

## Alinma Bank

Higher expenses nearly offset funded income growth, aiding profit

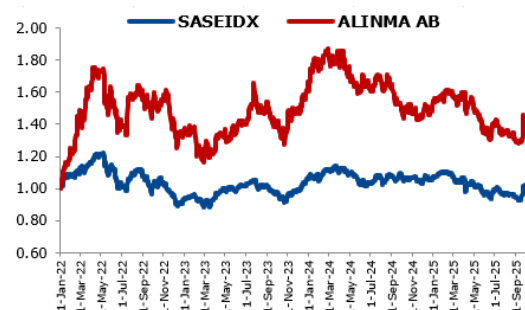
**Current Price**  
**SAR 26.48**

**Target Price**  
**SAR 33.00**

**Upside/Downside (%)**  
**+25%**

**Rating**  
**BUY**

- The Bank's net advances rose 15.2% YOY and 3.2% QOQ, while the deposits increased 12.2% YOY and 2.0% QOQ during 3Q25
- The calculated loan-to-deposit ratio increased to 96.2% in 3Q25, compared to 95.1% in 2Q25
- The Bank announced an investment and partnership with Qashio to improve its offerings for corporate and SME clients
- ALINMA plans to maintain a 150% coverage ratio, driven by high provisioning measures for Stage 2 and Stage 3 loans
- The Bank distributed a cash dividend of SAR 0.30 per share in 3Q25, amounting to SAR 746.2 Mn
- Completed the offering of additional tier 1 capital certificates of USD 500 Mn with a coupon of 6.25% per annum



### 3Q25 Net Profit lower than our estimate

Alinma Bank (ALINMA/ The Bank) recorded 1.3% YOY rise in net profit to SAR 1,592 Mn in 3Q25, lower than our estimate of SAR 1,646 Mn. The increase in net profit is primarily due to a growth in net funded income, fee income and other operating income, partially offset by lower exchange income, higher opex and impairments.

### P&L Highlights

ALINMA's funded income rose 7.4% YOY to SAR 4,498 Mn in 3Q25, owing to a rise in financing and investment activity. On the other hand, the funded expenses grew 8.5% YOY to SAR 2,134 Mn in 3Q25, attributed to growth in total funding and higher cost of funding. The growth in funded expenses outpaced funded income; as a result, the net funded income increased 6.5% YOY to SAR 2,365 Mn in 3Q25. The Bank's non-funded income marginally rose 0.9% YOY to SAR 600 Mn in 3Q25, driven by a growth in fee income and other operating income, partially offset by a reduction in FVIS income and exchange income. As a result, the operating income rose 5.3% YOY to SAR 2,965 Mn in 3Q25. ALINMA's operating expenses increased 9.4% YOY to SAR 932 Mn in 3Q25, leading to a calculated cost-to-income ratio of 31.5% in 3Q25 compared to 30.3% in 3Q24. Moreover, the impairment charges increased 21.2% YOY to SAR 256 Mn in 3Q25. The Bank's Zakat expenses rose 1.3% YOY to SAR 183 Mn in 3Q25, in line with growth in profit before tax.

### Balance Sheet Highlights

ALINMA's key balance sheet items indicated a healthy double-digit growth in 3Q25 year-over-year. The Bank's total assets increased 15.1% YOY and 3.4% QOQ to SAR 307.2 Bn in 3Q25, primarily due to increased financing and investment activity. Net investments grew 11.1% YOY and 1.0% QOQ to SAR 52.2 Bn in 3Q25. The Bank's net

### Stock Information

|                           |             |
|---------------------------|-------------|
| Market Cap (SAR, Mn)      | 66,200.00   |
| Paid Up Capital (Mn)      | 25,000.00   |
| 52 Week High              | 31.30       |
| 52 Week Low               | 24.47       |
| 3M Avg. daily value (SAR) | 172,809,300 |

### 3Q25 Result Review (SAR, Mn)

|                |         |
|----------------|---------|
| Total Assets   | 307,214 |
| Net Advances   | 225,684 |
| Total Equity   | 47,468  |
| Total Deposits | 234,623 |
| Net Profit     | 1,592   |

### Financial Ratios

|                         |       |
|-------------------------|-------|
| Dividend Yield (12m)    | 4.53  |
| Dividend Pay-out (%)    | 36.30 |
| Price-Earnings Ratio(x) | 11.11 |
| Price-to-Book Ratio (x) | 1.94  |
| Book Value (SAR)        | 13.66 |
| Return-on Equity (%)    | 17.54 |

