

Alinma Bank

Strong non-funded income and financing growth support profitability

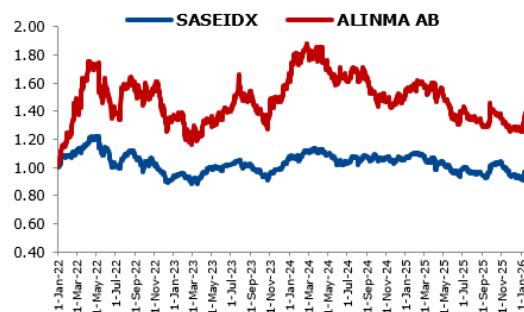
Current Price
SAR 28.60

Target Price
SAR 33.00

Upside/Downside (%)
+15.4%

Rating
BUY

- Net advances rose 13.6% YOY to SAR 229.7 Bn in 4Q25 and are expected to grow in low-teens in 2026, driven by mid-corporate, SME, and retail growth.
- Board approved a buyback of up to 5 Mn shares for the Employee Stock Incentive Plan.
- The Bank completed the issuance of USD 500 Mn Tier 2 capital certificates with a 5.79% per annum coupon.
- The CAR ratio rose to 19.9% in 2025 from 17.7% in 2024 and is expected to remain around 19% in 2026 and above 18% by 2030.



Stock Information

Market Cap (SAR, Mn)	71,500.00
Paid Up Capital (Mn)	25,000.00
52 Week High	31.30
52 Week Low	23.94
3M Avg. daily value (SAR)	137,303,000

4Q25 Result Review (SAR, Mn)

Total Assets	311,067
Net Advances	229,747
Total Equity	48,241
Total Deposits	227,374
Net Profit	1,724

Financial Ratios

Dividend Yield (12m)	4.20
Dividend Pay-out (%)	37.99
Price-Earnings Ratio(x)	12.06
Price-to-Book Ratio (x)	2.00
Book Value (SAR)	14.30
Return-on Equity (%)	17.22

Stock Performance

5 Days	1.56%
1 Months	13.58%
3 Months	13.40%
6 Months	10.94%
1 Year	-7.74%
Month to Date (MTD%)	0.42%
Quarter to Date (QTD%)	17.31%
Year to Date (YTD%)	17.31%

4Q25 Net Profit higher than our estimate

Alinma Bank (ALINMA/ The Bank) recorded 12.7% YOY increase in net profit to SAR 1,724 Mn in 4Q25, higher than our estimate of SAR 1,626 Mn. The increase in net profit was primarily driven by growth in net funded income and non-funded income, partially offset by higher operating expenses, increased impairment charges, and higher zakat expenses.

P&L Highlights

ALINMA's funded income increased 7.0% YOY to SAR 4,499 Mn in 4Q25, driven by growth in investment and financing income. Meanwhile, funded expenses rose 5.2% YOY to SAR 2,042 Mn in 4Q25. Consequently, net funded income grew 8.5% YOY to SAR 2,457 Mn in 4Q25. The Bank's non-funded income recorded a strong increase of 31.7% YOY to SAR 723 Mn in 4Q25. As a result, operating income rose 13.0% YOY to SAR 3,180 Mn in 4Q25. ALINMA's operating expenses increased 11.2% YOY to SAR 960 Mn in 4Q25, mainly due to increase in personal cost, D&A expenses and other G&A expenses. However, the calculated cost-to-income ratio improved 49 bps YOY and 126 bps QOQ to 30.2% in 4Q25. Moreover, net impairment charges rose 18.9% YOY to SAR 296 Mn in 4Q25. The Bank's zakat expenses increased 12.8% YOY to SAR 198 Mn in 4Q25, in line with growth in profit before tax.

Balance Sheet Highlights

ALINMA's key balance sheet items reflected healthy YOY growth in 4Q25. The Bank's total assets increased 12.4% YOY and 1.3% QOQ to SAR 311.1 Bn in 4Q25, primarily driven by higher financing and investment activity. Net investments grew 16.4% YOY and 8.6% QOQ to SAR 56.6 Bn in 4Q25. The Bank's net advances rose 13.6% YOY and 1.8% QOQ to SAR 229.7 Bn in 4Q25. Customer deposits increased

8.0% YOY but declined 3.1% QOQ to SAR 227.4 Bn in 4Q25, resulting in an increase in the loan-to-deposit ratio to 101.0% in 4Q25, compared to 96.2% in 3Q25. Growth in customer in 2025 was driven by increase in time deposit by 15.5% YOY and CASA deposit by 1.0% YOY in 2025. The Bank's total equity increased 16.4% YOY and 1.6% QOQ to SAR 48.2 Bn in 4Q25.

