

## Alinma Bank

Increase in net advances and investments drove the operating income

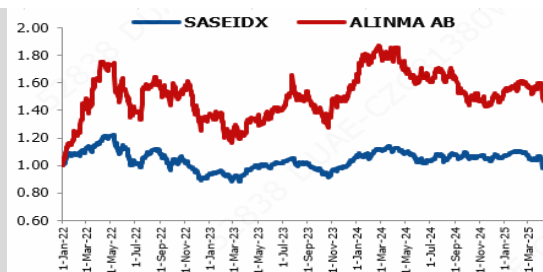
**Current Price**  
SAR 28.75

**Target Price**  
SAR 37.00

**Upside/Downside (%)**  
+29%

**Rating**  
BUY

- Net advances grew 15.9% YOY and 3.5% QOQ to SAR 209.4 Bn in 1Q25.
- Impairment charges fell 14.4% YOY to SAR 226 Mn in 1Q25, driven by the introduction of better-quality new assets.
- Alinma Bank cost-to-income improved 34 bps YOY to 32.2% in 1Q25, with an expectation to fall below 30% in 2025.
- Loan-to-deposit ratio increased 9 bps YOY to 95.7% in 1Q25.
- The Bank announced a dividend distribution of SAR 0.30 per share for 1Q25.



### 1Q25 Net Profit lower than our estimate

Alinma Bank (ALINMA/ The Bank) reported a 14.7% YOY increase in net profit to SAR 1,508 Mn in 1Q25, lower than our estimate of SAR 1,631 Mn. The rise in net profit is mainly attributed to growth in net funded income and decline in impairment charges, partially offset by a fall in non-funded income, rise in operating expenses and zakat expenses.

### P&L Highlights

ALINMA funded income grew 8.4% YOY to SAR 4,118 Mn in 1Q25, primarily due to an increase in investments volume and financing. On the other hand, funded expenses grew 2.7% YOY to SAR 1,835 Mn in 1Q25 due to rise in customer deposits. As a result, net funded income increased 13.5% YOY to SAR 2,283 Mn in 1Q25. The non-funded income declined 3.9% YOY to SAR 531 Mn in 1Q25, driven by lower FVIS income, fee income, and other operating income, partially offset by an increase in exchange income. Thus, the operating income of the Bank surged 9.7% YOY to SAR 2,814 Mn in 1Q25. Alinma Bank's operating expenses increased 8.6% YOY to SAR 905 Mn in 1Q25. As a result, Cost to income declined 34 bps YOY to 32.2% in 1Q25. Moreover, impairment charges declined 14.4% YOY to SAR 226 Mn in 1Q25, supported by addition of better-quality new assets. The Bank's Zakat expenses rose 14.7% YOY to SAR 173 Mn in 1Q25 due to the growth in pre-tax profit.

### Balance Sheet Highlights

ALINMA's total assets grew 17.3% YOY and 3.8% QOQ to SAR 287.2 Bn in 1Q25, primarily due to increased financing and investment activities. Similarly, net investment rose 9.1% YOY to SAR 49.5 Bn in 1Q25. The Bank's net advances grew 15.9% YOY and 3.5% QOQ to SAR 209.4 Bn in 1Q25. On the other hand, Customer deposits increased 15.8% YOY and 3.9% QOQ to SAR 218.8 Bn in 1Q25.

### Stock Information

Market Cap (SAR, Mn)	71,875.00
Paid Up Capital (Mn)	25,000.00
52 Week High	33.50
52 Week Low	27.35
3M Avg. daily value (SAR)	174,205,800

### 1Q25 Result Review (SAR, Mn)

Total Assets	287,222
Total Liabilities	244,270
Total Equity	42,952
Total Deposits	218,839
Net Profit	1,508

### Financial Ratios

Dividend Yield (12m)	3.83
Dividend Pay-out (%)	36.30
Price-Earnings Ratio(x)	12.79
Price-to-Book Ratio (x)	2.20
Book Value (SAR)	13.08
Return-on Equity (%)	17.77

### Stock Performance

5 Days	-4.17%
1 Months	-6.35%
3 Months	-3.69%
6 Months	2.31%
1 Year	-11.81%
Month to Date (MTD%)	-0.86%
Quarter to Date (QTD%)	-6.35%
Year to Date (YTD%)	-0.69%

As a result, loan-to-deposit ratio increased 9 bps YOY to 95.7% in 1Q25. The Banks total shareholders equity increased 9.2% YOY and 3.6% QOQ to 43 Bn in 1Q25.

