جامعة تبوك
University of Tabuk

BANK
ALBILAD

Bank Analysis Project

Islamic Banking and Finance — A Comprehensive Analysis

Source data

Bank Albilad Annual Report 2025

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External auditors (2025)	Ernst & Young Professional Services and PwC Public Accountants
Shariah governance	Independent Sharia Committee (3 members)

1.3 Subsidiaries and strategic investments

Bank Albilad consolidates five wholly-owned and majority-owned subsidiaries plus three strategic minority investments. The structure shows a deliberate move beyond core banking into payments, real estate, and consumer finance.

Subsidiary	Ownership	Main activity
Albilad Investment Company	100%	Asset management, brokerage, custody, advisory
Albilad Real Estate Company	100%	Real estate services for financing customers
Enjaz Payment Services Company	99%	Money exchange, remittances, payment services
Financial Solutions Company for Investment	100%	Investment-vehicle management
Dufaa Finance Company	100% (Group)	Consumer finance, leasing, instalment products

Strategic minority investments include Bayan Credit Information Company (18.75%), Sajil — Saudi Financial Lease Registration Company (2.30%), Sanid — Saudi Financial Support Services Company (5.00%), and Kinan International Real Estate Development Company (6.78%). These minority stakes give Albilad direct exposure to credit-information infrastructure, leasing registries, ATM and cash logistics, and large-scale residential development.

1.4 Main sources of finance

Bank Albilad funds itself through four main sources, ranked here by year-end 2025 balance:

Customer deposits at SAR 132.9 billion are the largest source, accounting for around 88% of total liabilities. Within deposits, the bank operates current accounts (under the Qard contract, where the customer effectively lends money to the bank with no return), savings accounts (under Wadi'a Yad Damanah, a guaranteed-deposit structure), and time-investment accounts under unrestricted Mudarabah where depositors share in pool profit. The bank does not separately disclose the CASA-versus-time-investment split in the executive summary, but the segment-level disclosure shows that retail funding makes up the largest share.

Tier 1 Sukuk classified as equity stand at SAR 2.44 billion at year-end 2025, all issued during the year through a USD 650 million Additional Tier 1 Sukuk transaction in May 2025. A further USD 500 million Additional Tier 1 Sukuk was issued in January 2026 under the same USD 2 billion programme. Tier 2 Sukuk amount to SAR 3 billion outstanding from the April 2021 SAR 3 billion issuance, paying a quarterly profit at the three-month base rate plus 1.65%. Total shareholders' equity reached SAR 21.36 billion at year-end, providing a 28% increase over 2024 driven by the bonus issue, the Tier 1 Sukuk and retained earnings.

1.5 Sukuk issued

Bank Albilad has been an active Sukuk issuer in 2025. The full Sukuk stack at year-end and post-year-end is shown below.

Issuance	Date	Amount	Profit rate	Tenor
Tier 2 Sukuk (SAR)	Apr 2021	SAR 3,000 Mn	3M base + 1.65%	10 years (call Apr 2026)
Additional Tier 1 Sukuk (USD)	May 2025	USD 650 Mn (SAR 2,438 Mn)	6.50%	Perpetual
Additional Tier 1 Sukuk (USD)	Jan 2026	USD 500 Mn (SAR 1,875 Mn)	6.375%	Perpetual

Both the May 2025 and January 2026 issuances were executed under the bank's USD 2 billion Additional Tier 1 Capital Sukuk Programme, approved by the regulators and the Board of Directors. The Sukuk are perpetual and have no fixed contractual maturity, meaning the bank can keep them outstanding indefinitely or call them at predefined dates. The bank confirms it has not obtained any other external financing during 2025 and has not provided financing to its subsidiaries.

2. Shariah Governance

Shariah governance is the foundation of any Islamic bank — without it, a bank can call its products Halal but has no independent way to prove it. Bank Albilad's framework follows the SAMA Shariah Governance Framework for Local Banks and AAOIFI standards for Islamic financial institutions.

