

Alinma Bank

Lower impairments and financing growth drove profitability momentum

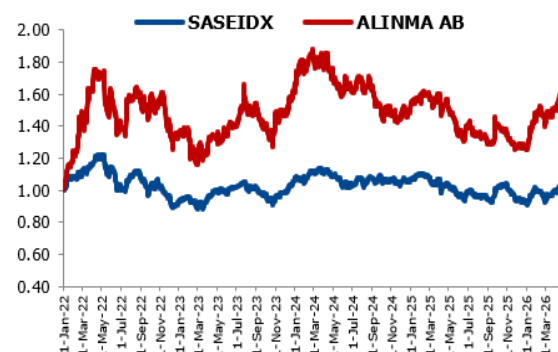
Current Price
SAR 24.68

Target Price
SAR 29.50

Upside/Downside (%)
+19.5%

Rating
BUY

- Net advances rose 13.8% YOY and 3.7% QOQ to SAR 238.3 Bn, while customer deposits increased 9.5% YOY and 5.4% QOQ to SAR 239.6 Bn in 1Q26.
- Impairment decreased 31.2% YOY to SAR 156 Mn in 1Q26, driven by better asset quality and recoveries from written-off accounts.
- In April 2026, Alinma Bank approved a 20% capital increase to SAR 30.0 Bn (from SAR 25.0 Bn) via SAR 5.0 Bn capitalization, issuing one bonus share for every five shares held.
- The Bank also approved a 1Q26 cash dividend of SAR 0.25 per share (SAR 747.5 Mn total), payable in May 2026.



1Q26 Net Profit higher in line with our estimate

Alinma Bank (ALINMA/ The Bank) recorded 11.3% YOY increase in net profit to SAR 1,679 Mn in 1Q26, broadly in line with our estimate of SAR 1,670 Mn. The increase in net profit was primarily driven by higher net funded income and a marginal increase in non-funded income, coupled with lower impairment charges, partially offset by higher operating expenses and increased zakat expenses.

P&L Highlights

ALINMA's funded income increased 7.3% YOY to SAR 4,419 Mn in 1Q26, driven by growth in financing and investments portfolio. Meanwhile, the Bank's funded expenses rose 5.9% YOY to SAR 1,944 Mn in 1Q26. Consequently, net funded income grew 8.4% YOY to SAR 2,475 Mn in 1Q26. The Bank's total non-funded income increased marginally 0.7% YOY to SAR 535 Mn in 1Q26, primarily due to lower fee income, exchange income and other operating income. As a result, operating income increased by 7.0% YoY to SAR 3,010 Mn in 1Q26, driven by growth in net funded income and a marginal increase in non-funded income. ALINMA's total operating expenses increased 8.6% YOY to SAR 983 Mn in 1Q26. Thus, the calculated cost-to-income ratio increased 48 bps YOY and 246 bps QOQ to 32.6% in 1Q26. Moreover, net impairment charges declined 31.2% YOY to SAR 156 Mn in 1Q26, driven by the onboarding of higher-quality assets and recoveries from previously written-off accounts. The Bank's zakat expenses increased 11.3% YOY to SAR 193 Mn in 1Q26, in line with growth in profit before Zakat. Thus, the Bank's net profit increased 11.3% YOY to AED SAR 1,679 Mn in 1Q26.

Stock Information

Market Cap (SAR, Mn)	73,380.00
Paid Up Capital (Mn)	30,000.00
52 Week High	25.53
52 Week Low	19.95
3M Avg. daily value (SAR)	162,460,700

1Q26 Result Review (SAR, Mn)

Total Assets	324,291
Net Advances	238,325
Total Equity	49,603
Total Deposits	239,605
Net Profit	1,679

Financial Ratios

Dividend Yield (12m)	4.06
Dividend Pay-out (%)	37.99
Price-Earnings Ratio(x)	12.17
Price-to-Book Ratio (x)	1.98
Book Value (SAR)	12.37
Return-on Equity (%)	16.84

Stock Performance

5 Days	1.07%
1 Months	1.70%
3 Months	3.06%
6 Months	13.33%
1 Year	1.21%
Month to Date (MTD%)	1.70%
Quarter to Date (QTD%)	1.70%
Year to Date (YTD%)	20.39%