### Target Price and Rating

We maintain our BUY rating on Alinma Bank with a target price of SAR 37.00. The Bank reported strong growth in net income owing to a rise in net-funded income and a decline in impairment charges due to onboarding of high-quality assets. Additionally, net advances increased 15.9% YOY to SAR 209.4 Bn and net investments by 9.1% YOY to SAR 49.5 bn in 1Q25. Furthermore, the Bank's Customer deposit rose 15.8% YOY to SAR 218.8 Bn in 1Q25. Alinma further expects strong growth across mid corporate, SMEs, retail, also corporate portfolio in 2025, along with maintaining asset quality and efficiency. Additionally, The Bank also expects NIMs to remain flat in 2025 owing to shorter repricing of liabilities compared to repricing of assets, lead to lower cost of funding, retail advances comprising of 24% of the gross loan book as of December 2024, alongside fixed-rate investments and cash flow hedges. Alinma has sizable exposure in investments which amounted to SAR 49.5 Bn in 1Q25 compared to 45.3 Bn in 1Q24. Cost-to-income ratio of the Bank improved 34 bps YOY to 32.2% in 1Q25, with an expectation to remain below 30% in 2025, driven by income growth, digitization and process optimization to enhance efficiencies. The Bank plans to issue additional Tier 1 instruments in 2025, following a similar issuance executed in 2024. Alinma is expected to benefit from the growth in economic activity and expects a cost of risk of 45-55 bps in FY2025. In addition, it expects no significant change in cost of risk in the next three to five years given the robust economic activity expected going forward. ALINMA maintained a healthy capitalization, with a CAR pillar 1 of 17.2% in 2024 with an expectation of 17-18% in 2025. The Bank declared a dividend of SAR 0.30 per share amounting to a total dividend of SAR 745.2 Mn for 1Q25. 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	37.1	26.9	20.2	15.1	13.1	11.5
PB	3.0	2.9	2.8	2.5	2.2	2.0
DPS	0.24	0.60	0.76	0.92	1.10	1.27
Dividend yield	0.8%	2.0%	2.6%	3.1%	3.8%	4.3%

FABS Estimates & Co Data

#### Alinma – P&L

SAR mm	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	3,799	4,207	4,118	4,313	-4.5%	8.4%	-2.1%	16,155	17,836	10.4%
Funded expense	-1,787	-1,941	-1,835	-1,961	-6.4%	2.7%	-5.5%	-7,506	-8,002	6.6%
<b>Net funded income</b>	<b>2,012</b>	<b>2,266</b>	<b>2,283</b>	<b>2,352</b>	<b>-3.0%</b>	<b>13.5%</b>	<b>0.8%</b>	<b>8,649</b>	<b>9,833</b>	<b>13.7%</b>
<b>Non-funded income</b>	<b>553</b>	<b>549</b>	<b>531</b>	<b>594</b>	<b>-10.7%</b>	<b>-3.9%</b>	<b>-3.3%</b>	<b>2,291</b>	<b>2,413</b>	<b>5.3%</b>
<b>Operating income</b>	<b>2,565</b>	<b>2,815</b>	<b>2,814</b>	<b>2,947</b>	<b>-4.5%</b>	<b>9.7%</b>	<b>0.0%</b>	<b>10,940</b>	<b>12,247</b>	<b>11.9%</b>
Operating expenses	-834	-864	-905	-872	3.8%	8.6%	4.8%	-3,384	-3,612	6.8%
<b>Pre-provision profit</b>	<b>1,731</b>	<b>1,951</b>	<b>1,909</b>	<b>2,075</b>	<b>-8.0%</b>	<b>10.3%</b>	<b>-2.2%</b>	<b>7,556</b>	<b>8,635</b>	<b>14.3%</b>
Impairment	-264.4	-250	-226	-257	-11.9%	-14.4%	-9.3%	-1,050	-1,102	5.0%
<b>Net profit before zakat</b>	<b>1,466</b>	<b>1,705</b>	<b>1,681</b>	<b>1,818</b>	<b>-7.5%</b>	<b>14.7%</b>	<b>-1.4%</b>	<b>6,502</b>	<b>7,532</b>	<b>15.8%</b>
Zakat	-151	-176	-173	-187	-7.4%	14.7%	-1.4%	-670	-776	15.7%
<b>Net profit attributable</b>	<b>1,315</b>	<b>1,529</b>	<b>1,508</b>	<b>1,631</b>	<b>-7.5%</b>	<b>14.7%</b>	<b>-1.4%</b>	<b>5,832</b>	<b>6,756</b>	<b>15.9%</b>