2.1 Sharia Supervisory Committee

Bank Albilad's Sharia Committee has direct connection to the Board of Directors and is formed in compliance with the bank's approved guidelines for committee formation. The committee operates with complete independence, ensuring it remains unaffected by external influences that could compromise its ability to make unbiased Shariah decisions. Its main focus is to deliberate on relevant issues and issue Shariah decisions related to the practice of Islamic banking.

The committee has three members — fewer than Alinma's four-member committee but still meeting AAOIFI's minimum requirement of three. Two of the three members are classified as independent and one as non-executive. All three hold doctorates in Islamic jurisprudence from leading Saudi institutions.

2.2 Members and qualifications

Member	Role	Qualifications
Sheikh Prof. Dr. Abdullah Musa Al-Ammar	Chairman (Independent)	PhD in Islamic Jurisprudence, Imam Muhammad ibn Saud Islamic University (1407 AH); previously Undersecretary of the Department of Jurisprudence at IMSIU; part-time advisor at the Ministry of Islamic Affairs
Sheikh Prof. Dr. Yousef Abdullah Al-Shubaily	Member (Non-Executive)	PhD in Comparative Jurisprudence, Higher Judicial Institute, IMSIU (1421 AH); Professor at the Higher Judicial Institute; member of the AAOIFI Sharia Council
Sheikh Dr. Mohammed Saud Al-Osaimi	Member (Independent)	PhD in Economics, University of Colorado-Boulder (1414 AH); General Supervisor of Maqasid Institute for Economic Consultations; previously Associate

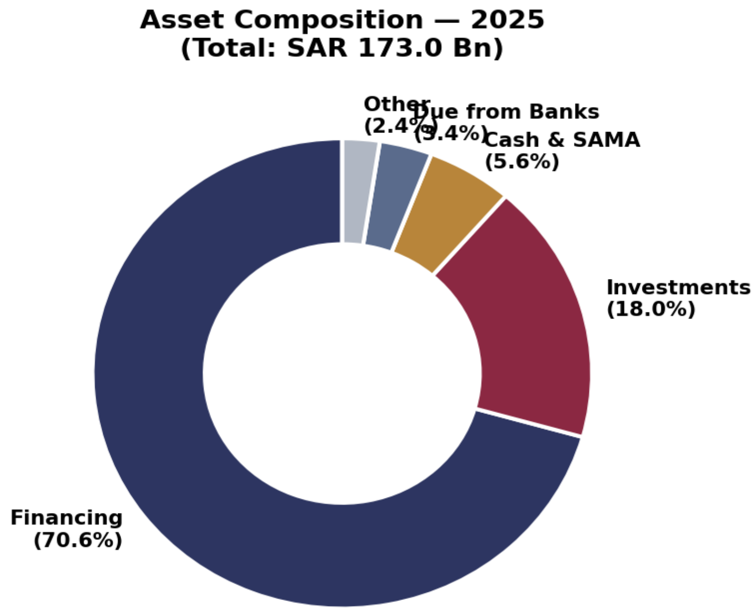

Figure 1 Asset composition at year-end 2025.

Financing makes up 70.6% of the asset base, investments make up 18.0%, and the remaining 11.4% is split between cash, due from banks, fixed assets and other assets. The 24% jump in investments is the most notable shift — Albilad expanded its Sukuk and Shariah-compliant equity holdings sharply in 2025, partly to deploy the SAR 2.4 billion of Tier 1 Sukuk proceeds and partly to take advantage of attractive sovereign Sukuk yields available during the year.

4.3 Main liabilities of an Islamic bank

On the liability side, the major categories are:

- Customer deposits (current accounts under Qard, savings under Wadi'a, time investments under Mudarabah)
- Due to banks and other financial institutions
- Tier 2 Sukuk issued (subordinated, with a call option)
- Other liabilities (drafts payable, Zakat provision, lease liabilities, accruals)
- Tier 1 Sukuk (classified within equity, not liabilities)

4.4 Liability breakdown by major group

Total liabilities at year-end 2025 were SAR 151.62 billion, up 10% from SAR 138.27 billion in 2024.