### Stock Performance

|                        |         |
|------------------------|---------|
| 5 Days                 | -0.23%  |
| 1 Months               | -5.29%  |
| 3 Months               | 2.56%   |
| 6 Months               | -11.73% |
| 1 Year                 | -6.10%  |
| Month to Date (MTD%)   | -1.19%  |
| Quarter to Date (QTD%) | -1.19%  |
| Year to Date (YTD%)    | -8.53%  |

advances rose 15.2% YOY and 3.2% QOQ to SAR 225.7 Bn in 3Q25. Customer deposits grew 12.2% YOY and 2.0% QOQ to SAR 234.6 Bn in 3Q25, due to which the loan-to-deposit ratio increased to 96.2% in 3Q25, compared to 95.1% in 2Q25. The Bank's total equity expanded 15.3% YOY and 6.0% QOQ to SAR 47.5 Bn in 3Q25 due to the issuance of additional tier 1 capital of USD 500 Mn in 3Q25.

### Target Price and Rating

We maintain our BUY rating on Alinma Bank with a target price of SAR 33.00. The Bank witnessed healthy growth of 15.2% YOY and 3.2% QOQ in net advances, while the deposits increased 12.2% YOY and 2.0% QOQ during 3Q25. This growth indicates a continued growth in credit demand, which is expected to benefit the Bank. Meanwhile, SAMA's increase in the countercyclical buffer from 0 to 100 bps is expected to moderate credit growth, while the Bank anticipates loan growth to remain in double digits over the coming years. However, the effect remains manageable within the Bank's capital position and risk appetite framework. ALINMA's loan book grew faster than its deposits, resulting in a 113 bps QOQ increase in the loan-to-deposit ratio to 96.2% in 3Q25. Recent rate cuts are expected to benefit but won't reduce the cost of funding to a great extent. High competition in corporate lending and deposit costs is expected to exert pressure on margins. To address margin pressure, ALINMA maintains a selective focus on well-priced deals in project finance and expects solid loan growth in 2H25. On the non-funded income side, the new regulatory changes standardise credit card fees across banks. According to ALINMA, the revised regulatory framework is not expected to materially affect the Bank's non-funded income, as lower issuer fees could be offset by higher card usage and acquisition of additional volumes. Moreover, ALINMA also announced an investment and partnership with Qashio, which is a spend management and corporate card platform, to improve its offerings for corporate and SME clients. The addition of Qashio positions the Bank further in the fintech space, providing new opportunities for fee income and cross-selling, and improving profitability and product mix. Moreover, the asset quality remains largely stable, with stage 3 loan balances remaining stable, while stage 3 coverage rose from 54.8% in 1Q25 to 70.4% in 2Q25 due to prudent provisioning. The Bank plans to maintain a 150% coverage ratio, driven by high provisioning measures for Stage 2 and Stage 3 loans. The Bank issued US Dollar-denominated sustainable additional Tier 1 capital certificates, similar to those issued in 2Q25, with a coupon rate of 6.25% per annum. ALINMA remains well-positioned for sustained growth, supported by a strong balance sheet, healthy loan growth, and continued strategic execution. Additionally, the Bank distributed a dividend of SAR 0.30 per share for 3Q25, amounting to SAR 746.2 Mn. Thus, based on the above-mentioned factors, we maintain a BUY rating on the stock.

### Alinma - Relative valuation

| (at CMP)       | 2020  | 2021  | 2022   | 2023   | 2024   | 2025F  |
|----------------|-------|-------|--------|--------|--------|--------|
| PE             | 33.67 | 24.43 | 18.39  | 13.68  | 11.94  | 11.73  |
| PB             | 2.71  | 2.66  | 2.56   | 2.26   | 2.03   | 1.86   |
| BVPS           | 9.772 | 9.966 | 10.352 | 11.733 | 13.077 | 14.233 |
| EPS            | 0.786 | 1.084 | 1.440  | 1.936  | 2.217  | 2.258  |
| DPS            | 0.239 | 0.597 | 0.756  | 0.677  | 1.100  | 1.122  |
| Dividend yield | 0.9%  | 2.3%  | 2.9%   | 2.6%   | 4.2%   | 4.2%   |

