

## Banking

**BUY : 12M TP @ 30.0**

**Upside + 17.7%**

### Valuation Summary (TTM)

|                    |        |
|--------------------|--------|
| Price (SAR)        | 25.480 |
| PER TTM (x)        | 11.0   |
| P/Book (x)         | 1.9    |
| Dividend Yield (%) | 4.7    |
| Free Float (%)     | 86%    |
| Shares O/S (mn)    | 2,500  |
| YTD Return (%)     | -12%   |
| Beta               | 1.2    |

| (mn)         | SAR     | USD    |
|--------------|---------|--------|
| Market Cap   | 63,700  | 16,975 |
| Total Assets | 218,596 | 58,253 |

| Price performance     | 1M  | 3M  | 12M  |
|-----------------------|-----|-----|------|
| Alinma Bank           | -2% | -9% | -19% |
| Tadawul All Share Ind | -1% | -5% | -9%  |

| Trading liquidity (,0) | 1M      | 3M      | 6M      |
|------------------------|---------|---------|---------|
| Avg daily turnover     | 120,229 | 144,178 | 154,150 |
| Avg Daily Volume       | 4,440   | 5,505   | 5,545   |
| 52 week                | High    | Low     | CTL*    |
| Price (SAR)            | 33.20   | 24.52   | 3.9     |

\* CTL is % change in CMP to 52wk low

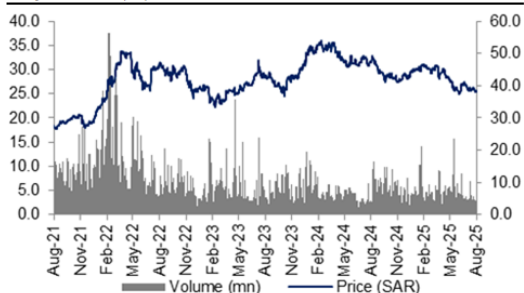
### Major shareholders

|                      |       |
|----------------------|-------|
| Public Investment Fu | 10.0% |
| Vanguard Group Inc/T | 2.1%  |
| Blackrock Inc        | 1.6%  |
| Others               | 86.3% |

### Other details

|          |              |
|----------|--------------|
| Exchange | Saudi Arabia |
| Sector   | Banks        |

| Keyratios        | 2022  | 2023  | 2024  |
|------------------|-------|-------|-------|
| EPS (SAR)        | 1.38  | 1.87  | 2.22  |
| BVPS (SAR)       | 10.75 | 11.73 | 13.08 |
| DPS (SAR)        | 0.76  | 0.68  | 0.80  |
| Payout ratio (%) | 55%   | 36%   | 36%   |



## Alinma – Performance in line with expectations

Alinma Bank reported 2Q25 operating income of SAR 2.9bn, reflecting a 7.3% YoY and 4.7% QoQ improvement. However, the figure came in slightly below our estimate of SAR 3.0bn. Net profit for the quarter stood at SAR 1.6bn, broadly in line with expectations, representing 11.1% YoY 4.3% QoQ increase. The YoY growth in operating income was supported by a 6% rise in net interest income and a 13% increase in non-interest income. NII rose 6% YoY, as a 22bps YoY compression in net interest margins was offset by 15% loan book growth. NIMs narrowed due to higher funding costs compared to financing yields. Management expects 2025e NIMs to decline by 10–20bps from the 2024 level of 3.70%. Non-interest income grew 15.3% YoY, driven by higher fee income from banking, card, and trade finance services. Sequentially, non-interest income surged 22.7% QoQ, supported by stronger interchange fees on cards and higher investment income from Alinma Capital. Other income increased 9.4% YoY, largely on account of a 19% rise in investment income, which offset a 5% decline in forex income. As a result, the share of non-interest income rose 123bps YoY to 22.9% of total income in 2Q25. Operating expenses increased 10% YoY, outpacing operating income growth, which pushed the cost-to-income ratio higher by 70bps to 31.1%. Consequently, management revised its 2025e cost-to-income guidance to below 31%, compared to the earlier target of below 30.5%.