Balance Sheet Highlights

ALINMA's key balance sheet items reflected healthy YOY growth in 1Q26. The Bank's total assets increased 12.9% YOY and 4.3% QOQ to SAR 324.3 Bn in 1Q26. Investments portfolio grew 16.5% YOY and 1.7% QOQ to SAR 57.6 Bn in 1Q26. The Bank's net advances rose 13.8% YOY and 3.7% QOQ to SAR 238.3 Bn in 1Q26. Customer deposits increased 9.5% YOY and 5.4% QOQ to SAR 239.6 Bn in 1Q26, resulting in an increase in the calculated loan-to-deposit ratio to 99.5% in 1Q26, compared to 101.0% in 4Q25. Additionally, the Bank's total equity increased 15.5% YOY and 2.8% QOQ to SAR 49.6 Bn in 1Q26.

Target Price and Rating

We maintain our BUY rating on Alinma Bank with a revise target price of SAR 29.50. Alinma Bank delivered a solid 1Q26 performance, with net profit growing 11.3% YOY, supported by higher net funded income and lower impairment charges, partially offset by higher operating and zakat expenses. The Bank recorded healthy growth in financing, with net advances increasing 13.8% YOY and 3.7% QOQ to SAR 238.3 Bn in 1Q26. Additionally, the investment portfolio grew 16.5% YOY and 1.7% QOQ to SAR 57.6 Bn, which collectively supported a 7.3% YOY increase in funded income in 1Q26. Deposits increased 9.5% YOY and 5.4% QOQ to SAR 239.6 Bn in 1Q26, while the calculated loan-to-deposit ratio decreased to 99.5% in 1Q26, from 101.0% in 4Q25. The Bank's impairment decreased 31.2% YOY and 45.1% QOQ to SAR 156 Mn in 1Q26, driven by better asset quality and recoveries from written-off accounts. Additionally, 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 a stronger underlying portfolio. The Bank's coverage ratio also stood strong at 150.3% in 4Q25, creating a strong buffer against bad loans going forward. Alinma 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 19.2% in 3Q25. Furthermore, the Bank expects CAR of around 19.0% in 2026 and above 18.0% by 2030, supported by top-line growth and improved equity management efficiency. In April 2026, Alinma Bank approved a 20.0% capital increase to SAR 30.0 Bn from SAR 25.0 Bn through the capitalization of SAR 5.0 Bn, with one bonus share granted for every five shares held, aimed at strengthening the Bank's financial position and supporting future growth. The shareholders also approved a buyback of up to 5.0 Mn shares for a long-term employee incentive programme, to be financed through the Bank's own resources. Furthermore, Alinma approved a 1Q26 cash dividend of SAR 0.25 per share (SAR 747.5 Mn total), payable in May 2026 to shareholders. 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	28.09	21.24	15.76	13.27	12.41	11.61
PB	2.94	2.83	2.49	2.24	1.52	1.88
BVPS	8.339	8.649	9.820	10.944	16.149	13.027
EPS	0.871	1.153	1.553	1.844	1.973	2.109
DPS (Post bonus issue)	0.499	0.632	0.566	0.916	0.749	1.046
DPS (Pre bonus issue)	0.597	0.756	0.677	1.100	0.900	1.256
Dividend yield	2.0%	2.6%	2.3%	3.7%	3.0%	4.2%