FABS Estimates & Co Data

**Alinma – P&L**

| SAR Mn                         | 3Q24         | 2Q25         | 3Q25         | 3Q25F        | Var.          | YOY Ch      | QOQ Ch        | 2024          | 2025F         | Change       |
|--------------------------------|--------------|--------------|--------------|--------------|---------------|-------------|---------------|---------------|---------------|--------------|
| Funded income                  | 4,188        | 4,254        | 4,498        | 4,388        | 2.5%          | 7.4%        | 5.7%          | 16,155        | 17,293        | 7.0%         |
| Funded expense                 | -1,967       | -1,983       | -2,134       | -2,044       | 4.4%          | 8.5%        | 7.6%          | -7,506        | -8,231        | 9.7%         |
| <b>Net funded income</b>       | <b>2,220</b> | <b>2,272</b> | <b>2,365</b> | <b>2,344</b> | <b>0.9%</b>   | <b>6.5%</b> | <b>4.1%</b>   | <b>8,649</b>  | <b>9,061</b>  | <b>4.8%</b>  |
| <b>Non-funded income</b>       | <b>595</b>   | <b>675</b>   | <b>600</b>   | <b>704</b>   | <b>-14.7%</b> | <b>0.9%</b> | <b>-11.1%</b> | <b>2,291</b>  | <b>2,627</b>  | <b>14.6%</b> |
| <b>Operating income</b>        | <b>2,815</b> | <b>2,947</b> | <b>2,965</b> | <b>3,048</b> | <b>-2.7%</b>  | <b>5.3%</b> | <b>0.6%</b>   | <b>10,940</b> | <b>11,689</b> | <b>6.8%</b>  |
| Operating expenses             | -852         | -917         | -932         | -929         | 0.3%          | 9.4%        | 1.7%          | -3,384        | -3,653        | 8.0%         |
| <b>Pre-provision profit</b>    | <b>1,963</b> | <b>2,029</b> | <b>2,032</b> | <b>2,119</b> | <b>-4.1%</b>  | <b>3.5%</b> | <b>0.1%</b>   | <b>7,556</b>  | <b>8,035</b>  | <b>6.3%</b>  |
| Impairment                     | -212         | -274         | -256         | -284         | -9.7%         | 21.2%       | -6.5%         | -1,050        | -1,102        | 5.0%         |
| <b>Net profit before zakat</b> | <b>1,752</b> | <b>1,747</b> | <b>1,775</b> | <b>1,835</b> | <b>-3.3%</b>  | <b>1.3%</b> | <b>1.6%</b>   | <b>6,502</b>  | <b>6,923</b>  | <b>6.5%</b>  |
| Zakat                          | -181         | -174         | -183         | -189         | -3.2%         | 1.3%        | 5.0%          | -670          | -713          | 6.4%         |
| <b>Net profit attributable</b> | <b>1,571</b> | <b>1,573</b> | <b>1,592</b> | <b>1,646</b> | <b>-3.3%</b>  | <b>1.3%</b> | <b>1.2%</b>   | <b>5,832</b>  | <b>6,210</b>  | <b>6.5%</b>  |

FABS estimate & Co Data

**Alinma - Margins**

|                             | 3Q24  | 2Q25  | 3Q25  | YOY Ch | QOQ Ch | 2024  | 2025F  | Change |
|-----------------------------|-------|-------|-------|--------|--------|-------|--------|--------|
| Net FI/OI                   | 78.9% | 77.1% | 79.8% | 89     | 266    | 79.1% | 77.5%  | -153   |
| Cost to income - calculated | 30.3% | 31.1% | 31.5% | 117    | 32     | 30.9% | 31.3%  | 33     |
| Impairment/PPP              | 10.8% | 13.5% | 12.6% | 183    | -90    | 13.9% | 13.7%  | -17    |
| NP/OI                       | 55.8% | 53.4% | 53.7% | -212   | 31     | 53.3% | 53.1%  | -18    |
| Loan-to-deposit             | 93.7% | 95.1% | 96.2% | 252    | 113    | 97.9% | 100.0% | 213    |

FABS estimate & Co Data

**Alinma – Key B/S items**

| SAR Mn            | 3Q24    | 4Q24    | 1Q25    | 2Q25    | 3Q25    | YOY Ch |
|-------------------|---------|---------|---------|---------|---------|--------|
| Net advances      | 195,895 | 202,308 | 209,435 | 218,596 | 225,684 | 15.2%  |
| QOQ change        | 3.2%    | 3.3%    | 3.5%    | 4.4%    | 3.2%    |        |
| Total assets      | 266,983 | 276,827 | 287,222 | 297,216 | 307,214 | 15.1%  |
| QOQ change        | 2.6%    | 3.7%    | 3.8%    | 3.5%    | 3.4%    |        |
| Customer deposits | 209,140 | 210,545 | 218,839 | 229,944 | 234,623 | 12.2%  |
| QOQ change        | 1.8%    | 0.7%    | 3.9%    | 5.1%    | 2.0%    |        |
| Total equity      | 41,158  | 41,442  | 42,952  | 44,775  | 47,468  | 15.3%  |
| QOQ change        | 2.8%    | 0.7%    | 3.6%    | 4.2%    | 6.0%    |        |

