# First Look Note | 3Q26

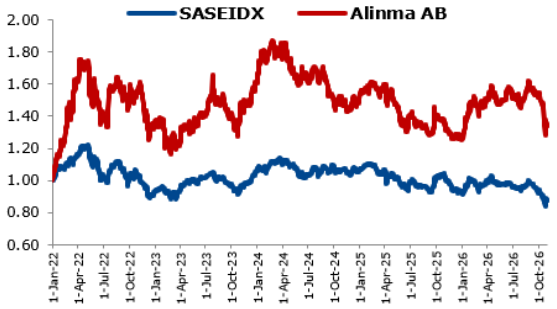
Saudi Equity Research | Sector: Banking | Market: Tadawul

## Alinma Bank

Net funded income growth offset by softer non-funded income and higher impairments

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---|---|---|---|
| SAR 21.56 | SAR 29.50 | +36.8% | BUY |

- CASA ratios declined to 47.2% in 3Q26 from 52.8% in 3Q25, due to rise in time deposits.
- Liquidity ratios remained healthy with NSFR at 111.3% and LCR at 136% in 3Q26.
- Cost of risk rose by 5bps YOY to 0.51% in 9M26, whereas 84% of the impairment allowance in 9M26 pertains to corporate and 16% for retail financing.
- ALINMA approved a 3Q26 cash dividend of SAR 0.25 per share, amounting to SAR 746.3 Mn, after deduction of Zakat.
- Improvement in asset quality, resulting in a decline in NPL ratio to 0.93% in 3Q26 from 1.20% in 3Q25.




| Stock Information | |
|---|---|
| Market Cap (SAR, Mn) | 64,080.00 |
| Paid Up Capital (Mn) | 30,000.00 |
| 52 Week High | 26.00 |
| 52 Week Low | 19.95 |
| 3M Avg. daily value (SAR) | 119,938,300 |

| 3Q26 Result Review (SAR, Mn) | |
|---|---|
| Total Assets | 341,415 |
| Net Advances | 252,710 |
| Total Equity | 52,467 |
| Total Deposits | 251,916 |
| Net Profit | 1,588 |

| Financial Ratios | |
|---|---|
| Dividend Yield (12m) | 3.51 |
| Dividend Pay-out (%) | 37.99 |
| Price-Earnings Ratio(x) | 10.91 |
| Price-to-Book Ratio (x) | 1.68 |
| Book Value (SAR) | 12.72 |
| Return-on Equity (%) | 16.02 |

| Stock Performance | |
|---|---|
| 5 Days | -1.25% |
| 1 Months | -13.10% |
| 3 Months | -11.26% |
| 6 Months | -11.15% |
| 1 Year | -0.34% |
| Month to Date (MTD%) | -1.52% |
| Quarter to Date (QTD%) | -12.17% |
| Year to Date (YTD%) | 5.14% |

### 3Q26 Net Profit in line with our estimate

Alinma Bank (ALINMA/ The Bank) reported a marginal 0.2% YOY decline in net profit to SAR 1,588 Mn in 3Q26, in line with our estimate of SAR 1,643 Mn. The decline in net profit was primarily driven by lower non-funded income, coupled with an increased operating expenses and higher impairment charges, partially offset by higher net funded income and stable zakat charges.

### P&L Highlights

ALINMA's funded income increased 4.7% YOY to SAR 4,710 Mn in 3Q26, supported by growth in financing and investments volumes. Meanwhile, the Bank's funded expenses declined marginally 0.3% YOY to SAR 2,128 Mn in 3Q26. Consequently, net funded income increased 9.2% YOY to SAR 2,582 Mn in 3Q26. Meanwhile, the Net Profit Margin remained stable at 3.45% in 9M26 compared to 3.46% in 9M25. 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. As a result, 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. Furthermore, net impairment charges increased from SAR 247 Mn in 3Q25 to SAR 400 Mn in 3Q26, reflecting growth in the financing and investment portfolios. The Bank's net profit before zakat 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. Thus, the Bank's net profit attributable to shareholders declined marginally 0.2% YOY to SAR 1,588 Mn in 3Q26.

## Balance Sheet Highlights

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. Consequently, the calculated loan-to-deposit ratio increased to 100.3% in 3Q26 from 99.5% in 2Q26. Additionally, the Bank's total equity increased 10.5% YOY and 4.7% QOQ to SAR 52.5 Bn in 3Q26.

