

Bank Albilad (ALBI)

Strong lending momentum and financing activities drove bottom-line growth

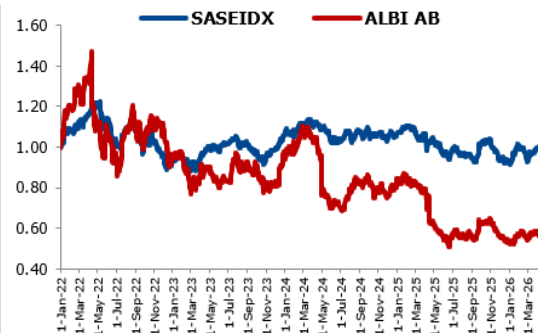
Current Price
SAR 25.00

Target Price
SAR 30.00

Upside/Downside (%)
+20.0%

Rating
BUY

- Net advances increased 15.5% YOY and 6.2% QOQ to SAR 129.8 Bn in 1Q26. While customer deposits grew 13.1% YOY and 5.6% QOQ to SAR 140.3 Bn in 1Q26.
- ALBI's headline loan-to-deposit ratio increased from 92.0% in 4Q25 to 92.5% in 1Q26.
- The Bank's net funded income increased 8.3% YOY to SAR 1,259 Mn in 1Q26, while non-funded income declined 10.5% YOY to SAR 270 Mn.
- The Bank's cost-to-income ratio improved to 41.7% in 1Q26 from 43.0% in 1Q25, supported by stronger net funded income.
- Bank Albilad announced its intention to fully redeem its SAR 3.0 Bn Tier 2 Sukuk, issued in 2021, on 15 April 2026 at par value.



1Q26 net profit lower than our estimate

Albilad Bank's ("ALBI", "The Bank") net profit grew 5.1% YOY to SAR 736 Mn in 1Q26, lower than our estimate of SAR 780 Mn. The growth in net profit is mainly attributable to the increase in 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 grew 9.3% YOY to SAR 2,395 Mn in 1Q26, driven by growth in net advances and investments. On the other hand, funded expenses increased 10.3% YOY to SAR 1,136 Mn in 1Q26, driven by higher return on deposits and financial liabilities. Thus, net funded income expanded 8.3% YOY to SAR 1,259 Mn in 1Q26. The Bank's non-funded income declined 10.5% YOY to SAR 270 Mn in 1Q26, attributed to a decreased in dividend income, net fee and commission income, and other operating income, partially offset by rise in net gain on FVSI Investments. Thus, the Bank's total operating income rose 4.5% YOY to SAR 1,529 Mn in 1Q26. Furthermore, the Bank's G&A expenses increased 1.2% YOY to SAR 637 Mn in 1Q26, driven by higher salaries & employee related benefits, depreciation & amortization, net impairment charge for expected credit losses, and other general and administrative expenses. As a result, the Bank's cost-to-income ratio declined from 43.0% in 1Q25 to 41.7% in 1Q26, due to higher net-funded income. The Bank's impairment charges expanded 35.2% YOY to SAR 72 Mn in 1Q26, due to growth in net impairment charge for expected credit losses on financing. The Bank's zakat expenses increased 4.9% YOY to SAR 84 Mn in 1Q26, in line with the growth in net profit.

Stock Information

Market Cap (SAR, Mn)	38,100.00
Paid Up Capital (Mn)	15,000.00
52 Week High	30.16
52 Week Low	23.38
3M Avg. daily value(SAR)	58,484,500

1Q26 Result Review (SAR, Mn)

Total Assets	179,959
Total Investments	31,339
Total Equity	23,657
Total Deposits	140,294
Net Profit	736

Financial Ratios

Dividend Yield (12m)	1.77
Dividend Pay-out (%)	49.19
Price-Earnings Ratio(x)	12.39
Price-to-Book Ratio (x)	2.01
Book Value (SAR)	12.61
Return-on Equity (%)	17.13

Stock Performance

5 Days	-5.51%
1 Months	-5.15%
3 Months	-2.68%
6 Months	-13.19%
1 Year	-14.04%
Month to Date (MTD%)	-6.27%
Quarter to Date (QTD%)	-6.27%
Year to Date (YTD%)	2.34%

Balance sheet highlights

The Bank's total assets grew 13.1% YOY and 4.0% QOQ to SAR 180.0 Bn in 1Q26, driven by growth in advances and investments. Net advances increased 15.5% YOY and 6.2% QOQ to SAR 129.8 Bn in 1Q26. The Bank's investment portfolio rose 18.8% YOY and 0.7% QOQ to SAR 31.3 Bn in 1Q26. ALBI's customer deposits expanded 13.1% YOY and 5.6% QOQ to SAR 140.3 Bn in 1Q26. Thus, the headline loan-to-deposit ratio rose from 90.7% in 1Q25 to 92.5% in 1Q26. Total shareholders equity increased 34.5% YOY and 10.8% QOQ to SAR 23.7 Bn in 1Q26.