FABS Estimates & Co Data

Alinma – P&L

	1Q25	4Q25	1Q26	1Q26F	Var.	YOY Ch	QOQ Ch	2025	2026F	Change
SAR Mn										
Funded income	4,118	4,500	4,419	4,514	-2.1%	7.3%	-1.8%	17,370	18,496	6.5%
Funded expense	-1,835	-2,042	-1,944	-2,087	-6.9%	5.9%	-4.8%	-7,993	-8,530	6.7%
Net funded income	2,283	2,457	2,475	2,427	2.0%	8.4%	0.7%	9,377	9,966	6.3%
Non-funded income	531	723	535	654	-18.2%	0.7%	-26.1%	2,529	2,656	5.0%
Operating income	2,814	3,180	3,010	3,081	-2.3%	7.0%	-5.4%	11,905	12,622	6.0%
Operating expenses	-905	-960	-983	-952	3.2%	8.6%	2.3%	-3,715	-3,877	4.4%
Pre-provision profit	1,909	2,220	2,027	2,128	-4.7%	6.2%	-8.7%	8,191	8,745	6.8%
Impairment	-226	-296	-156	-266	-41.5%	-31.2%	-47.4%	1,030	1,161	12.6%
Net profit before zakat	1,681	1,909	1,872	1,862	0.5%	11.3%	-2.0%	7,126	7,584	6.4%
Zakat	-173	-198	-193	-192	0.6%	11.3%	-2.6%	-729	-781	7.2%
Net profit attributable	1,508	1,711	1,679	1,670	0.5%	11.3%	-1.9%	6,397	6,803	6.3%

FABS estimate & Co Data

Alinma - Margins

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	81.1%	77.3%	82.2%	110	497	78.8%	79.0%	20
Cost to income - calculated	32.2%	30.2%	32.6%	48	246	31.2%	30.7%	-48
Impairment/PPP	11.9%	13.3%	7.7%	-418	-566	-12.6%	-13.3%	-69
NP/OI	53.6%	53.8%	55.8%	219	197	53.7%	53.9%	17
Loan-to-deposit	95.7%	101.0%	99.5%	376	-158	102.5%	102.0%	-45
ROAA	2.3%	2.2%	2.1%	-12	-3	2.2%	2.1%	-10

FABS estimate & Co Data

Alinma – Key B/S items

SAR Mn	1Q25	2Q25	3Q25	4Q25	1Q26	YOY Ch
Net advances	209,435	218,596	225,684	229,747	238,325	13.8%
QOQ change	3.5%	4.4%	3.2%	1.8%	3.7%	
Total assets	287,222	297,216	307,214	311,067	324,291	12.9%
QOQ change	3.8%	3.5%	3.4%	1.3%	4.3%	
Customer deposits	218,839	229,944	234,623	227,374	239,605	9.5%
QOQ change	3.9%	5.1%	2.0%	-3.1%	5.4%	
Total equity	42,952	44,775	47,468	48,241	49,603	15.5%
QOQ change	3.6%	4.2%	6.0%	1.6%	2.8%	

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	33.90	70.0%	23.73
Relative Valuation (RV)	19.23	30.0%	5.77
Weighted Average Valuation (SAR)			29.50
Current market price (SAR)			24.68
Upside/Downside (%)			+19.5%

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 5.3%, a beta of 0.90, and an equity risk premium of 4.2%. 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)	15,446
Terminal value (SAR, Mn)	48,720
Book value of Equity (as of March, 2026)	37,101
FV to Common shareholders (SAR, Mn)	101,267
No. of share (Mn)	2,987
Current Market Price (SAR)	24.68
Fair Value per share (SAR)	33.90

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	6,299	7,176	8,130	9,053	9,851
(-) Equity Charge	-3,250	-3,539	-3,880	-4,276	-4,727
Excess Equity	3,049	3,637	4,250	4,777	5,124
Discounting Factor	0.94	0.86	0.79	0.72	0.66
Present Value of Excess Equity	2,142	3,123	3,345	3,447	3,389

Source: FAB Securities

2) Relative Valuation:

We have used local and international peers to value ALINMA, and it is valued using the P/B multiple. It is valued at a 2026 P/B multiple of 1.5x 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	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%
Riyad Bank	23,457	8.7	8.1	1.3	1.2	4.8%	5.6%
Bank Albilad	10,792	12.8	11.7	1.6	1.7	3.8%	3.6%
Abu Dhabi Islamic Bank	22,346	12.0	10.8	2.8	2.5	4.4%	4.8%
Average		11.7x	10.7x	1.9x	1.8x	4.5%	4.9%
Median		11.2x	10.2x	1.5x	1.5x	4.6%	5.2%
Max		12.6x	11.5x	2.5x	2.3x	5.2%	5.7%
Min		10.0x	9.3x	1.3x	1.2x	4.0%	4.0%

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	ahmad.banihani@Bankfab.com
Shahrukh Nawaz	+971-2 -6161612	Shahrukh.Nawaz@bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.