Customer deposits dominate the funding mix at 87.6% of total liabilities, reaching SAR 132.9 billion. This is up from SAR 121.8 billion in 2024, an increase of SAR 11.1 billion or 9%. Customer deposits are the cheapest and stickiest source of funding for any commercial bank, and Bank Albilad has built one of the largest deposit franchises among the mid-sized Saudi banks. The next-largest funding line is the Tier 2 Sukuk at SAR 3 billion (issued April 2021), followed by Tier 1 Sukuk inside equity at SAR 2.44 billion (issued May 2025).

4.5 Investment-account funding versus current accounts

Bank Albilad does not separately publish the demand-versus-time deposit split in its executive summary. However, the segment income disclosure gives a useful indirect view: the Retail Banking segment generates 39% of operating income, which is consistent with a mostly-retail deposit base where retail current accounts (CASA, free funding under Qard) and retail time investments (Mudarabah, profit-sharing) make up the bulk of customer deposits. The Treasury segment generates 23% of operating income, which is consistent with a sizeable Sukuk and money-market book funded partly by these retail deposits.

4.6 Key financial ratios for 2025

The 2025 ratios reported by the bank, with the calculation formulas applied to the disclosed figures:

Ratio	Formula	2025 calculation	Result
Return on Average Assets (ROA)	Net income ÷ Avg total assets	3,049 ÷ ((154,965+172,972)/2)	1.86%
Return on Average Equity (ROE/ROAE)	Net income ÷ Avg equity	3,049 ÷ ((16,693+21,356)/2)	17.13%
Cost-to-Income Ratio	Operating expenses ÷ Operating income	2,792 ÷ 6,192	45.09%
Earnings per Share (EPS)	Net income ÷ Wtd. avg. shares	Reported by the Bank	SAR 1.99

ROAE of 17.13% and ROA of 1.86% are healthy but below the level of the largest Saudi banks. They are also slightly below the previous-year levels (17.32% and 1.88% respectively), which reflects the dilution effect of the SAR 2.5 billion bonus issue and the fresh Tier 1 Sukuk proceeds during 2025. The cost-to-income ratio of 45% is higher than the 31% reported by Alinma — a gap that reflects Albilad's lower scale, its larger branch network of 108 versus Alinma's 127, and the higher staffing cost of running the Enjaz remittance operation. EPS rose to SAR 1.99 from SAR 1.88 in 2024.

4.7 Five-year trend on key metrics

The five-year picture (2021 to 2025) shows steady, consistent growth across every key metric. Net income compounded at 16% per year over the window, slightly above the 12% growth in total assets, indicating modest improvement in asset productivity over time.

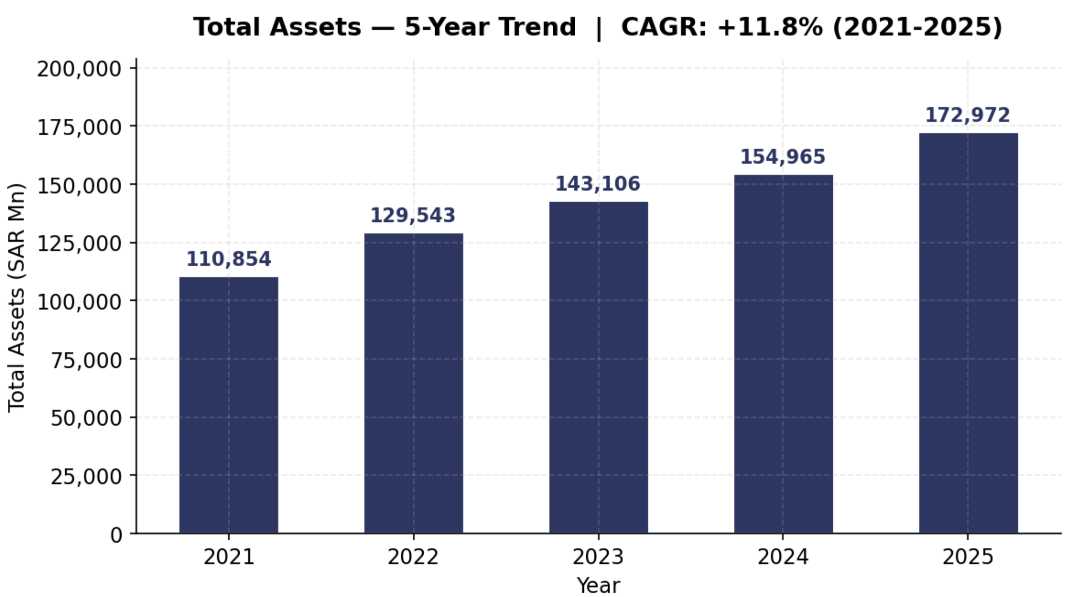

Figure 2 Total assets, 2021–2025 (SAR Mn).

