Alinma Bank

Sector : Banking

BUY

10 May 2026

- **1Q26 operating income increased 7% YoY, slightly below our estimate by 3%, driven by 8% YoY growth in NII and modest 1% YoY growth in non-interest income.**
- **Net income rose 11% YoY to SAR 1.7bn, exceeding our estimate of SAR 1.6bn, primarily due to lower provision expenses.**
- **Net loans and deposits grew 14% and 10% YoY, respectively. Management reaffirmed its low-teens loan growth guidance**
- **We maintain our BUY rating and target price of SAR 27/share, supported by the earnings beat at the net income level and the reaffirmation of 2026 guidance.**

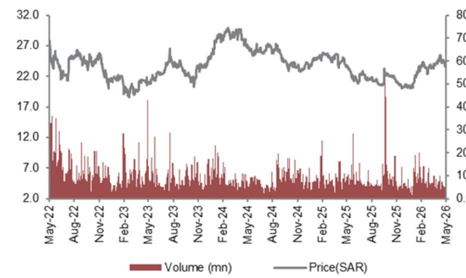
Alinma Bank reported 7% YoY growth in 1Q26 operating income, driven by an 8% increase in NII, while non-interest income remained broadly flat YoY. NIM compression of 16bps to 3.47% was offset by volume-driven loan growth of 14% YoY. Despite the decline in NIMs, management indicated that full-year NIM compression is expected to remain within a manageable range of 5-10bps. Non-interest income increased marginally by 1% YoY, as declines in net core fee income (-3% YoY) and FX income (-10% YoY) were largely offset by a 47% YoY increase in investment gains and dividend income. Consequently, the share of non-interest income in total income declined by 110bps YoY to 17.8% in 1Q26. Operating expenses increased at a faster pace of 8.6% YoY, resulting in a 48bps YoY rise in the cost-to-income ratio to 32.6%. However, management guided for a cost-to-income ratio below 30.5%, supported by income growth, AI-driven efficiencies, and ongoing process optimisation initiatives.

Operating profit increased 6% YoY and was further supported by a 31% YoY decline in provision expenses, resulting in 11% YoY growth in net income. Provision expenses also declined 47% QoQ, primarily due to one-off recoveries. The cost of risk stood at 0.26% in 1Q26, while management-maintained guidance of 35-45bps for FY26. Management expects stable asset quality and improved credit collections going forward. Net income exceeded our estimates mainly due to lower-than-expected provisioning.

Gross loans increased 13% YoY and 4% QoQ. YTD growth was driven by a 10% increase in retail lending, primarily auto and personal loans, alongside 2% growth in the corporate portfolio. Corporate loans now account for 73% of total loans, down 200bps on a YTD basis. Deposits increased 10% YoY and 5% YTD. YTD deposit growth was driven primarily by an 8% increase in CASA deposits, while time deposits rose 3%. Retail deposits continue to dominate the funding mix, accounting for 64% of total deposits. Asset quality continued to improve, with the NPL ratio declining to 0.93% in 1Q26 from 1.27% in 1Q25. The bank raised USD 300mn in Tier 2 sukuk during 1Q26.

Valuation: Alinma's 1Q26 results were mixed, with operating income slightly below our expectations, while net income exceeded estimates due to lower provisioning. The bank reaffirmed its guidance despite ongoing geopolitical uncertainty. We remain constructive on the stock, maintaining our BUY rating and target price of SAR 27/share. The bank is currently trading at 2026E P/E of 9.4x and P/B of 1.5x, with a dividend yield of 3.7**%.**

Target price (SAR)	**27.00**
Current price (SAR)	**23.53**
Return	**14.7%**



Exchange	Saudi Arabia
Index weight (%)	2.8%

(mn)	SAR	USD
Market Cap	70,590	18,819
Total Assets	311,067	82,929

Major shareholders	
Public Investment Fund	10.00%
Vanguard Group Inc	2.22%
Blackrock Inc	1.68%
Others	86.10%

Valuation Summary (TTM)	
Price (SAR)	23.53
PER TTM (x)	11.7
P/Book (x)	1.9
Dividend Yield (%)	4.2
Free Float (%)	86%
Shares O/S (mn)	3,000
YTD Return (%)	16%
Beta	1.0

Key ratios	2023	2024	2025
EPS (SAR)	1.55	1.85	1.97
BVPS (SAR)	9.78	10.90	11.91
DPS (SAR)	0.57	0.67	0.75
Payout ratio (%)	36%	36%	38%

Price performance (%)	1M	3M	12M
Alinma Bank	-4%	0%	0%
Tadawul All Share Index	-3%	-2%	-3%