Target Price and Rating

We maintain our BUY rating on Bank Albilad with a revised target price of SAR 30.00. Bank Albilad reported a steady performance in 1Q26, with net profit increasing 5.1% YOY, supported by strong growth in funded income driven by robust lending momentum and financing activities, reflecting resilient core operating performance amid ongoing geopolitical uncertainty. Net advances grew 15.5% YOY and 6.2% QOQ to SAR 129.8 Bn, underpinned by solid expansion across key segments and sustained credit demand. The Bank's investment portfolio increased 18.8% YOY to SAR 31.3 Bn, reflecting active deployment into income-generating securities. A significant portion of the portfolio remains allocated to fixed-rate instruments across domestic and international markets, which is expected to support profitability in a declining interest rate environment. Customer deposits rose 13.1% YOY and 5.6% QOQ to SAR 140.3 Bn, indicating strong funding momentum and stable liquidity. The loan-to-deposit ratio edged up to 92.5% in 1Q26 compared to 92.0% in 4Q25, reflecting slightly higher balance sheet utilization while remaining within comfortable levels. However, CASA deposits declined to 59.8% in 4Q25 from 66.5% in 3Q25, which may exert some pressure on margins due to a relatively higher cost of funds, although overall deposit growth remains supportive amid tight liquidity conditions in the Saudi banking sector. Asset quality remained stable, with the NPL ratio steady at 1.0% in 4Q25. Stage 2 financing declined from SAR 8.6bn in 4Q24 to SAR 7.4 Bn in 4Q25, indicating improved asset quality and reduced migration into higher-risk categories. The coverage ratio moderated slightly to 197.9% in 4Q25 from 204.7% in 3Q25, reflecting normalization of provisioning buffers while maintaining prudent coverage levels. The Bank maintains a strong capital and liquidity position, with a capital adequacy ratio (CAR) of 20.2% and liquidity metrics comfortably above regulatory thresholds, including an LCR of 133.6% and NSFR of 108.0% as of 4Q25. Additionally, Bank Albilad plans to fully redeem its SAR 3.0 Bn Tier 2 Sukuk issued in 2021 on 15 April 2026, reflecting balance sheet optimization. With a significant exposure to the retail segment of c. 47.5% of gross financing, the Bank is well-positioned to benefit from a declining interest rate environment. Overall, Bank Albilad's strong balance sheet, stable asset quality, and continued growth in core lending and investments support its resilience and ability to sustain earnings momentum going forward. Thus, based on our analysis, we assign a BUY rating on the stock.

Bank Al Bilad- Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	22.40	18.14	15.85	13.38	12.67	12.23
PB	3.15	2.93	2.46	2.25	1.76	1.54
BVPS	7.987	8.599	10.233	11.196	14.323	16.393
EPS	1.124	1.388	1.589	1.882	1.988	2.059
DPS	NA	0.333	0.333	0.417	1.000	1.100
Dividend Yield	NA	1.3%	1.3%	1.7%	4.0%	4.4%

FABS Estimates & Co Data

Bank Al Bilad- P&L

SAR Mn	1Q25	4Q25	1Q26	1Q26F	var.	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Funded income	2,192	2,381	2,395	2,393	0.1%	9.3%	0.6%	9,143	9,589	4.9%
Funded expenses	-1,030	-1,163	-1,136	-1,156	-1.7%	10.3%	-2.3%	-4,392	-4,526	3.1%
Net funded income	1,162	1,218	1,259	1,237	1.7%	8.3%	3.4%	4,752	5,063	6.6%
Total non-funded income	302	434	270	374	-27.8%	-10.5%	-37.8%	1,440	1,483	3.0%
Total operating income	1,464	1,652	1,529	1,611	-5.1%	4.5%	-7.5%	6,192	6,546	5.7%
General & admin. Expenses	-630	-695	-637	-685	-6.9%	1.2%	-8.3%	-2,611	-2,794	7.0%
Pre provision profit	834	957	892	927	-3.8%	7.0%	-6.8%	3,581	3,752	4.8%
Impairment	-53	-47	-72	-57	26.0%	35.2%	53.2%	-181	-330	82.1%
Profit before zakat	781	910	820	870	-5.7%	5.0%	-9.9%	3,400	3,422	0.7%
Zakat expenses	-80	-94	-84	-90	-5.8%	4.9%	-10.0%	-350	-352	0.7%
Net profit	700	817	736	780	-5.7%	5.1%	-9.9%	3,049	3,069	0.7%