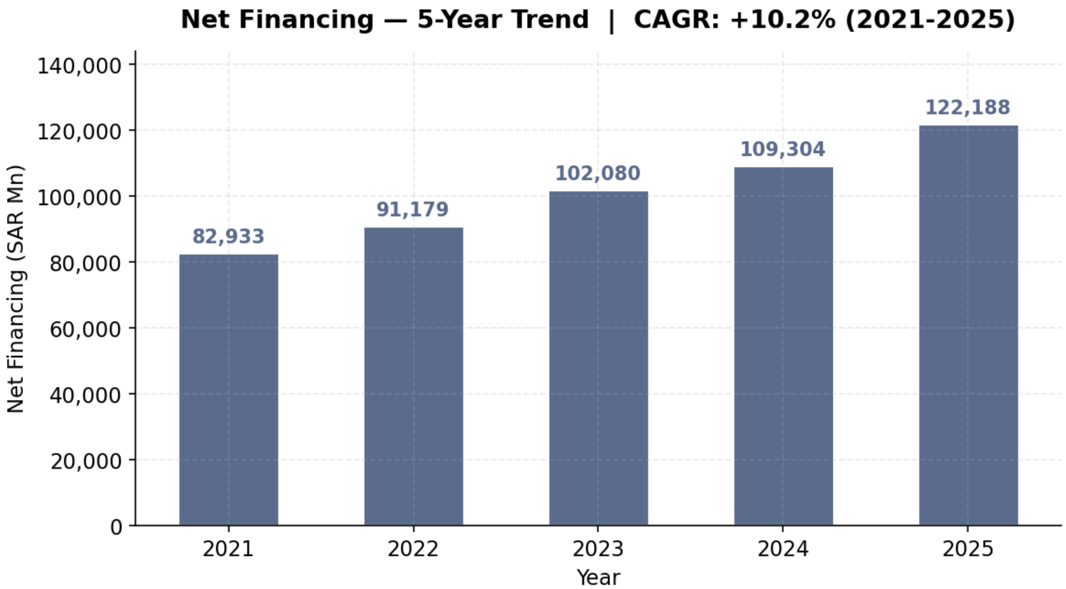

Figure 3 Net financing, 2021–2025 (SAR Mn).