## Target Price and Rating

We maintain our BUY rating on ALINMA with a target price of SAR 29.50. ALINMA reported broadly stable earnings in 3Q26, with net profit declining marginally by 0.2% YOY to SAR 1,588 Mn, as higher net funded income was offset by softer non-funded income, elevated impairment charges and higher operating expenses. 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, impairment charges remained stable at SAR 400 Mn, while net profit declined marginally by 0.4% QOQ, mainly due to lower FVIS income. Balance sheet growth remained healthy, with the net financing portfolio expanding 12.0% YOY and 3.6% QOQ to SAR 252.7 Bn in 3Q26, while the investment portfolio grew 8.8% YOY to SAR 56.8 Bn in 3Q26. Customer deposits increased by 7.4% YOY and 2.7% QOQ to SAR 251.9 Bn in 3Q26, with the calculated loan-to-deposit ratio rising to 100.3% in 3Q26 from 99.5% in 2Q26, as financing growth continued to outpace deposit growth. The proportion of low-cost deposits moderated, with the CASA ratio declining to 47.2% in 3Q26 from 52.8% in 3Q25. Asset quality remained robust, as the NPL ratio declined by 27bps YOY to 0.93% in 3Q26, while the NPL coverage ratio improved to 189.1% in 3Q26 from 158.2% in 3Q25, providing a strong buffer against potential credit losses. ALINMA also maintained a comfortable capital position, with the capital adequacy ratio (CAR) at 20.9% in 3Q26. In addition, ALINMA's Board of Directors approved a 3Q26 cash dividend of SAR 0.25 per share, amounting to SAR 746.3 Mn, after deduction of Zakat. The Bank revised its 2026 guidance with Net profit margin of -5bps to 0bps (from previous -10bps to -5bps), Cost to Income ratio below 31% (from previous below 30.5%), ROE of around 17% (from previous 18-19%), Cost of risk of 55-65bps (from previous 45-55bps), CAR of around 20% (from previous 19%). Overall, we remain positive on ALINMA, supported by sustained financing growth, robust asset quality, comfortable capitalization and healthy shareholder distributions, although softer non-funded income remains key monitorable. Accordingly, we maintain our BUY rating on the stock.

**Alinma - Relative valuation**

| (at CMP) | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F |
|---|---|---|---|---|---|---|
| PE | 25.23 | 19.08 | 14.16 | 11.92 | 11.15 | 11.31 |
| PB | 2.64 | 2.54 | 2.24 | 2.01 | 1.36 | 1.71 |
| BVPS | 8.339 | 8.649 | 9.820 | 10.944 | 16.149 | 12.868 |
| EPS | 0.871 | 1.153 | 1.553 | 1.844 | 1.973 | 1.944 |
| DPS (Post bonus issue) | 0.499 | 0.632 | 0.566 | 0.916 | 0.749 | 0.964 |
| DPS (Pre bonus issue) | 0.597 | 0.756 | 0.677 | 1.100 | 0.900 | 1.158 |
| Dividend yield | 2.3% | 2.9% | 2.6% | 4.2% | 3.5% | 4.5% |

*FABS Estimates & Co Data*

**Alinma – P&L**

| SAR Mn | 3Q25 | 2Q26 | 3Q26 | 3Q26F | Var. | YOY Ch | QOQ Ch | 2025 | 2026F | Change |
|---|---|---|---|---|---|---|---|---|---|---|
| Funded income | 4,498 | 4,583 | 4,710 | 4,695 | 0.3% | 4.7% | 2.8% | 17,370 | 18,527 | 6.7% |
| Funded expense | -2,134 | -2,033 | -2,128 | -2,084 | 2.1% | -0.3% | 4.7% | -7,993 | -8,207 | 2.7% |
| **Net funded income** | **2,365** | **2,550** | **2,582** | **2,611** | **-1.1%** | **9.2%** | **1.3%** | **9,377** | **10,320** | **10.1%** |
| Non-funded income | 600 | 578 | 540 | 573 | -5.9% | -10.1% | -6.7% | 2,529 | 2,268 | -10.3% |
| **Operating income** | **2,965** | **3,128** | **3,122** | **3,184** | **-2.0%** | **5.3%** | **-0.2%** | **11,905** | **12,588** | **5.7%** |
| Operating expenses | -932 | -950 | -951 | -974 | -2.4% | 2.0% | 0.1% | -3,715 | -3,866 | 4.1% |
| **Pre-provision profit** | **2,032** | **2,179** | **2,171** | **2,210** | **-1.8%** | **6.8%** | **-0.4%** | **8,191** | **8,722** | **6.5%** |
| Net Impairment | -247 | -388 | -400 | -378 | 5.9% | NM | 3.1% | 1,030 | 1,340 | 30.0% |
| **Net profit before zakat** | **1,775** | **1,779** | **1,771** | **1,832** | **-3.3%** | **-0.2%** | **-0.4%** | **7,126** | **7,369** | **3.4%** |
| Zakat | -183 | -183 | -183 | -189 | -3.2% | -0.2% | -0.4% | -729 | -759 | 4.1% |
| **Net profit attributable to shareholders** | **1,592** | **1,595** | **1,588** | **1,643** | **-3.3%** | **-0.2%** | **-0.4%** | **6,397** | **6,610** | **3.3%** |

*FABS estimate & Co Data*

**Alinma - Margins**

| | 3Q25 | 2Q26 | 3Q26 | YOY Ch | QOQ Ch | 2025 | 2026F | Change |
|---|---|---|---|---|---|---|---|---|
| Net FI/OI | 79.8% | 81.5% | 82.7% | 295 | 120 | 78.8% | 82.0% | 322 |
| Cost to income - calculated | 31.4% | 30.4% | 30.5% | -99 | 10 | 31.2% | 30.7% | -49 |
| Impairment/PPP | 12.1% | 17.8% | 18.4% | NM | 62 | -12.6% | -15.4% | -278 |
| NP/OI | 53.7% | 51.0% | 50.9% | -282 | -11 | 53.7% | 52.5% | -123 |
| Loan-to-deposit | 96.2% | 99.5% | 100.3% | 413 | 86 | 102.5% | 102.0% | -45 |
| ROAA | 2.2% | 2.1% | 2.0% | -13 | -7 | 2.2% | 2.0% | -16 |