Target Price and Rating

We maintain our BUY rating on Alinma Bank with a target price of SAR 33.00. Alinma Bank delivered a solid FY2025 performance, supported by double-digit growth in financing, stable asset quality, and improved profitability, closing the year as the fifth-largest bank in Saudi Arabia by assets. The Bank recorded healthy growth in gross financing of 13.1% YOY to SAR 233.0 Bn in 4Q25, comprising 75% corporate and 25% retail. Retail financing grew by 17.2% YOY to SAR 59.2 Bn in 4Q25, driven by growth in auto and home financing, whereas corporate financing increased by 11.6% YOY to SAR 173.7 Bn in 4Q25, due to solid growth in mid corporate and SME financing. ALINMA's asset quality remained strong, with reported NPL decreasing to 0.92% in 4Q25 from 1.2% in 3Q25, supported by write-offs and improving underlying asset quality. NPL coverage ratios declined to 150.3% in 4Q25 from 172.3% in 4Q24, while the cost of risk improved by 8 bps YOY to 0.47% in 2025. Furthermore, the Company expects 35–45 bps decline in cost of risk in 2026, driven by stable credit quality, NPL coverage and strong credit collections. The Bank's net advances are expected to remain low-teens in 2026, driven by healthy mid-corporate, SME, and retail expansion supported by strategic initiatives and continued momentum in corporate financing. Deposits increased 8.0% YOY but declined 3.1% QOQ to SAR 227.4 Bn in 4Q25. CASA growth was muted at 1.0% YOY to SAR 109.8 Bn in 4Q25, leading to a decline in CASA ratio to 48.3%, while time deposits rose sharply by 15.5% YoY to SAR 117.6 Bn in 4Q25. However, the Bank's loan growth outpaced deposit growth, resulting in a 496 bps YOY increase in the loan-to-deposit ratio to 101.0% in 4Q25. The Bank's capitalization and liquidity positions remained healthy and well within regulatory limits. The capital adequacy ratio (CAR) increased to 19.9% in 2025, compared to 17.7% in the previous year. Further, the Bank expects CAR of around 19% in 2026 and above 18% by 2030, supported by top-line growth and improved equity management efficiency. During 4Q25, Alinma Bank successfully completed the issuance of USD 500 Mn Tier 2 Certificates under its Trust Certificate Issuance Programme. The 10-year certificates, callable after five years, carry a coupon of 5.792% per annum and were offered to eligible investors locally and internationally. The issuance strengthens the Bank's Tier 2 capital position and supports its funding strategy. The Board proposed a buyback of up to 5.0 Mn shares to be held as treasury shares for the Bank's employee incentive plan, funded from internal resources. In addition, the Board recommended a capital increase through the issuance of bonus shares on a one-for-five basis, raising capital from SAR 25.0 Bn to SAR 30.0 Bn through the capitalization of statutory reserves and retained earnings, subject to regulatory and Extraordinary General Assembly approvals. In terms of profitability, ALINMA reported an ROAE of 18.7% in 4Q25 and has guided for ROAE above 19% in 2026, with further improvement to above 22% by 2030, driven by revenue growth and operating efficiency gains. The Bank also guided to maintain its cost-to-income ratio below 30.5% in 2026 and below 28.6% through 2030, supported by income growth, AI and digital investments, and ongoing process optimization. Thus, based on the above-mentioned factors, we maintain a BUY rating on the stock.

Alinma - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	26.33	19.82	14.74	12.87	11.10	11.49
PB	2.86	2.76	2.43	2.18	1.48	1.92
BVPS	9.966	10.352	11.733	13.077	19.296	14.879
EPS	1.084	1.440	1.936	2.217	2.572	2.484
DPS	0.597	0.756	0.677	1.100	0.90 ¹	1.225 ²
Dividend yield	2.1%	2.6%	2.4%	3.8%	3.1%	3.5%

FABS Estimates & Co Data, ¹ Dividend for FY2025 considering 9M 2025 of SAR 0.900, and 20% Bonus share for 2025. ² Excluding the Bonus share adjustments.