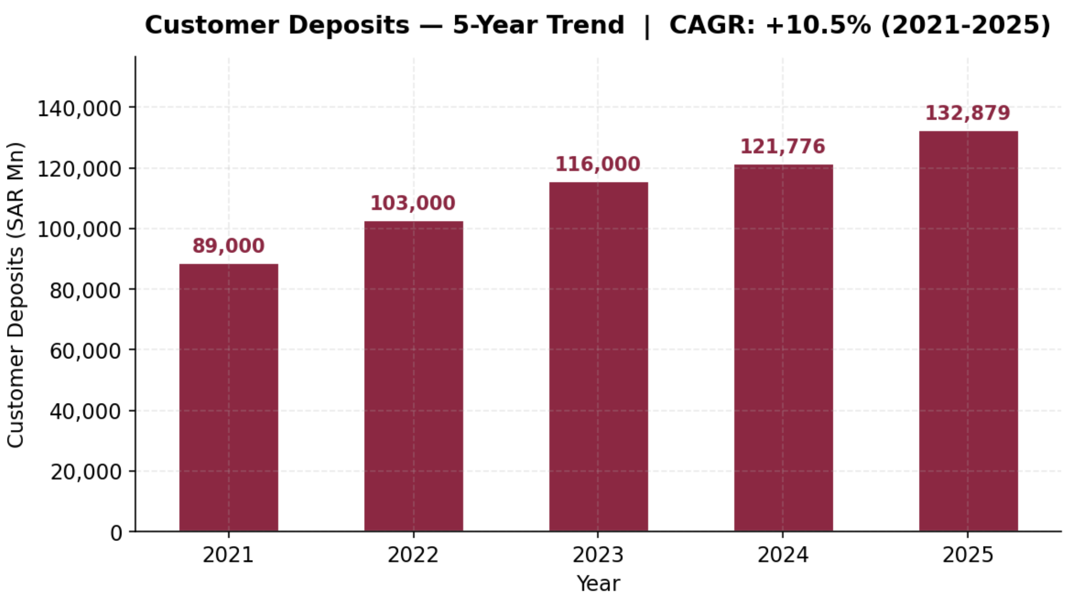

Figure 4 Customer deposits, 2021–2025 (SAR Mn). 2021–2023 figures derived from segment-level disclosures.

Standard savings accounts at Bank Albilad operate under Wadi'a Yad Damanah (deposit with guarantee), which is closer to Qard than to Mudarabah in substance. The customer is effectively lending the money interest-free and the bank guarantees the principal. The bank may, at its discretion, give a hibah (gift) on the balance — but the hibah is not contractually fixed and is not a sharing of pool profit. For customers who want a contractual profit share, the bank routes them to a Mudarabah time-investment account instead.

5.5 Worked calculation: SAR 100,000 in a six-month investment account

To make the mechanics concrete, here is a six-month profit calculation for a SAR 100,000 deposit using Bank Albilad's reported 2025 numbers as the base.

Step 1 — Establish the implied annualised return on the investment-account pool. The bank's published 2025 income from financing and investment assets was SAR 4,752 million. The total customer deposit base averaged approximately (121,776 + 132,879) ÷ 2 = SAR 127,328 million during the year. The gross asset yield is therefore 4,752 ÷ 127,328 = 3.73%. Assuming a customer share of 60% of the pool's net distributable profit (after Mudarib share and operating costs), the implied annualised return to investment-account holders is roughly 3.0%–3.5% on a tier-blended basis. A typical six-month time investment under the bank's Expected Profit Rate guidance is around 4.0% per annum at year-end 2025 levels.

Step	Calculation	Result
1. Deposit amount	Given	SAR 100,000
2. Tenor	6 months	0.5 years
3. Indicative EPR (6-month tier)	From Bank's Expected Profit Rate	4.0% p.a.
4. Period profit (gross)	100,000 × 4.0% × 0.5	SAR 2,000
5. Profit paid to customer	Step 4 result	SAR 2,000
6. Total amount on maturity	Principal + profit	SAR 102,000

Two important nuances. First, the 4.0% is an Expected Profit Rate that is indicative only — under Mudarabah, the actual profit paid depends on the pool's realised performance during the six-month period, and the bank discloses the exact realised profit at maturity. Second, customers who want a fully contractual return cannot use this product; they must look at Sukuk holdings or fixed-tenor Murabaha investments instead.

Capital component	2025 (SAR thousand)
Total Tier 1 + Tier 2 Capital	25,742,482
Common Equity Tier 1 ratio	14.85%
Tier 1 ratio	16.76%
Total Capital Adequacy Ratio (Tier 1 + Tier 2)	20.20%

All three ratios increased materially during 2025, supported by retained earnings of SAR 3.0 billion, the SAR 2.5 billion bonus issue, and the SAR 2.4 billion Tier 1 Sukuk issuance in May 2025.

6.4 Risk-Weighted Assets breakdown

Total Pillar 1 Risk-Weighted Assets stood at SAR 127.44 billion at year-end 2025. Almost all of this is credit risk, as expected for a commercial bank focused on financing.

