

Bank Albilad (ALBI)

Healthy growth in operating income along with lower impairments boosted the bottom line

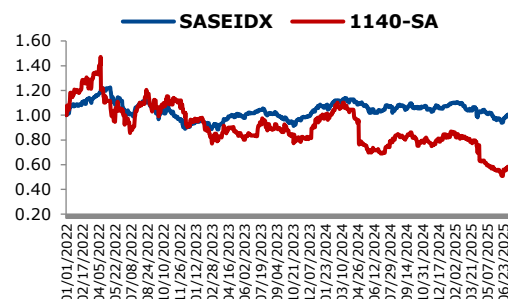
Current Price
SAR 25.62

Target Price
SAR 31.70

Upside/Downside (%)
+23.7%

Rating
BUY

- ALBI's loan-to-deposit ratio increased from 90.7 in 1Q25 to 93.4% in 2Q25.
- Net funded income rose 8.5% YOY to SAR 1,177 Mn in 2Q25.
- Investment portfolio boosted 25.1% YOY and 8.5% QOQ to SAR 28.6 Bn in 2Q25.
- ALBI's net advances surged 10.9% YOY and 2.9% QOQ to SAR 115.7 Bn in 2Q25, and customer deposits grew 8.2% YOY but declined 0.1% QOQ to SAR 123.9 Bn.
- ALBI distributed an interim cash dividend of SAR 0.45 per share (equivalent to total dividend of SAR 675 Mn) for 1H25, leading to a full year dividend yield of 3.5%.



2Q25 Net Profit higher than our estimate

Albilad Bank's ("ALBI", "The Bank") net profit grew 14.2% YOY to SAR 766 Mn in 2Q25, higher than our estimate of SAR 720 Mn. The growth in the 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 6.8% YOY to SAR 2,249 Mn in 2Q25, driven by growth in the income from investing and financing assets. On the other hand, funded expenses grew 5.1% YOY to SAR 1,072 Mn in 2Q25, due to a rise in return on customer deposits. Thus, net funded income grew 8.5% YOY to SAR 1,177 Mn in 2Q25. The Bank's non-funded income increased 12.7% YOY to SAR 364 Mn in 2Q25, attributed to a rise in fees and commission income, exchange income, dividend income and other operating income, partially offset by lower net gains on FVSI instruments. Thus, the Bank's total operating income rose 9.4% YOY to SAR 1,541 Mn in 2Q25. Furthermore, the Bank's operating expenses increased 10.5% YOY to SAR 638 Mn in 2Q25 mainly due to an increase in salaries and employee-related expenses, G&A expenses, and D&A. As a result, the Bank's cost-to-income ratio rose from 41.0% in 2Q24 to 41.4% in 2Q25. Impairment charges declined significantly from SAR 82 Mn in 2Q24 to SAR 49 Mn 2Q25, driven by an improvement in asset quality. Similarly, the Bank's zakat expenses increased 14.1% YOY to SAR 88 Mn in 2Q25.

Stock Information

Market Cap (SAR, Mn)	38,430.00
Paid Up Capital (Mn)	1,500.00
52 Week High	33.87
52 Week Low	23.38
3M Avg. daily value(SAR)	1,665,357

2Q25 Result Review (SAR, Mn)

Total Assets	161,902
Total Liabilities	141,146
Total Equity	20,756
Total Deposits	123,929
Net Profit	766

Financial Ratios

Dividend Yield (12m)	2.9
Dividend Pay-out (%)	40.09
Price-Earnings Ratio(x)	17.28
Price-to-Book Ratio (x)	2.92
Book Value (SAR)	11.13
Return-on Equity (%)	17.57

Stock Performance

5 Days	-1.84%
1 Months	8.74%
3 Months	-11.50%
6 Months	-23.62%
1 Year	-12.16%
Month to Date (MTD%)	-2.66%
Quarter to Date (QTD%)	-2.66%
Year to Date (YTD%)	-21.27%

Balance sheet highlights

The Bank's total assets grew 11.4% YOY and 1.8% QOQ to SAR 161.9 Bn in 2Q25 driven by growth in advances and investments. Net advances increased 10.9% YOY and 2.9% QOQ to SAR 115.7 Bn in 2Q25. The Bank's investment portfolio rose 25.1% YOY and 8.5% QOQ to SAR 28.6 Bn in 2Q25. Moreover, ALBI's customer deposits grew 8.2% YOY but marginally declined 0.1% QOQ to SAR 123.9 Bn in 2Q25. Thus, the headline loan-to-deposit ratio rose from 90.7% in 1Q25 to 93.4% in 2Q25. Total shareholders' equity increased 31.3% YOY and 18.0% QOQ to SAR 20.8 Bn in 2Q25 owing to the issuance of bonus shares and additional tier 1 capital.