Provision expenses declined 14% YoY to SAR 281mn, though it sequentially increased by 24.3% QoQ. The cost of risk for 1H25 stood at 0.47%, in line with the 40–50bps guidance. Around 87% of impairment charges were from the corporate segment, with the remainder from retail. The effective tax rate was stable at 10.0% in 2Q25, supporting PAT growth of 11% YoY.

YTD gross loans grew 8% and deposits 9%. Loan growth was driven by corporates (+9% YTD), particularly mid-corporates, SMEs, and project financing. Retail loans rose 8% YTD, supported by auto and home financing. Deposit growth was underpinned by an 11% rise in time deposits, while CASA balances increased 7%. Non-performing loans remained stable QoQ at 1.25%.

Management remains optimistic about loan growth, guiding for mid-teens expansion driven by mid-corporates and SMEs, though it slightly lowered its NIM and cost-to-income outlook. The revision in NIM and cost to income ratio guidance also led to downward revision in return on equity by 50bps to above 18.5% for 2025e. In view of this, while we continue to maintain BUY rating, we revise the target price to SAR 30/share. The bank is currently trading at 2025e PB/PE/DY of 10.6x/1.8x/4.7%

## Summary of key numbers

| in SAR mn                       | 2Q25    | 1Q25    | QoQ (%) | 2Q24    | YoY (%) | 1H25    | 1H24    | YoY (%) | 2025e   | 2024    |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Operating Income                | 2,947   | 2,814   | 4.7%    | 2,746   | 7.3%    | 5,760   | 5,310   | 8.5%    | 11,941  | 10,940  |
| Operating Expenses              | -917    | -905    | 1.4%    | -834    | 10.0%   | -1,822  | -1,668  | 9.3%    | -3,598  | -3,384  |
| Operating Profit                | 2,029   | 1,909   | 6.3%    | 1,912   | 6.2%    | 3,938   | 3,643   | 8.1%    | 8,344   | 7,556   |
| Provision Expenses              | -281    | -226    | 24.3%   | -327    | -13.9%  | -508    | -591    | -14.1%  | -1,267  | -1,049  |
| Profit before tax               | 1,747   | 1,681   | 3.9%    | 1,579   | 10.6%   | 3,429   | 3,045   | 12.6%   | 7,072   | 6,502   |
| Zakat & Tax                     | -174    | -173    | 0.5%    | -163    | 7.0%    | -348    | -314    | 10.7%   | -729    | -670    |
| Profit after tax                | 1,573   | 1,508   | 4.3%    | 1,417   | 11.1%   | 3,081   | 2,731   | 12.8%   | 6,342   | 5,832   |
| Loan Book                       | 218,596 | 209,435 | 4.4%    | 189,912 | 15.1%   | 218,596 | 189,912 | 15.1%   | 231,174 | 202,308 |
| Deposits                        | 229,944 | 218,839 | 5.1%    | 205,357 | 12.0%   | 229,944 | 205,357 | 12.0%   | 240,600 | 210,545 |
| Total Equity (Excl tier 1 bond) | 34,149  | 34,201  | -0.2%   | 31,286  | 9.2%    | 34,149  | 31,286  | 9.2%    | 35,688  | 32,691  |
| Cost to Income ratio            | 31.1%   | 32.2%   |         | 30.4%   |         | 31.6%   | 31.4%   |         | 30.1%   | 30.9%   |
| NPL Ratio                       | 1.25%   | 1.27%   |         | 0.78%   |         | 1.25%   | 0.78%   |         | 1.06%   | 1.06%   |
| Net Loan to deposits            | 95.1%   | 95.7%   |         | 92.5%   |         | 95.1%   | 92.5%   |         | 96.1%   | 96.1%   |