FABS estimate & Co Data

## Valuation:

We use Residual Income and Relative Valuation (RV) method to value ALINMA. We have assigned 70% weight to Residual Income, and 30% to RV method.

| Valuation Method                        | Target | Weight | Weighted Value |
|-----------------------------------------|--------|--------|----------------|
| Residual Income Method                  | 36.38  | 70.0%  | 25.47          |
| Relative Valuation (RV)                 | 25.11  | 30.0%  | 7.53           |
| <b>Weighted Average Valuation (SAR)</b> |        |        | <b>33.00</b>   |
| Current market price (SAR)              |        |        | 26.48          |
| Upside/Downside (%)                     |        |        | +25%           |

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.9%. The cost of equity is calculated using a 10-year government bond yield of 5.0%, a beta of 0.90, and an equity risk premium of 4.3%. The government bond yield is calculated by adding the KSA 10-year CDS spread to the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

|                                            |               |
|--------------------------------------------|---------------|
| Sum of PV (SAR, Mn)                        | 13,494        |
| Terminal value (SAR, Mn)                   | <b>42,492</b> |
| Book value of Equity (as of Sep, 2025)     | 34,967        |
| <b>FV to Common shareholders (SAR, Mn)</b> | <b>90,953</b> |
| No. of share (Mn)                          | 2,500         |
| Current Market Price (SAR)                 | 26.48         |
| <b>Fair Value per share (SAR)</b>          | <b>36.38</b>  |

### Residual Income Method

| (All Figures in SAR Mn)               | FY 2025E               | FY 2026E     | FY 2027E     | FY 2028E     | FY 2029E     | FY 2030E     |
|---------------------------------------|------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Profit                            | 5,616                  | 5,840        | 6,206        | 6,994        | 7,878        | 8,916        |
| (-) Equity Charge                     | -2,905                 | -3,162       | -3,423       | -3,712       | -4,045       | -4,428       |
| <b>Excess Equity</b>                  | <b>2,711</b>           | <b>2,679</b> | <b>2,783</b> | <b>3,282</b> | <b>3,833</b> | <b>4,487</b> |
| Discounting Factor                    | 0.99                   | 0.91         | 0.83         | 0.76         | 0.70         | 0.64         |
| <b>Present Value of Excess Equity</b> | <b>668<sup>1</sup></b> | <b>2,425</b> | <b>2,314</b> | <b>2,507</b> | <b>2,689</b> | <b>2,891</b> |

Source: FAB Securities, <sup>1</sup>Adjusted for partial year

## 2) Relative Valuation:

We have used local and international peers to value ALINMA, and it is valued using the PB multiple. It is valued at a PB multiple of 1.6x in line with peers.

| Company                | Market<br>(USD Mn) | P/E (x)      |              | P/B (x)     |             | Dividend Yield (%) |             |
|------------------------|--------------------|--------------|--------------|-------------|-------------|--------------------|-------------|
|                        |                    | 2025F        | 2026F        | 2025F       | 2026F       | 2025F              | 2026F       |
| Al Rajhi Bank          | 114,758            | 18.8         | 16.6         | 3.8         | 3.5         | 2.7%               | 3.3%        |
| Saudi National Bank    | 61,017             | 10.2         | 9.5          | 1.2         | 1.2         | 5.4%               | 5.8%        |
| Banque Saudi Fransi    | 12,297             | 9.5          | 9.3          | 1.1         | 1.1         | 6.0%               | 5.9%        |
| Riyad Bank             | 22,063             | 8.5          | 8.3          | 1.3         | 1.2         | 6.2%               | 6.3%        |
| Bank Albilad           | 11,734             | 14.8         | 13.8         | 2.4         | 2.0         | 2.5%               | 2.3%        |
| Abu Dhabi Islamic Bank | 21,614             | 12.7         | 11.9         | 3.0         | 2.7         | 4.1%               | 4.4%        |
| <b>Average</b>         |                    | <b>12.4x</b> | <b>11.6x</b> | <b>2.2x</b> | <b>1.9x</b> | <b>4.5%</b>        | <b>4.7%</b> |
| <b>Median</b>          |                    | <b>11.5x</b> | <b>10.7x</b> | <b>1.8x</b> | <b>1.6x</b> | <b>4.8%</b>        | <b>5.1%</b> |
| <b>Max</b>             |                    | <b>14.3x</b> | <b>13.3x</b> | <b>2.9x</b> | <b>2.6x</b> | <b>5.8%</b>        | <b>5.9%</b> |
| <b>Min</b>             |                    | <b>9.6x</b>  | <b>9.4x</b>  | <b>1.3x</b> | <b>1.2x</b> | <b>3.1%</b>        | <b>3.6%</b> |

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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