*FABS estimate & Co Data*

**Alinma – Key B/S items**

| SAR Mn | 3Q25 | 4Q25 | 1Q26 | 2Q26 | 3Q26 | YOY Ch |
|---|---|---|---|---|---|---|
| Net advances | 225,684 | 229,747 | 238,325 | 243,911 | 252,710 | 12.0% |
| *QOQ change* | 3.2% | 1.8% | 3.7% | 2.3% | 3.6% | |
| Total assets | 307,214 | 311,067 | 324,291 | 329,287 | 341,415 | 11.1% |
| *QOQ change* | 3.4% | 1.3% | 4.3% | 1.5% | 3.7% | |
| Customer deposits | 234,623 | 227,374 | 239,604 | 245,254 | 251,916 | 7.4% |
| *QOQ change* | 2.0% | -3.1% | 5.4% | 2.4% | 2.7% | |
| Total equity | 47,468 | 48,241 | 49,603 | 50,124 | 52,467 | 10.5% |
| *QOQ change* | 6.0% | 1.6% | 2.8% | 1.1% | 4.7% | |

*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 | 34.65 | 70.0% | 24.25 |
| Relative Valuation (RV) | 17.47 | 30.0% | 5.24 |
| **Weighted Average Valuation (SAR)** | | | **29.50** |
| Current market price (SAR) | | | 21.36 |
| Upside/Downside (%) | | | +38% |

## 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 4.8%, a beta of 0.90, and an equity risk premium of 3.8%. The government bond yield is calculated by adding the KSA 10-year CDS spread to the 10-year US risk-free rate. We have also assumed a terminal growth rate of 2.0%.

| | |
|---|---|
| Sum of PV (SAR, Mn) | 16,868 |
| Terminal value (SAR, Mn) | 48,890 |
| Book value of Equity (as of June, 2026) | 37,745 |
| **FV to Common shareholders (SAR, Mn)** | **103,503** |
| No. of share (Mn) | 2,987 |
| Current Market Price (SAR) | 21.36 |
| **Fair Value per share (SAR)** | **34.65** |

**Residual Income Method**

| (All Figures in SAR Mn) | FY 2026E | FY 2027E | FY 2028E | FY 2029E | FY 2030E | FY 2031E |
|---|---|---|---|---|---|---|
| Net Profit | 5,807 | 6,753 | 7,712 | 8,665 | 9,543 | 10,529 |
| (-) Equity Charge | -3,264 | -3,510 | -3,833 | -4,210 | -4,643 | -5,121 |
| **Excess Equity** | **2,544** | **3,242** | **3,879** | **4,456** | **4,900** | **5,408** |
| Discounting Factor | 0.98 | 0.90 | 0.82 | 0.75 | 0.69 | 0.63 |
| **Present Value of Excess Equity** | **622[1]** | **2,907** | **3,187** | **3,354** | **3,380** | **3,418** |

[1] *Adjusted for partial year*

## 2) Relative Valuation:

We have used local and regional peers to value ALINMA, and it is valued using the PB multiple. It is valued at a 2027 PB multiple of 1.2x, in line with the peer median.

| Company | Market (USD Mn) | P/E (x) | | P/B (x) | | Dividend Yield (%) | |
|---|---|---|---|---|---|---|---|
| | | 2026F | 2027F | 2026F | 2027F | 2026F | 2027F |
| Al Rajhi Bank | 96,214 | 13.7 | 12.8 | 2.8 | 2.5 | 3.8% | 4.0% |
| Saudi National Bank | 58,448 | 8.7 | 8.2 | 1.1 | 1.1 | 6.3% | 6.7% |
| Banque Saudi Fransi | 12,710 | 8.9 | 8.3 | 1.1 | 1.0 | 5.9% | 6.4% |
| Riyad Bank | 20,272 | 7.7 | 7.4 | 1.1 | 1.0 | 6.0% | 6.4% |
| Bank Albilad | 8,586 | 10.3 | 10.2 | 1.4 | 1.4 | 4.8% | 5.0% |
| Abu Dhabi Islamic Bank | 21,854 | 12.2 | 11.0 | 2.8 | 2.4 | 4.4% | 4.8% |
| **Average** | | **10.2x** | **9.6x** | **1.7x** | **1.6x** | **5.2%** | **5.5%** |
| **Median** | | **9.6x** | **9.2x** | **1.3x** | **1.2x** | **5.4%** | **5.7%** |
| **Max** | | **11.7x** | **10.8x** | **2.4x** | **2.2x** | **6.0%** | **6.4%** |
| **Min** | | **8.7x** | **8.2x** | **1.1x** | **1.0x** | **4.5%** | **4.8%** |

*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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