FABS estimate & Co Data

#### Alinma - Margins

	1Q24	4Q24	1Q25	YOY Ch.	QOQ Ch.	2024	2025F	Change
Net FI/OI	78.5%	80.5%	81.1%	268	64	79.1%	80.3%	124
Cost to income	32.5%	30.7%	32.2%	-34	148	30.9%	29.5%	-143
Impairment/PPP	15.3%	12.8%	11.9%	-342	-93	13.9%	12.8%	-113
NP/OI	51.3%	54.3%	53.6%	233	-72	53.3%	55.2%	186
Loan-to-deposit	95.6%	96.1%	95.7%	9	-39	97.9%	99.8%	193

FABS estimate & Co Data

#### Alinma – Key B/S items

SAR mm	1Q24	2Q24	3Q24	4Q24	1Q25	YOY Ch
Net advances	180,702	189,912	195,895	202,308	209,435	15.9%
QOQ change	4.1%	5.1%	3.2%	3.3%	3.5%	
Total assets	244,859	260,138	266,983	276,827	287,222	17.3%
QOQ change	3.4%	6.2%	2.6%	3.7%	3.8%	
Customer deposits	1,88,988	205,357	209,140	210,545	218,839	15.8%
QOQ change	0.6%	8.7%	1.8%	0.7%	3.9%	
Total equity	39,348	40,037	41,158	41,442	42,952	9.2%
QOQ change	14.6%	1.8%	2.8%	0.7%	3.6%	

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	37.51	70.0%	26.25
Relative Valuation (RV)	35.83	30.0%	10.75
<b>Weighted Average Valuation (SAR)</b>			<b>37.00</b>
Current market price (SAR)			28.75
Upside/Downside (%)			+29%

### 1) DCF Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.7%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.90 and equity risk premium of 4.0%. Government bond yield is calculated after adding KSA 10-year CDS spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	14,771
Terminal value (SAR, Mn)	<b>46,303</b>
Book value of Equity (as of Dec, 2024)	32,691
<b>FV to Common shareholders (SAR, Mn)</b>	<b>93,765</b>
No. of share (Mn)	2,500
Current Market Price (SAR)	28.75
<b>Fair Value per share (SAR)</b>	<b>37.51</b>

### DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	6,313	7,001	7,574	8,352	9,308
(-) Equity Charge	-3,149	-3,504	-3,886	-4,313	-4,794
<b>Excess Equity</b>	<b>3,163</b>	<b>3,497</b>	<b>3,688</b>	<b>4,040</b>	<b>4,514</b>
Discounting Factor	0.93	0.86	0.79	0.72	0.67
<b>Present Value of Excess Equity</b>	<b>2,941</b>	<b>2,992</b>	<b>2,903</b>	<b>2,926</b>	<b>3,008</b>

Source: FAB Securities

## 2) Relative Valuation:

We have used local and international peers to value Alinma and it is valued using the PB multiple. We applied premium to peer valuation since it generates superior return on assets as compared to its peers also, expect this premium to be maintained. It is valued at a 2025 PB multiple of 2.5x as compared to peer valuation of 1.8x.

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Al Rajhi Bank	1,04,233	17.7	15.8	3.5	3.2	3.2%	3.5%
Saudi National Bank	53,832	9.3	8.5	1.1	1.0	6.1%	6.6%
Banque Saudi Fransi	11,476	9.4	8.8	1.1	1.0	6.0%	6.2%
Riyad Bank	24,284	9.2	9.0	1.4	1.3	5.6%	5.6%
Bank Albilad	11,642	17.7	15.5	2.7	2.3	1.5%	1.7%
Abu Dhabi Islamic Bank	15,208	10.7	10.3	2.2	2.0	5.3%	5.3%
<b>Average</b>		<b>12.3x</b>	<b>11.3x</b>	<b>2.0x</b>	<b>1.8x</b>	<b>4.6%</b>	<b>4.8%</b>
<b>Median</b>		<b>10.0x</b>	<b>9.7x</b>	<b>1.8x</b>	<b>1.7x</b>	<b>5.5%</b>	<b>5.4%</b>
<b>Max</b>		<b>15.9x</b>	<b>14.2x</b>	<b>2.6x</b>	<b>2.2x</b>	<b>5.9%</b>	<b>6.1%</b>
<b>Min</b>		<b>9.3x</b>	<b>8.9x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>3.7%</b>	<b>3.9%</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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