Earnings Call Insight | 3Q26

Saudi Equity Research | Sector: Banking | Market: Tadawul

Alinma Bank

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 21.36	SAR 29.50	+38%	BUY

3Q26 Net Profit in line with our estimate

- ALINMA's net profit declined marginally 0.2% YOY to SAR 1,588 Mn in 3Q26, in line with our estimate of SAR 1,643 Mn, primarily due to lower non-funded income, higher operating expenses and impairment charges, partially offset by growth in net-funded income.
- The Bank's net funded income increased 9.2% YOY to SAR 2,582 Mn in 3Q26.
- The Bank's total non-funded income declined 10.1% YOY to SAR 540 Mn in 3Q26, primarily due to lower fee income, FVIS income and other operating income, partially offset by higher exchange income.
- Total operating income grew 5.3% YOY to SAR 3,122 Mn in 3Q26, driven by growth in net funded income, partially offset by a decline in non-funded income.
- ALINMA's total operating expenses increased 2.0% YOY to SAR 951 Mn in 3Q26. However, the calculated cost-to-income ratio improved by 99 bps YOY to 30.5% in 3Q26, although it rose 10 bps QOQ.
- The Bank recorded an impairment charge of SAR 400 Mn in 3Q26 compared to SAR 247 Mn in 3Q25, reflecting growth in the financing and investment portfolios.
- Net Profit before Zakat expenses declined marginally 0.2% YOY to SAR 1,771 Mn in 3Q26, while zakat expenses decreased marginally 0.2% YOY to SAR 183 Mn in 3Q26.
- ALINMA's total assets increased 11.1% YOY and 3.7% QOQ to SAR 341.4 Bn in 3Q26.
- Investments portfolio grew 8.8% YOY and marginally 0.3% QOQ to SAR 56.8 Bn in 3Q26. Net advances rose 12.0% YOY and 3.6% QOQ to SAR 252.7 Bn in 3Q26, while customer deposits increased 7.4% YOY and 2.7% QOQ to SAR 251.9 Bn in 3Q26.
- Liquidity ratios remained healthy with NSFR at 111.3% and LCR at 136% in 3Q26.
- Improvement in asset quality, resulting in a decline in NPL ratio to 0.93% in 3Q26 from 1.20% in 3Q25.

Earnings Call Summary

- Management maintained its 2026 financing growth guidance of low teens, supported by SME and mid-corporate financing, alongside PPP projects in renewable energy and data centres, which are relatively less dependent on oil prices and broader economic conditions.
- Alinma revised its 2026 NIM guidance to a decline of 0–5bps from the previous expectation of a 5–10bps decline. However, increased deposit competition since late September and early October could put pressure on funding costs and limit further improvement in margins.
- The Bank highlighted that strong retail financing growth is driven by customer acquisition and faster loan approvals rather than aggressive pricing, supporting growth without compromising pricing discipline.
- Management highlighted the Bank's positive sensitivity to higher interest rates, given its predominantly corporate financing portfolio and significant floating-rate exposure. Every 25bps increase in interest rates could support c.2bps of NIM improvement over a 12-month period, assuming other factors remain unchanged. However, the benefit will depend on the relative pace of repricing across assets and liabilities.
- Alinma expects limited Stage 2 to Stage 3 migration in 4Q26, which could moderate the NPL coverage ratio from 189.1% in 3Q26. Management clarified that the increase in Stage 2 financing does not necessarily indicate deteriorating credit quality, as some loans were reclassified following restructuring.

