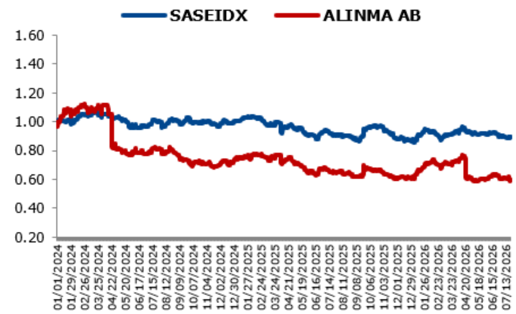
Alinma Bank

Healthy core income growth supported the bottom-line

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 23.80	SAR 29.50	+23.9%	BUY

- Net advances increased 11.6% YOY and 2.3% QOQ to SAR 243.9 Bn, while customer deposits grew 6.7% YOY and 2.4% QOQ to SAR 245.3 Bn in 2Q26.
- Net Impairment charges increased to SAR 400 Mn in 2Q26 from SAR 281 Mn in 2Q25, mainly attributable to the growth in the financing and investment portfolio.
- ALINMA redeemed its SAR 5.0 Bn Additional Tier 1 Capital Sukuk in full at face value on 1 July 2026, following the required regulatory approval.
- The Bank's Board approved a 2Q26 cash dividend of SAR 0.25 per share (SAR 746.3 Mn total), payable in August 2026.



Stock Information	
Market Cap (SAR, Mn)	70,974.77
Paid Up Capital (Mn)	3,000.00
52 Week High	25.53
52 Week Low	19.95
3M Avg. daily value (SAR)	3,860,035

2Q26 Result Review (SAR, Mn)	
Total Assets	329,287
Net Advances	243,911
Total Equity	50,125
Total Deposits	245,254
Net Profit	1,595

Financial Ratios	
Dividend Yield (12m)	4.40
Dividend Pay-out (%)	34.99
Price-Earnings Ratio(x)	9.48
Price-to-Book Ratio (x)	1.71
Book Value (SAR)	11.91
Return-on Equity (%)	18.70

Stock Performance	
5 Days	-1.98%
1 Months	-5.72%
3 Months	-3.34%
6 Months	4.26%
1 Year	11.19%
Month to Date (MTD%)	-2.95%
Quarter to Date (QTD%)	-2.95%
Year to Date (YTD%)	16.75%

2Q26 Net Profit lower than our estimate

Alinma Bank (ALINMA/ The Bank) reported a 1.4% YOY increase in net profit to SAR 1,595 Mn in 2Q26, lower than our estimate of SAR 1,700 Mn. The increase in net profit was primarily driven by higher net funded income, partially offset by lower non-funded income, increased operating expenses, and higher impairment and zakat charges.

P&L Highlights

ALINMA's funded income increased 7.7% YOY to SAR 4,583 Mn in 2Q26, supported by growth in financing and investments volumes. Meanwhile, the Bank's funded expenses rose 2.6% YOY to SAR 2,033 Mn in 2Q26. Consequently, net funded income increased 12.2% YOY to SAR 2,550 Mn in 2Q26. The Bank's total non-funded income declined 14.3% YOY to SAR 579 Mn in 2Q26, primarily due to lower fee income, exchange income, and other operating income. As a result, total operating income grew 6.2% YOY to SAR 3,128 Mn in 2Q26, driven by growth in net funded income, partially offset by a decline in non-funded income. ALINMA's total operating expenses increased 3.5% YOY to SAR 950 Mn in 2Q26. However, the calculated cost-to-income ratio improved by 77 bps YOY and 228 bps QOQ to 30.4% in 2Q26. Furthermore, net impairment charges increased from SAR 281 Mn in 2Q25 to SAR 400 Mn in 2Q26, reflecting growth in the financing and investment portfolios. The Bank's net profit before zakat rose 1.8% YOY to SAR 1,779 Mn in 2Q26, while zakat expenses increased 5.3% YOY to SAR 183 Mn in 2Q26. Thus, the Bank's net profit increased 1.4% YOY to SAR 1,595 Mn in 2Q26.