52 week	High	Low	CTL*
Price (SAR)	25.53	19.95	17.9

* CTL is % change in CMP to 52wk low

in SAR mn	1Q26	4Q25	QoQ (%)	1Q25	YoY (%)	2025	2024	YoY (%)
Operating Income	3,010	3,180	-5.4%	2,814	7.0%	11,905	10,940	8.8%
Operating Expenses	-982	-960	2.3%	-905	8.6%	-3,715	-3,384	9.8%
Operating Profit	2,027	2,220	-8.7%	1,909	6.2%	8,191	7,556	8.4%
Provision Expenses	-156	-296	-47.4%	-226	-31.2%	-1,060	-1,049	1.0%
Profit before tax	1,871	1,922	-2.6%	1,681	11.3%	7,126	6,502	9.6%
Zakat & Tax	-193	-198	-2.6%	-173	11.3%	-729	-670	8.7%
Profit after tax	1,679	1,724	-2.6%	1,508	11.3%	6,397	5,832	9.7%
Loan Book	238,325	229,747	3.7%	209,435	13.8%	229,747	202,308	13.6%
Deposits	239,604	227,374	5.4%	218,839	9.5%	227,374	210,545	8.0%
Total Equity (Excl tier 1 bond)	37,101	35,739	3.8%	34,201	8.5%	35,739	32,691	9.3%
Cost to Income ratio	32.6%	30.2%		32.2%		31.2%	30.9%	
NPL Ratio	0.93%	0.92%		1.27%		0.92%	1.06%	
Net Loan to deposits	99.5%	101.0%		95.7%		101.0%	96.1%	

Income Statement (SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Net income from loans and investment	6,066	7,655	8,649	9,377	10,628	11,367	12,381	13,361
Net fee income	1,209	1,459	1,608	1,732	1,548	1,732	1,890	2,061
Other income	688	612	683	796	820	845	870	896
Total income	**7,963**	**9,726**	**10,940**	**11,905**	**12,997**	**13,945**	**15,141**	**16,318**
Operating expenses	-2,765	-3,044	-3,384	-3,715	-3,956	-4,235	-4,620	-5,037
Profit before impairments	**5,198**	**6,682**	**7,556**	**8,191**	**9,041**	**9,710**	**10,522**	**11,280**
Impairments	-1,189	-1,299	-1,049	-1,060	-1,513	-1,551	-2,002	-2,186
Income from JV/Associates	4	12	-5	-5	-5	-5	-5	-5
Profit before tax	**4,013**	**5,396**	**6,502**	**7,126**	**7,523**	**8,154**	**8,515**	**9,090**
Tax	-414	-556	-670	-729	-769	-834	-869	-927
Profit after tax before Sukuk cost	**3,599**	**4,839**	**5,832**	**6,397**	**6,754**	**7,320**	**7,647**	**8,163**
Tier 1 Sukuk cost	-150	-200	-322	-505	-500	-500	-500	-500
Net profit after tax	**3,449**	**4,639**	**5,510**	**5,893**	**6,253**	**6,820**	**7,147**	**7,663**

Balance Sheet (SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash and statutory deposits	9,723	12,598	13,850	14,942	14,450	14,116	14,405	14,719
Due from financial institutions	1,454	1,701	4,510	1,720	1,927	2,151	2,353	2,575
Investments - Net	38,518	43,236	48,625	56,623	63,397	70,748	77,378	84,646
Financing - Net	146,492	173,624	202,308	229,747	257,316	287,185	314,170	343,758
PP&E and right to use assets	2,633	2,888	3,401	4,523	5,418	6,249	7,024	7,749
Other assets	1,616	2,667	4,133	3,512	3,547	3,583	3,619	3,655
Total Assets	**200,436**	**236,715**	**276,827**	**311,067**	**346,055**	**384,032**	**418,948**	**457,101**
Liabilities								
Due to banks and other FI	16,483	7,431	13,936	16,213	30,521	35,523	40,034	44,980
Customer deposits	145,168	187,901	210,545	227,374	243,797	272,143	297,706	325,733
Other liabilities	6,908	7,050	10,905	19,239	19,432	19,626	19,822	20,020
Total liabilities	**168,560**	**202,381**	**235,386**	**262,826**	**293,749**	**327,292**	**357,563**	**390,734**
Equity								
Share capital	20,000	20,000	25,000	25,000	25,000	25,000	25,000	25,000
Reserves	6,876	9,334	7,691	10,739	14,804	19,238	23,884	28,865
Total shareholders' equity	**26,876**	**29,334**	**32,691**	**35,739**	**39,804**	**44,238**	**48,884**	**53,865**
Tier 1 Sukuk	5,000	5,000	8,751	12,502	12,502	12,502	12,502	12,502
Total Equity	**31,876**	**34,334**	**41,442**	**48,241**	**52,306**	**56,740**	**61,386**	**66,367**
Total liabilities and equity	**200,436**	**236,715**	**276,827**	**311,067**	**346,055**	**384,032**	**418,948**	**457,101**

Cash Flows (SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	8,203	8,360	5,729	(2,160)	12,508	10,343	9,659	10,727
Cash from investments	(5,859)	(3,614)	(5,809)	(8,371)	(8,284)	(8,892)	(8,200)	(8,871)
Cash from financing	(1,982)	(3,147)	1,316	7,667	(2,188)	(2,387)	(2,501)	(2,681)
Net changes in cash	362	1,600	1,236	(2,864)	2,035	(935)	(1,042)	(826)
Cash balance	**3,573**	**5,173**	**6,409**	**3,544**	**5,580**	**4,644**	**3,603**	**2,777**