Target Price and Rating

We maintain our BUY rating on ALBI with a target price of SAR 31.70. ALBI witnessed healthy growth in profitability during 2Q25, driven by a strong growth in net funded and non-funded income, supported by a rise in interest-earning assets. Investment portfolio rose 25.1% YOY and 8.5% QOQ to SAR 28.6 Bn in 2Q25. Albilad's net advances increased 2.9% QOQ to SAR 115.7 Bn in 2Q25, but customer deposits moderated 0.1% QOQ to SAR 123.9 Bn. Hence, the loan-to-deposit ratio increased from 90.7% in 1Q25 to 93.4% in 2Q25, resulting in a more constrained liquidity position. Albilad's strong CASA deposits which stood at 67% of total deposits in 1Q25 allows the bank to maintain a low-cost base, that helps to boost NIMs. The Bank's asset quality remained stable as the NPL ratio stood unchanged at 12% in 1Q25 compared to 4Q24. Consequently, ALBI's coverage ratio stood strong at 193% in 1Q25, down from 198% in 4Q24. Moreover, capitalization stood strong with a CET 1 ratio of 14.9% and CAR of 18.6% in 1Q25. Bank Albilad raised USD 650 Mn through AT1 Sukuk to strengthen its Tier 1 capital and general banking operations. Additionally, ALBI distributed an interim cash dividend of SAR 0.45 per share (equivalent to total dividend of SAR 675 Mn) for 1H25, leading to a full year dividend yield of 3.5%. 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	28.50	22.79	18.46	16.22	13.69	12.51
PB	3.58	3.21	2.98	2.52	2.30	2.06
DPS	NA	NA	0.333	0.333	0.750	0.900
EPS	0.899	1.124	1.388	1.579	1.871	2.049
BVPS	7.161	7.987	8.599	10.172	11.129	12.427
Dividend Yield	NA	NA	1.3%	1.3%	2.9%	3.5%

FABS Estimates & Co Data

Albilad Bank – P&L

SAR Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Funded income	2,105	2,192	2,249	2,201	2.2%	6.8%	2.6%	8,559	9,149	6.9%
Funded expense	-1,020	-1,030	-1,072	-1,014	5.7%	5.1%	4.1%	-4,126	-4,125	0.0%
Net funded income	1,085	1,162	1,177	1,187	-0.9%	8.5%	1.3%	4,434	5,024	13.3%
Total non-funded income	323	302	364	303	20.0%	12.7%	20.6%	1,238	1,322	6.8%
Total operating income	1,408	1,464	1,541	1,490	3.4%	9.4%	5.3%	5,672	6,346	11.9%
G&A expenses	-578	-630	-638	-630	1.4%	10.5%	1.3%	-2,413	-2,627	8.9%
Pre provision profit	830	834	903	861	4.8%	8.7%	8.3%	3,258	3,719	14.1%
Impairment	-82	-53	-49	-58	-16.4%	-40.6%	-7.7%	-130	-293	NM
Profit before zakat	748	781	854	802	6.4%	14.1%	9.3%	3,129	3,426	9.5%
Zakat expenses	-77	-80	-88	-83	6.4%	14.1%	9.3%	-322	-353	9.5%
Net profit	671	700	766	720	6.4%	14.2%	9.3%	2,807	3,073	9.5%

FABS estimate & Co Data

Albilad Bank – KPI

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	77.1%	79.4%	76.4%	-69	-301	78.2%	79.2%	100
Cost to income	41.0%	43.0%	41.4%	39	-162	42.6%	41.4%	-115
Impairment/PPP	9.9%	6.3%	5.4%	-449	-94	4.0%	7.9%	390
NP/OI	47.7%	47.8%	49.7%	205	186	49.5%	48.4%	-106
Loan-to-deposit (headline)	91.1%	90.7%	93.4%	227	270	89.8%	94.5%	474

FABS estimate & Co Data

Albilad Bank – Key B/S items

SAR Mn	2Q24	3Q24	4Q24	1Q25	2Q25F	Change
Net advances	104,310	106,695	109,304	112,427	115,689	10.9%
QOQ change	1.0%	2.3%	2.4%	2.9%	2.9%	
Total assets	145,291	153,722	154,965	159,103	161,902	11.4%
QOQ change	1.1%	5.8%	0.8%	2.7%	1.8%	
Customer deposits	114,530	122,342	121,776	124,018	123,929	8.2%
QOQ change	0.7%	6.8%	-0.5%	1.8%	-0.1%	
Total equity	15,806	16,132	16,693	17,592	20,756	31.3%
QOQ change	0.7%	2.1%	3.5%	5.4%	18.0%	

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	32.37	70.0%	22.66
Relative Valuation (RV)	30.14	30.0%	9.04
Weighted Average Valuation (SAR)			31.70
Current market price (SAR)			25.62
Upside/Downside (%)			+23.7%

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 5.2%, a beta of 0.90, and an equity risk premium of 4.0%. 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)	7,151
Terminal value (SAR, Mn)	23,811
Book Value of Equity (as of Mar 2025)	17,592
FV to Common shareholders (SAR, Mn)	48,554
No. of share (Mn)	1,500
Current Market Price (SAR)	25.62
Fair Value per share (SAR)	32.37

Residual Income Method

(All Figures in SAR Mn)	2025F	2026F	2027F	2028F	2029F
Net Profit	3,073	3,317	3,748	4,396	4,882
(-) Equity Charge	-1,642	-1,815	-2,013	-2,255	-2,527
Excess Equity	1,431	1,502	1,735	2,141	2,355
Discounting Factor	0.94	0.86	0.79	0.73	0.67
Present Value of Excess Equity	1,343¹	1,295	1,376	1,560	1,577

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 2025 PB multiple of 2.4x.

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Riyad Bank	22,393	8.6	8.3	1.3	1.2	6.2	6.3
Alinma Bank	17,652	11.0	10.3	1.8	1.6	4.3	4.6
Al Rajhi Bank	102,498	17.0	15.1	3.5	3.1	3.3	3.7
Saudi National Bank	59,751	10.0	9.3	1.2	1.2	5.5	6.0
Banque Saudi Fransi	11,700	9.2	8.8	1.1	1.0	6.0	6.2
Arab National Bank	11,428	8.5	8.2	1.0	1.0	6.2	6.4
Average		10.7x	10.0x	1.7x	1.5x	5.2%	5.5%
Median		9.6x	9.1x	1.3x	1.2x	5.8%	6.1%
Max		10.8x	10.1x	1.7x	1.5x	6.1%	6.3%
Min		8.7x	8.4x	1.1x	1.0x	4.6%	4.9%

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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