Alinma – P&L

SAR Mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Funded income	4,207	4,498	4,499	4,631	-2.8%	7.0%	0.0%	16,155	17,370	7.5%
Funded expense	-1,941	-2,134	-2,042	-2,209	-7.6%	5.2%	-4.3%	-7,506	-7,993	6.5%
Net funded income	2,266	2,365	2,457	2,422	1.5%	8.5%	3.9%	8,649	9,377	8.4%
Non-funded income	549	600	723	570	26.9%	31.7%	20.5%	2,292	2,529	10.3%
Operating income	2,815	2,965	3,180	2,992	6.3%	13.0%	7.3%	10,940	11,905	8.8%
Operating expenses	-864	-932	-960	-899	6.8%	11.2%	3.0%	-3,384	-3,715	9.8%
Pre-provision profit	1,951	2,032	2,220	2,093	6.1%	13.8%	9.3%	7,556	8,191	8.4%
Impairment	-249	-256	-296	-274	7.9%	18.9%	15.6%	-1,049	-1,060	1.0%
Net profit before zakat	1,705	1,775	1,922	1,818	5.7%	12.8%	8.3%	6,502	7,126	9.6%
Zakat	-176	-183	-198	-193	2.9%	12.8%	8.3%	-670	-729	8.7%
Net profit attributable	1,529	1,592	1,724	1,626	6.0%	12.7%	8.3%	5,832	6,397	9.7%

FABS estimate & Co Data

Alinma - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	80.5%	79.8%	77.3%	-323	-250	79.1%	78.8%	-29
Cost to income - calculated	30.7%	31.4%	30.2%	-49	-126	30.9%	31.2%	27
Impairment/PPP	12.9%	12.1%	13.3%	40	118	13.9%	12.9%	-94
NP/OI	54.3%	53.7%	54.2%	-12	50	53.3%	53.7%	43
Loan-to-deposit	96.1%	96.2%	101.0%	496	485	96.1%	101.0%	496
NPL - Calculated	1.1%	1.2%	0.9	14	28	1.1%	1.2%	14
NPL Coverage - Calculated	172.3%	158.2%	150.3%	NM	-789	172.3%	150.3%	NM
Capital adequacy	17.7%	19.2%	19.9%	216	65	17.7%	19.9%	216

FABS estimate & Co Data

Alinma – Key B/S items

SAR Mn	4Q24	1Q25	2Q25	3Q25	4Q25	YOY Ch
Net advances	2,02,308	2,09,435	2,18,596	2,25,684	2,29,747	13.6%
QOQ change	3.3%	3.5%	4.4%	3.2%	1.8%	
Total assets	2,76,827	2,87,222	2,97,216	3,07,214	3,11,067	12.4%
QOQ change	3.7%	3.8%	3.5%	3.4%	1.3%	
Customer deposits	2,10,544	2,18,839	2,29,944	2,34,623	2,27,374	8.0%
QOQ change	0.7%	3.9%	5.1%	2.0%	-3.1%	
Total equity	41,441	42,952	44,775	47,468	48,241	16.4%
QOQ change	0.7%	3.6%	4.2%	6.0%	1.6%	

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	37.16	70.0%	26.01
Relative Valuation (RV)	23.29	30.0%	6.99
Weighted Average Valuation (SAR)			33.00
Current market price (SAR)			28.60
Upside/Downside (%)			+15.4%

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 using a 10-year government bond yield of 5.5%, a beta of 0.90, and an equity risk premium of 4.1%. 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)	14,608
Terminal value (SAR, Mn)	42,549
Book value of Equity (as of Dec, 2025)	35,739
FV to Common shareholders (SAR, Mn)	92,896
No. of share (Mn)	2,500
Current Market Price (SAR)	28.60
Fair Value per share (SAR)	37.16

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	6,178	6,797	7,511	8,278	9,056
(-) Equity Charge	-3,107	-3,391	-3,716	-4,082	-4,496
Excess Equity	3,070	3,405	3,796	4,196	4,560
Discounting Factor	0.92	0.85	0.78	0.71	0.65
Present Value of Excess Equity	2,834	2,881	2,943	2,981	2,969

Source: FAB Securities

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 (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Al Rajhi Bank	1,09,547	16.7	14.9	3.5	3.1	3.5%	3.9%
Saudi National Bank	61,017	10.2	9.5	1.2	1.2	5.4%	5.8%
Banque Saudi Fransi	11,648	9.1	8.7	1.0	1.0	6.3%	6.5%
Riyad Bank	21,574	8.2	7.7	1.2	1.1	6.3%	6.7%
Bank Albilad	10,519	12.4	11.5	1.9	1.6	2.6%	3.0%
Abu Dhabi Islamic Bank	22,664	12.3	10.8	2.9	2.5	5.8%	6.3%
Average		11.5x	10.5x	1.9x	1.7x	5.0%	5.4%
Median		11.3x	10.2x	1.6x	1.4x	5.6%	6.1%
Max		12.4x	11.3x	2.6x	2.3x	6.1%	6.4%
Min		9.3x	8.9x	1.2x	1.1x	4.0%	4.4%

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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