

Bank Albilad (ALBI)

Strong growth in net funded and non-funded income boosted the bottom-line

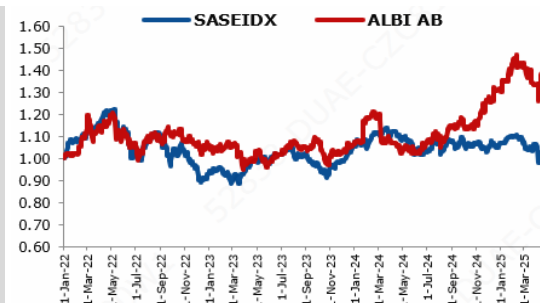
Current Price
SAR 29.00

Target Price
SAR 38.00

Upside/Downside (%)
+31.0%

Rating
BUY

- ALBL's loan-to-deposit ratio increased from 89.8% in 4Q24 to 90.7% in 1Q25.
- The Bank's net funded income rose 11.2% YOY to SAR 1,162 Mn in 1Q25.
- The Bank's investment portfolio boosted 14.7% YOY and 5.4% QOQ to SAR 26.4 Bn in 1Q25.
- ALBL's net advances surged 8.8% YOY and 2.9% QOQ to SAR 112.4 Bn in 1Q25, and customer deposits boosted 9.0% YOY and 1.8% QOQ to SAR 124.0 Bn in 1Q25.
- ALBI distributed interim dividend of SAR 0.5 per share, equivalent to SAR 650 Mn for 1H24.



Stock Information

Market Cap (SAR, Mn)	43,425.00
Paid Up Capital (Mn)	15,000.00
52 Week High	33.88
52 Week Low	26.42
3M Avg. daily value(SAR)	56,986,140

1Q25 Net Profit lower than our estimate

Albilad Bank's ("ALBI", "The Bank") net profit grew 8.9% YOY to SAR 700 Mn in 1Q25, lower than our estimate of SAR 756 Mn. The growth in the net profit is mainly attributable to the increase in net funded and non-funded income partially offset by higher operating expenses and zakat expenses coupled with decline in dividend income, other operating income, and net gain on FVSI instruments.

P&L Highlights

ALBI's funded income grew 6.4% YOY to SAR 2,192 Mn in 1Q25, driven by growth in the income from investing and financing assets. On the other hand, funded expenses inched up 1.4% YOY to SAR 1,030 Mn in 1Q25, due to a rise in return on deposits and financial liabilities. Thus, net funded income grew 11.2% YOY to SAR 1,162 Mn in 1Q25. The Bank's non-funded income increased 1.7% YOY to SAR 302 Mn in 1Q25, attributed to rise in fees and commissions, exchange income, partially offset by a decline in dividend income, net gain on FVSI instruments and other operating income. Thus, Albilad Bank's total operating income rose 9.1% YOY to SAR 1,464 Mn in 1Q25. Furthermore, the Bank's operating expenses surged 10.0% YOY to SAR 630 Mn in 1Q25 mainly due to the increase in salaries and employee-related expense, depreciation & amortization, and other G&A expenses. As result, the Bank's cost-to-income ratio rose from 42.7% in 1Q24 to 43.0% in 1Q25. Impairment charges increased 2.6% YOY to SAR 53 Mn 1Q25, due to rise in net impairment charge for expected credit losses on investments. Similarly, the Bank's zakat expenses increased 8.9% YOY to SAR 80 Mn in 1Q25.

1Q25 Result Review (SAR, Mn)

Total Assets	159,103
Total Liabilities	141,511
Total Equity	17,592
Total Deposits	124,018
Net Profit	700

Financial Ratios

Dividend Yield (12m)	2.88
Dividend Pay-out (%)	22.27
Price-Earnings Ratio(x)	15.09
Price-to-Book Ratio (x)	2.60
Book Value (SAR)	11.13
Return-on Equity (%)	17.57

Stock Performance

5 Days	-0.34%
1 Months	-5.85%
3 Months	-12.93%
6 Months	-5.60%
1 Year	-2.69%
Month to Date (MTD%)	-5.85%
Quarter to Date (QTD%)	-5.85%
Year to Date (YTD%)	-11.04%