Balance Sheet Highlights

ALINMA's total assets increased 10.8% YOY and 1.5% QOQ to SAR 329.3 Bn in 2Q26. Investments portfolio grew 9.6% YOY, although it declined 1.7% QOQ to SAR 56.6 Bn in 2Q26. Net advances rose 11.6% YOY and 2.3% QOQ to SAR 243.9 Bn in 2Q26, while customer deposits increased 6.7% YOY and 2.4% QOQ to SAR 245.3 Bn in 2Q26. Consequently, the calculated loan-to-deposit ratio remained stable at 99.5% in 2Q26, compared to 1Q26. Additionally, the Bank's total equity increased 11.9% YOY and 1.1% QOQ to SAR 50.1 Bn in 2Q26.

Target Price and Rating

We maintain our BUY rating on ALINMA with a target price of SAR 29.50. ALINMA continued to deliver its earnings growth momentum in 2Q26, with net profit increasing 1.4% YOY to SAR 1,595 Mn, underpinned by higher net funded income, which helped offset elevated operating expenses, impairment charges and zakat expenses, alongside softer non-funded income. Strong growth in financing and investment volumes continued to support funded income growth during the quarter, although the expanding portfolio resulted in higher impairment charges. On a sequential basis, impairments increased notably, largely reflecting normalization from a lower 1Q26 base, which had benefited from a sizable one-off recovery. Balance sheet growth remained healthy, with the net financing portfolio expanding 11.6% YOY and 2.3% QOQ to SAR 243.9 Bn, while the investment portfolio grew 9.6% YOY to SAR 56.6 Bn in 2Q26. Customer deposits also increased 6.7% YOY and 2.4% QOQ to SAR 245.3 Bn in 2Q26, with the calculated loan-to-deposit ratio remaining stable at 99.5%, unchanged from 1Q26. The Bank continued to maintain a healthy funding profile, supported by improving liquidity conditions and a higher proportion of low-cost deposits, with the CASA ratio increasing to 49.5% in 1Q26 from 48.3% in 4Q25, providing support to funding cost optimization. Asset quality also remained robust, with the reported NPL ratio broadly stable at 0.93% in 1Q26, while the NPL coverage ratio stood at a healthy 166.5%, providing a strong buffer against potential credit losses. ALINMA also maintained a comfortable capital position, with the capital adequacy ratio (CAR) stable at 19.9% in 1Q26, unchanged from 4Q25. Recently, the Bank fully redeemed its SAR 5.0 Bn Additional Tier 1 Capital Sukuk at face value on 1 July 2026, following the receipt of required regulatory approvals, which we believe should support funding cost optimization while underscoring the Bank's comfortable capital position. In addition, ALINMA's Board of Directors approved a 2Q26 cash dividend of SAR 0.25 per share, amounting to SAR 746.3 Mn, payable in August 2026. Overall, we remain positive on ALINMA, supported by sustained financing growth, a strengthening funding mix, robust asset quality, comfortable capitalization and healthy shareholder distributions. Accordingly, we maintain our BUY rating on the stock.

Alinma - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	27.61	20.87	15.49	13.04	12.20	11.54
PB	2.89	2.78	2.45	2.20	1.49	1.85
BVPS	8.339	8.649	9.820	10.944	16.149	13.015
EPS	0.871	1.153	1.553	1.844	1.973	2.084
DPS (Post bonus issue)	0.499	0.632	0.566	0.916	0.749	1.034
DPS (Pre bonus issue)	0.597	0.756	0.677	1.100	0.900	1.242
Dividend yield	2.1%	2.7%	2.4%	3.8%	3.1%	4.3%

FABS Estimates & Co Data

Alinma – P&L

SAR Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	4,254	4,419	4,583	4,679	-2.1%	7.7%	3.7%	17,370	18,742	7.9%
Funded expense	-1,983	-1,944	-2,033	-2,092	-2.8%	2.6%	4.6%	-7,993	-8,619	7.8%
Net funded income	**2,272**	**2,475**	**2,550**	**2,587**	**-1.4%**	**12.2%**	**3.0%**	**9,377**	**10,123**	**8.0%**
Non-funded income	**675**	**535**	**579**	**608**	**-4.8%**	**-14.3%**	**8.2%**	**2,529**	**2,533**	**0.2%**
Operating income	**2,947**	**3,010**	**3,128**	**3,194**	**-2.1%**	**6.2%**	**3.9%**	**11,905**	**12,656**	**6.3%**
Operating expenses	-917	-982	-950	-992	-4.2%	3.5%	-3.3%	-3,715	-3,846	3.5%
Pre-provision profit	**2,029**	**2,027**	**2,179**	**2,203**	**-1.1%**	**7.4%**	**7.5%**	**8,191**	**8,810**	**7.6%**
Net Impairment	-281	-156	-400	-307	30.1%	42.2%	NM	1,030	1,106	7.3%
Net profit before zakat	**1,747**	**1,871**	**1,779**	**1,895**	**-6.2%**	**1.8%**	**-5.0%**	**7,126**	**7,704**	**8.1%**
Zakat	-174	-193	-183	-195	-6.0%	5.3%	-5.0%	-729	-793	8.9%
Net profit attributable	**1,573**	**1,679**	**1,595**	**1,700**	**-6.2%**	**1.4%**	**-5.0%**	**6,397**	**6,910**	**8.0%**