FABS estimate & Co Data

Bank Al Bilad - KPI

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	79.4%	73.7%	82.3%	294	861	76.7%	77.3%	60
Cost to income	43.0%	42.1%	41.7%	-137	-40	42.2%	42.7%	51
Impairment/PPP	6.3%	4.9%	8.0%	167	314	5.1%	8.8%	374
NP/OI	47.8%	49.4%	48.1%	27	-131	49.2%	46.9%	-236
Loan-to-deposit (headline)	90.7%	92.0%	92.5%	187	57	92.0%	91.7%	-30
ROAA	1.9%	1.9%	1.8%	-7	-4	1.9%	1.7%	-18

FABS estimate & Co Data

Bank Al Bilad - Key B/S items

SAR Mn	1Q25	2Q25	3Q25	4Q25	1Q26	Change
Net advances	112,427	115,689	119,135	122,188	129,803	15.5%
QOQ change	2.9%	2.9%	3.0%	2.6%	6.2%	
Total assets	159,103	161,902	167,929	172,972	179,959	13.1%
QOQ change	2.7%	1.8%	3.7%	3.0%	4.0%	
Customer deposits	124,018	123,929	129,023	132,879	140,294	13.1%
QOQ change	1.8%	-0.1%	4.1%	3.0%	5.6%	
Total equity	17,592	20,756	20,910	21,356	23,657	34.5%
QOQ change	5.4%	18.0%	0.7%	2.1%	10.8%	

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	29.11	70.0%	20.37
Relative Valuation (RV)	32.09	30.0%	9.63
Weighted Average Valuation (SAR)			30.00
Current market price (SAR)			25.00
Upside/Downside (%)			+20.0%

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 5.3%, a beta of 0.90, and an equity risk premium of 4.2%. 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)	5,228
Terminal value (SAR, Mn)	16,949
Book Value of Equity (as of Mar 2026)	21,219
FV to Common shareholders (SAR, Mn)	43,396
No. of share (Mn)	1,491
Current Market Price (SAR)	25.00
Fair Value per share (SAR)	29.11

Residual Income Method

(All Figures in SAR Mn)	2026F	2027F	2028F	2029F	2030F
Net Profit	2,851	3,068	3,296	3,618	3,978
(-) Equity Charge	-1,722	-1,832	-1,948	-2,072	-2,211
Excess Equity	1,129	1,236	1,348	1,546	1,767
Discounting Factor	0.94	0.86	0.79	0.73	0.66
Present Value of Excess Equity	798	1,068	1,067	1,121	1,175

2) Relative Valuation:

We have used local peers to value ALBI and it is valued using the P/B multiple. We have applied a premium as ALBI trades at a premium to its peers and is valued at a 2026 P/B multiple of 1.3x.

BANK	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Riyad Bank	23,457	8.71	8.15	1.3	1.2	4.8%	5.6%
Alinma Bank	19,851	11.8	10.8	1.8	1.7	3.2%	3.6%
Al Rajhi Bank	114,685	16.4	14.5	3.4	3.1	3.2%	3.7%
Saudi National Bank	69,442	10.5	9.6	1.3	1.2	5.3%	5.8%
Banque Saudi Fransi	13,371	9.8	9.2	1.1	1.1	5.5%	5.8%
Arab National Bank	11,730	9.3	8.7	1.0	0.9	5.6%	5.9%
Average		11.1x	10.2x	1.7x	1.5x	4.6%	5.1%
Median		10.2x	9.4x	1.3x	1.2x	5.1%	5.7%
Max		11.5x	10.5x	1.7x	1.6x	5.5%	5.8%
Min		9.4x	8.8x	1.1x	1.1x	3.6%	4.2%

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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