Balance sheet highlights

The Bank's total assets grew 10.7% YOY and 2.7% QOQ to SAR 159.1 Bn in 1Q25 driven by growth in advances and investments. Net advances increased 8.8% YOY and 2.9% QOQ to SAR 112.4 Bn in 1Q25. The Bank's investment portfolio rose 14.7% YOY and 5.4% QOQ to SAR 26.4 Bn in 1Q25. Moreover, ALBI's customer deposits grew 9.0% YOY and 1.8% QOQ to SAR 124.0 Bn in 1Q25. Thus, the headline loan-to-deposit ratio marginally declined from 90.8% in 1Q24 to 90.7% in 1Q25. Total shareholders' equity increased 12.0% YOY and 5.4% QOQ to SAR 17.6 Bn in 1Q25.

Target Price and Rating

We revised our rating from HOLD to BUY on the ALBI stock with an unchanged target price of SAR 38.0. ALBI delivered a strong net income performance due to robust expansion in net funded income. Additionally, its investment portfolio witnessed a growth of 14.7% YOY and 5.4% QOQ to SAR 26.4 Bn in 1Q25. Furthermore, the Bank's net advances increased 8.8% YOY and 2.9% QOQ to SAR 112.4 Bn in 1Q25, and customer deposits rose 9.0% YOY and 1.8% QOQ to SAR 124.0 Bn in 1Q25, leading to a loan-to-deposit ratio of 90.7% in 1Q25. ALBI also saw strong growth in total assets, increased 10.7% YOY and 2.7% QOQ to SAR 159.1 Bn in 1Q25. Likewise, its total shareholders' equity boosted 12.0% YOY and 5.4% QOQ to SAR 17.6 Bn in 1Q25. The Bank's profitability ratios, including ROAE increased from 16.8% in 4Q23 to 17.6% in 4Q24, and ROAA from 1.7% in 4Q23 to 1.9% in 4Q24. Additionally, its asset quality improved as NPL declined from 1.4% in 4Q23 to 1.2% in 4Q24. Moreover, its CET 1 grew from 13.9% in 4Q23 to 14.6% in 4Q24, and the capital adequacy ratio increased from 17.8% in 4Q23 to 18.3% in 4Q24. The Bank extended financial support to renewable energy projects in KSA. Additionally, it actively promoted digital services to have a dynamic business structure. Bank Albilad benefits from a diversified revenue stream, drawing income from multiple sources such as retail banking, corporate banking, investment banking, and treasury services. This broad income base helps minimize the Bank's risk exposure and enhances its resilience during economic downturns. The Bank also introduced range of savings and investment products, including Investment Wakalah, Awaed Albilad, and the Zood Savings Account in partnership with the Social Development Bank in 2024. ALBI also distributed an interim cash dividend of SAR 0.5 per share (equivalent to total dividend of SAR 625 Mn) for 1H24. Thus, based on our analysis, we assign a BUY rating on the stock.

Albilad Bank - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	27.21	21.75	17.62	15.49	13.07	11.79
PB	3.42	3.06	2.84	2.40	2.20	1.85
DPS	NA	NA	0.40	0.40	0.50	0.75
Dividend Yield	NA	NA	1.4%	1.4%	1.7%	2.6%

FABS Estimates & Co Data

Albilad Bank – P&L

SAR Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Funded income	2,060	2,190	2,192	2,300	-4.7%	6.4%	0.1%	8,559	9,500	11.0%
Funded expense	-1,016	-1,045	-1,030	-1,089	-5.4%	1.4%	-1.5%	-4,126	-4,412	6.9%
Net funded income	1,045	1,144	1,162	1,212	-4.1%	11.2%	1.5%	4,434	5,088	14.8%
Total non-funded income	297	332	302	353	-14.5%	1.7%	-9.1%	1,238	1,296	4.7%
Total operating income	1,341	1,477	1,464	1,565	-6.4%	9.1%	-0.9%	5,672	6,384	12.6%
G&A expenses	-573	-654	-630	-666	-5.5%	10.0%	-3.6%	-2,413	-2,620	8.6%
Pre provision profit	768	823	834	898	-7.2%	8.5%	1.3%	3,258	3,764	15.5%
Impairment	-52	58	-53	-56	-5.1%	2.6%	-191.7%	-130	-295	127.7%
Profit before zakat	717	881	781	842	-7.3%	8.9%	-11.3%	3,129	3,469	10.9%
Zakat expenses	-74	-91	-80	-87	-7.3%	8.9%	-11.4%	-322	-357	10.9%
Net profit	643	790	700	756	-7.3%	8.9%	-11.3%	2,807	3,111	10.9%