FABS estimate & Co Data

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Alinma - Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	77.1%	82.2%	81.5%	441	-73	78.8%	80.0%	122
Cost to income - calculated	31.1%	32.6%	30.4%	-77	-228	31.2%	30.4%	-81
Impairment/PPP	13.9%	7.7%	18.4%	450	NM	-12.6%	-12.6%	3
NP/OI	53.4%	55.8%	51.0%	-240	-478	53.7%	54.6%	87
Loan-to-deposit	95.1%	99.5%	99.5%	439	-1	102.5%	102.0%	-45
ROAA	2.2%	2.1%	2.1%	-11	-4	2.2%	2.1%	-4

FABS estimate & Co Data

Alinma – Key B/S items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26	YOY Ch
Net advances	218,596	225,684	229,747	238,325	243,911	11.6%
QOQ change	4.4%	3.2%	1.8%	3.7%	2.3%	
Total assets	297,216	307,214	311,067	324,291	329,287	10.8%
QOQ change	3.5%	3.4%	1.3%	4.3%	1.5%	
Customer deposits	229,944	234,623	227,374	239,604	245,254	6.7%
QOQ change	5.1%	2.0%	-3.1%	5.4%	2.4%	
Total equity	44,775	47,468	48,241	49,603	50,125	11.9%
QOQ change	4.2%	6.0%	1.6%	2.8%	1.1%	

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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	34.99	70.0%	24.50
Relative Valuation (RV)	16.67	30.0%	5.00
Weighted Average Valuation (SAR)			**29.50**
Current market price (SAR)			23.80
Upside/Downside (%)			+23.9%

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 5.4%, 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)	15,143
Terminal value (SAR, Mn)	**51,766**
Book value of Equity (as of June, 2026)	37,622
FV to Common shareholders (SAR, Mn)	**1,04,531**
No. of share (Mn)	2,987
Current Market Price (SAR)	23.80
Fair Value per share (SAR)	**34.99**

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	6,227	6,972	8,194	9,173	10,046
(-) Equity Charge	-3,249	-3,535	-3,866	-4,265	-4,722
Excess Equity	**2,978**	**3,438**	**4,327**	**4,908**	**5,324**
Discounting Factor	0.96	0.88	0.80	0.74	0.68
Present Value of Excess Equity	**1,426**[1]	**3,017**	**3,481**	**3,619**	**3,599**

Source: FAB Securities, [1]Adjusted for partial year

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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 2026 PB multiple of 1.3x in line with peers.

Company	Market	P/E (x)		P/B (x)		Dividend Yield (%)	
	(USD Mn)	2026F	2027F	2026F	2027F	2026F	2027F
Al Rajhi Bank	102,950	14.4	13.1	3.0	2.7	3.7%	4.2%
Saudi National Bank	58,968	9.1	8.5	1.1	1.1	5.9%	6.5%
Banque Saudi Fransi	12,513	9.4	8.6	1.0	1.0	5.9%	6.3%
Riyad Bank	21,294	8.0	7.5	1.1	1.0	5.5%	6.0%
Bank Albilad	9,580	11.4	10.9	1.5	NA	4.2%	4.4%
Abu Dhabi Islamic Bank	21,557	12.0	10.9	2.7	2.4	4.3%	4.7%
Average		**10.7x**	**9.9x**	**1.7x**	**1.6x**	**4.9%**	**5.3%**
Median		**10.4x**	**9.7x**	**1.3x**	**1.1x**	**4.9%**	**5.3%**
Max		**11.9x**	**10.9x**	**2.4x**	**2.4x**	**5.8%**	**6.2%**
Min		**9.2x**	**8.5x**	**1.1x**	**1.0x**	**4.2%**	**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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