Ratios	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Operating performance								
NFIM	3.1%	3.3%	3.2%	3.1%	3.2%	3.1%	3.1%	3.0%
NFIM to total income	76.2%	78.7%	79.1%	78.8%	81.8%	81.5%	81.8%	81.9%
Fee income to total income	15.2%	15.0%	14.7%	14.6%	11.9%	12.4%	12.5%	12.6%
Other income to total income	8.6%	6.3%	6.2%	6.7%	6.3%	6.1%	5.7%	5.5%
Cost to income ratio	34.7%	31.3%	30.9%	31.2%	30.4%	30.4%	30.5%	30.9%
Liquidity								
Deposits to total funding	72.4%	79.4%	76.1%	73.1%	70.5%	70.9%	71.1%	71.3%
Market funds to total funding	8.2%	3.1%	5.0%	5.2%	8.8%	9.3%	9.6%	9.8%
Loans to deposits	100.9%	92.4%	96.1%	101.0%	105.5%	105.5%	105.5%	105.5%
Investments and cash to total assets	24.1%	23.6%	22.6%	23.0%	22.5%	22.1%	21.9%	21.7%
Asset quality								
Cost of risk	0.6%	0.6%	0.4%	0.4%	0.5%	0.4%	0.5%	0.5%
NPL	1.9%	1.6%	1.1%	0.9%	0.9%	0.9%	0.9%	0.9%
NPL coverage	136.3%	154.9%	172.3%	150.3%	150.3%	153.1%	153.2%	153.3%
Stage 1 ratio	92.4%	92.5%	93.5%	94.4%	94.4%	94.1%	94.1%	94.1%
Stage 2 ratio	5.6%	5.9%	5.5%	4.7%	4.7%	5.0%	5.0%	5.0%
Stage 3 ratio	1.9%	1.6%	1.1%	0.9%	0.9%	0.9%	0.9%	0.9%
Stage 1 coverage	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Stage 2 coverage	19.3%	16.2%	15.6%	12.4%	12.4%	12.2%	12.2%	12.2%
Stage 3 coverage	56.8%	70.9%	55.0%	45.6%	45.6%	45.6%	45.6%	45.7%
Impairment coverage	4.4	5.1	7.2	7.7	6.0	6.3	5.3	5.2
Provisions to gross loans	2.6%	2.5%	1.8%	1.4%	1.4%	1.4%	1.4%	1.4%
Capital adequacy								
Equity to total assets	13.4%	12.4%	11.8%	11.5%	11.5%	11.5%	11.7%	11.8%
Core Tier 1	15.8%	14.0%	13.2%	13.5%	13.0%	13.0%	13.2%	13.3%
Tier 1	18.6%	16.3%	16.7%	18.3%	17.1%	16.7%	16.6%	16.4%
Total capital	19.8%	17.5%	17.7%	19.9%	18.5%	18.0%	17.7%	17.5%
Return ratios								
ROA	1.7%	2.0%	2.0%	1.9%	1.8%	1.8%	1.7%	1.7%
ROE	12.8%	15.8%	16.9%	16.5%	15.7%	15.4%	14.6%	14.2%
Return on RWA	2.0%	2.2%	2.2%	2.2%	2.0%	2.0%	1.9%	1.9%
Per share ratios								
EPS	1.4	1.9	2.2	2.4	2.5	2.7	2.9	3.1
BVPS	10.8	11.7	13.1	14.3	15.9	17.7	19.6	21.5
DPS	0.7	0.7	1.1	0.9	0.9	1.0	1.0	1.1
Valuation								
M.Cap (SAR mn)	88,328	83,568	72,375	60,950	58,825	58,825	58,825	58,825
P/E	25.6	18.0	13.1	10.3	9.4	8.6	8.2	7.7
P/BV	3.3	2.8	2.2	1.7	1.5	1.3	1.2	1.1
Div. yield	2.0%	2.0%	3.8%	3.7%	3.7%	4.1%	4.3%	4.6%

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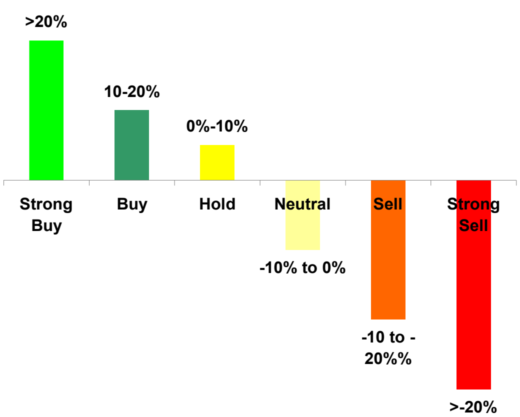
Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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