FABS estimate & Co Data
Albilad Bank - KPI

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	77.9%	77.5%	77.4%	-44	-5	78.2%	79.7%	153
Cost to income	42.7%	44.3%	43.0%	33	-122	42.6%	41.0%	-151
Impairment/PPP	6.7%	-7.0%	6.2%	-50	1322	4.0%	7.8%	386
NP/OI	47.9%	53.5%	48.3%	36	-520	49.5%	48.7%	-75
Loan-to-deposit (headline)	90.8%	89.8%	90.7%	-17	90	89.8%	95.4%	562

FABS estimate & Co Data
Albilad Bank - Key B/S items

SAR Mn	1Q24	2Q24	3Q24	4Q24	1Q25	Change
Net advances	103,305.7	104,310	106,695	109,304	112,427	8.8%
QOQ change	1.2%	1.0%	2.3%	2.4%	2.9%	
Total assets	143,700.3	145,291	153,722	154,965	159,103	10.7%
QOQ change	0.4%	1.1%	5.8%	0.8%	2.7%	
Customer deposits	113,740.5	114,530	122,342	121,776	124,018	9.0%
QOQ change	0.8%	0.7%	6.8%	-0.5%	1.8%	
Total equity	15,701	15,806	16,132	16,693	17,592	12.0%
QOQ change	2.9%	0.7%	2.1%	3.5%	5.4%	

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	37.02	70.0%	25.91
Relative Valuation (RV)	40.28	30.0%	12.08
Weighted Average Valuation (SAR)			38.00
Current market price (SAR)			29.00
Upside/Downside (%)			+31.0%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.5%. The cost of equity is calculated by using a 10-year government bond yield of 5.1%, 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)	6,592
Terminal value (SAR, Mn)	22,086
Book Value of Equity (as of Mar 2025)	17,592
FV to Common shareholders (SAR, Mn)	48,337
No. of share (Mn)	46,270
Current Market Price (SAR)	29.00
Fair Value per share (SAR)	37.02

Residual Income Method

(All Figures in SAR Mn)	2025F	2026F	2027F	2028F	2029F
Net Profit	3,111	3,426	3,917	4,275	4,632
(-) Equity Charge	-1,680	-1,891	-2,118	-2,348	-2,582
Excess Equity	1,431	1,534	1,799	1,928	2,050
Discounting Factor	0.94	0.87	0.80	0.74	0.68
Present Value of Excess Equity	1,010	1,330	1,438	1,420	1,393

Source: FAB Securities

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 2025 PB multiple of 2.5x

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Riyad Bank	24,284	9.2	9.0	1.4	1.3	5.6%	5.6%
Alinma Bank	19,637	12.1	11.1	2.0	1.8	3.7%	3.9%
Al Rajhi Bank	104,233	17.7	15.8	3.5	3.2	3.2%	3.5%
Saudi National Bank	53,832	9.3	8.5	1.1	1.0	6.1%	6.6%
Banque Saudi Fransi	11,476	9.4	8.8	1.1	1.0	6.0%	6.2%
Arab National Bank	11,949	9.0	8.9	1.1	1.0	5.6%	5.9%
Average		11.1x	10.3x	1.7x	1.6x	5.0%	5.3%
Median		9.3x	8.9x	1.3x	1.2x	5.6%	5.7%
Max		11.4x	10.6x	1.9x	1.7x	5.9%	6.2%
Min		9.2x	8.8x	1.1x	1.0x	4.2%	4.3%

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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