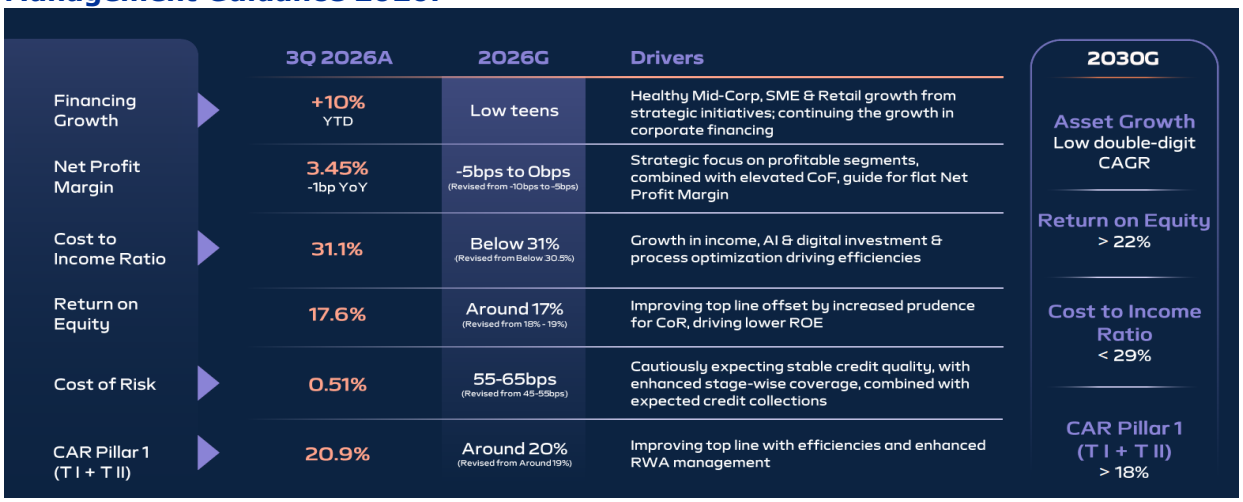
- The Bank revised its 2026 cost of risk guidance to 55–65bps from previous 45–55bps, reflecting higher impairment charges, including the impact of a cancelled project contract and the incorporation of regional and macroeconomic risks into its provisioning models.
- Alinma lowered its 2026 ROE guidance to around 17.0% from 18.0–19.0%, while its 2030 ROE target of above 22.0% remains unchanged for now, with a review expected after 4Q26.
- The Bank revised its 2026 cost-to-income ratio guidance to below 31% from previous below 30.5%, reflecting continued investments in digital capabilities and operating infrastructure.
- Alinma raised its year-end 2026 Pillar 1 capital adequacy ratio guidance to around 20% from 19%, following the issuance of SAR 2.0 Bn in AT1 instruments during 3Q26. Management expects to continue opportunistic issuances and call existing AT1 instruments at eligible dates.
- Non-funded income declined 10.1% YOY, mainly due to lower investment gains and dividends, while banking service fees improved sequentially. Management expects improvement in fee generation over the coming years, supported by FX and derivatives, trade finance and transaction banking initiatives.
- Alinma indicated that bonus share issuances are not an annual practice but may be considered every two to three years, subject to the necessary approvals.
- Management expects to provide updated 2027 guidance after finalising its business plan, with potential improvement in fee income and moderation in credit costs.
- The Bank continues to invest in digital capabilities and AI-driven efficiencies, with three AI use-case families already implemented across retail, corporate and IT. Management expects c.35% of the overall benefits from its AI initiatives to come through operational efficiencies.
- Priorities for 4Q26 include expanding partnerships with global asset managers, developing AI-powered application companions, accelerating FX and derivatives businesses, strengthening trade finance and enhancing customer-centric digital offerings.

Alinma– P&L

SAR Mn	3Q25	2Q26	3Q26	3Q26F	Var.	YOY Ch	QOQ Ch
Funded income	4,498	4,583	4,710	4,695	0.3%	4.7%	2.8%
Funded expense	-2,134	-2,033	-2,128	-2,084	2.1%	-0.3%	4.7%
Net funded income	**2,365**	**2,550**	**2,582**	**2,611**	**-1.1%**	**9.2%**	**1.3%**
Non-funded income	**600**	**578**	**540**	**573**	**-5.9%**	**-10.1%**	**-6.7%**
Operating income	**2,965**	**3,128**	**3,122**	**3,184**	**-2.0%**	**5.3%**	**-0.2%**
Operating expenses	-932	-950	-951	-974	-2.4%	2.0%	0.1%
Pre-provision profit	**2,032**	**2,179**	**2,171**	**2,210**	**-1.8%**	**6.8%**	**-0.4%**
Net Impairment	-247	-388	-400	-378	5.9%	NM	3.1%
Net profit before zakat	**1,775**	**1,779**	**1,771**	**1,832**	**-3.3%**	**-0.2%**	**-0.4%**
Zakat	-183	-183	-183	-189	-3.2%	-0.2%	-0.4%
Net profit attributable	**1,592**	**1,595**	**1,588**	**1,643**	**-3.3%**	**-0.2%**	**-0.4%**

FABS estimate & Co Data

Management Guidance 2026:



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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