	96	49.2%	49.2%	-1
Loan-to-deposit (headline)	93.4%	92.5%	90.6%	-271	-188	92.0%	91.7%	-30
ROAE	16.2%	16.3%	16.5%	28	20	16.6%	15.5%	-112
ROAA	1.9%	1.8%	1.8%	-14	-3	1.9%	1.8%	-6

FABS estimate & Co Data

Albilad Bank - Key B/S items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26	Change
Net advances	1,15,689	1,19,135	1,22,188	1,29,803	1,33,419	15.3%
QOQ change	2.9%	3.0%	2.6%	6.2%	2.8%	
Total assets	1,61,902	1,67,929	1,72,972	1,79,959	1,86,478	15.2%
QOQ change	1.8%	3.7%	3.0%	4.0%	3.6%	
Customer deposits	1,23,929	1,29,023	1,32,879	1,40,294	1,47,188	18.8%
QOQ change	-0.1%	4.1%	3.0%	5.6%	4.9%	
Total equity	20,756	20,910	21,356	23,657	23,770	14.5%
QOQ change	18.0%	0.7%	2.1%	10.8%	0.5%	

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	31.00	70.0%	21.70
Relative Valuation (RV)	27.65	30.0%	8.30
Weighted Average Valuation (SAR)			**30.00**
Current market price (SAR)			24.49
Upside/Downside (%)			+22.5%

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 5.4%, a beta of 0.90, and an equity risk premium of 4.1%. 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)	6,090
Terminal value (SAR, Mn)	20,675
Book Value of Equity (as of June 2026)	19,457
FV to Common shareholders (SAR, Mn)	**46,221**
No. of share (Mn)	1,491
Current Market Price (SAR)	24.49
Fair Value per share (SAR)	**31.00**

Residual Income Method

(All Figures in SAR Mn)	2026F	2027F	2028F	2029F	2030F
Net Profit	3,046	3,348	3,607	4,035	4,440
(-) Equity Charge	-1,724	-1,853	-1,995	-2,147	-2,324
Excess Equity	**1,322**	**1,496**	**1,612**	**1,888**	**2,116**
Discounting Factor	0.96	0.88	0.81	0.74	0.68
Present Value of Excess Equity	**635**[1]	**1,318**	**1,302**	**1,398**	**1,436**

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 PB multiple. We have applied a premium as ALBI trades at a premium to its peers and is valued at a 2026 PB multiple of 1.1x.

BANK	Market	P/E (x)		P/B (x)		Dividend Yield (%)	
	(USD Mn)	2026F	2027F	2026F	2027F	2026F	2027F
Riyad Bank	21,294	7.99	7.51	1.09	1.05	5.5%	6.0%
Alinma Bank	19,184	11.56	10.77	1.82	1.65	3.5%	3.6%
Al Rajhi Bank	102,950	14.40	13.10	3.02	2.71	3.7%	4.2%
Saudi National Bank	58,968	9.14	8.47	1.11	1.06	5.9%	6.5%
Banque Saudi Fransi	12,513	9.36	8.55	1.03	0.99	5.9%	6.3%
Arab National Bank	10,915	8.42	8.12	0.94	0.89	6.0%	6.1%
Average		**10.1x**	**9.4x**	**1.5x**	**1.4x**	**5.1%**	**5.4%**
Median		**9.3x**	**8.5x**	**1.1x**	**1.1x**	**5.7%**	**6.1%**
Max		**11.0x**	**10.2x**	**1.6x**	**1.5x**	**5.9%**	**6.3%**
Min		**8.6x**	**8.2x**	**1.0x**	**1.0x**	**4.2%**	**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%

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