Risk type	2025 RWA (SAR thousand)	% of total RWA
Credit risk	118,341,390	92.9%
Operational risk	5,022,005	3.9%
Market risk	4,072,222	3.2%
Total Pillar 1 RWA	127,435,617	100.0%

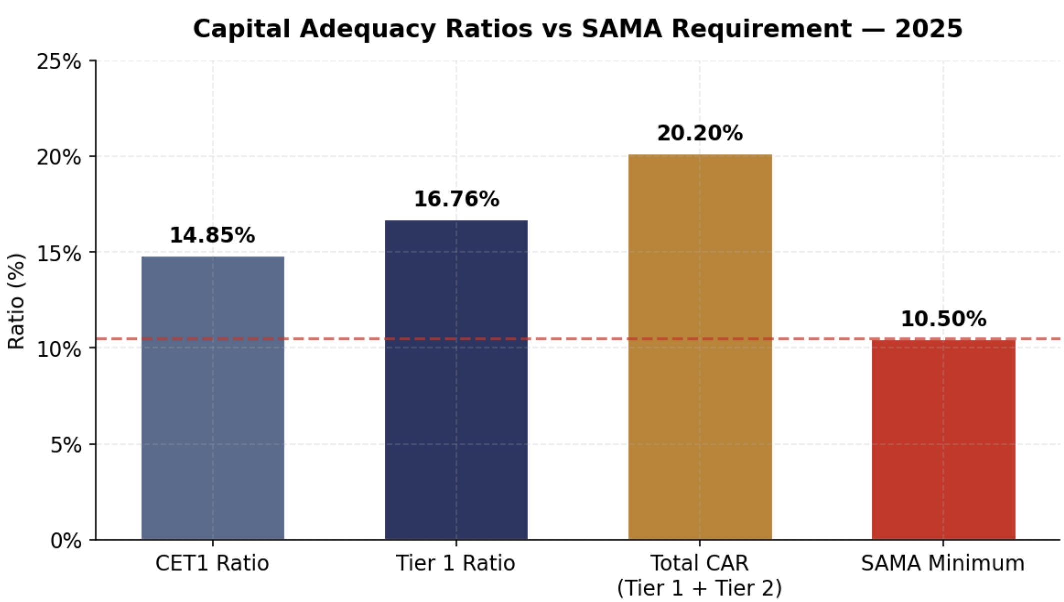

Figure 6 Bank Albilad's capital adequacy ratios versus SAMA's minimum requirement of 10.5%.

9.4 Zakat: does the bank calculate and pay Zakat on behalf of shareholders?

Yes. Zakat is calculated and paid by the bank on behalf of the shareholders, in line with standard Saudi practice. The 2025 Zakat charge is SAR 350 million, against SAR 322 million in 2024.

9.5 Zakat amount for the year

The bank's published Zakat history over the five-year window:

Year	Zakat charge (SAR Mn)	Net income before zakat (SAR Mn)	Effective rate
2025	350	3,399	10.3%
2024	322	3,129	10.3%
2023	272	2,641	10.3%
2022	239	2,321	10.3%
2021	194	1,880	10.3%

The effective Zakat rate is stable at around 10.3% of pre-Zakat income across the five-year window, which is consistent with the standard Saudi Zakat methodology applied to banks. The 2025 charge of SAR 350 million represents the Bank's Zakat obligation for the financial year, to be filed with ZATCA on the standard timeline.

9.6 Investments in prohibited sectors

Bank Albilad reports zero exposure to alcohol, gambling, tobacco, adult entertainment, conventional insurance, conventional banking and weapons. Investment screening is applied through the Sharia Committee at the point of investment decision. Public-equity holdings inside the bank's mutual funds (managed by Albilad Investment Company) are screened against the AAOIFI Shariah Standard No. 21 financial ratios — debt to market capitalisation below 30%, interest income below 5% of total revenue, and so on. This exclusion list has a measurable impact on portfolio construction: it removes a significant share of the global equity universe, which is one reason the bank's investment book of SAR 31.1 billion is concentrated in Sukuk and Saudi Shariah-screened equities rather than international diversified portfolios. This is a deliberate trade-off — narrower investable universe in exchange for full Shariah compliance.

End of Report

All figures and disclosures used in this analysis are taken from the Bank Albilad Annual Report 2025, prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and audited by Ernst & Young Professional Services and PricewaterhouseCoopers Public Accountants. Where the report uses the symbol % before a numerical figure in the source document, this should be read as the SAR currency symbol. Course readings (FIN1406 Lectures 1, 7-8 and 11) were used to frame the analysis of Islamic contracts and risk management.