| Income Statement (SAR mn)                 | 2021         | 2022         | 2023         | 2024          | 2025e         | 2026e         | 2027e         | 2028e         |
|---|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Net income from loans and investment      | 5,140        | 6,066        | 7,655        | 8,649         | 9,431         | 10,260        | 10,988        | 12,198        |
| Net fee income                            | 1,074        | 1,209        | 1,459        | 1,608         | 1,814         | 2,031         | 2,241         | 2,427         |
| Other income                              | 445          | 688          | 612          | 683           | 697           | 711           | 725           | 739           |
| <b>Total income</b>                       | <b>6,660</b> | <b>7,963</b> | <b>9,726</b> | <b>10,940</b> | <b>11,941</b> | <b>13,002</b> | <b>13,954</b> | <b>15,365</b> |
| Operating expenses                        | (2,358)      | (2,765)      | (3,044)      | (3,384)       | (3,598)       | (4,028)       | (4,445)       | (4,814)       |
| <b>Profit before impairments</b>          | <b>4,302</b> | <b>5,198</b> | <b>6,682</b> | <b>7,556</b>  | <b>8,344</b>  | <b>8,974</b>  | <b>9,509</b>  | <b>10,551</b> |
| Impairments                               | (1,266)      | (1,189)      | (1,299)      | (1,049)       | (1,267)       | (1,410)       | (1,508)       | (1,538)       |
| Income from JV/Associates                 | (14)         | 4            | 12           | (5)           | (5)           | (5)           | (5)           | (5)           |
| <b>Profit before tax</b>                  | <b>3,022</b> | <b>4,013</b> | <b>5,396</b> | <b>6,502</b>  | <b>7,072</b>  | <b>7,559</b>  | <b>7,995</b>  | <b>9,007</b>  |
| Tax                                       | (312)        | (414)        | (556)        | (670)         | (729)         | (779)         | (824)         | (1,351)       |
| <b>Profit after tax before Sukuk cost</b> | <b>2,709</b> | <b>3,599</b> | <b>4,839</b> | <b>5,832</b>  | <b>6,342</b>  | <b>6,779</b>  | <b>7,171</b>  | <b>7,656</b>  |
| Tier 1 Sukuk cost                         | (107)        | (150)        | (200)        | (200)         | (350)         | (350)         | (350)         | (350)         |
| <b>Net profit after tax</b>               | <b>2,603</b> | <b>3,449</b> | <b>4,639</b> | <b>5,632</b>  | <b>5,992</b>  | <b>6,429</b>  | <b>6,821</b>  | <b>7,306</b>  |

| Balance Sheet (SAR mn)              | 2021           | 2022           | 2023           | 2024           | 2025e          | 2026e          | 2027e          | 2028e          |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash and statutory deposits         | 9,177          | 9,723          | 12,598         | 13,850         | 13,319         | 13,084         | 13,112         | 13,794         |
| Due from financial institutions     | 738            | 1,454          | 1,701          | 4,510          | 5,154          | 5,789          | 6,415          | 6,960          |
| Investments - Net                   | 33,278         | 38,518         | 43,236         | 48,625         | 55,554         | 62,385         | 69,122         | 74,989         |
| Financing - Net                     | 126,271        | 146,492        | 173,624        | 202,308        | 231,174        | 259,630        | 287,695        | 312,149        |
| PP&E and right to use assets        | 2,383          | 2,633          | 2,888          | 3,401          | 3,851          | 4,271          | 4,665          | 5,036          |
| Other assets                        | 1,629          | 1,616          | 2,667          | 4,133          | 4,175          | 4,217          | 4,259          | 4,301          |
| <b>Total Assets</b>                 | <b>173,476</b> | <b>200,436</b> | <b>236,715</b> | <b>276,827</b> | <b>313,227</b> | <b>349,376</b> | <b>385,268</b> | <b>417,229</b> |
| <b>Liabilities and Equity</b>       |                |                |                |                |                |                |                |                |
| <b>Liabilities</b>                  |                |                |                |                |                |                |                |                |
| Due to banks and other FI           | 15,240         | 16,483         | 7,431          | 13,936         | 17,175         | 20,368         | 23,516         | 26,259         |
| Customer deposits                   | 121,061        | 145,168        | 187,901        | 210,545        | 240,600        | 270,232        | 299,453        | 324,907        |
| Other liabilities                   | 6,465          | 6,908          | 7,050          | 10,905         | 11,014         | 11,124         | 11,235         | 11,348         |
| <b>Total liabilities</b>            | <b>142,765</b> | <b>168,560</b> | <b>202,381</b> | <b>235,386</b> | <b>268,789</b> | <b>301,723</b> | <b>334,205</b> | <b>362,513</b> |
| <b>Equity</b>                       |                |                |                |                |                |                |                |                |
| Share capital                       | 20,000         | 20,000         | 20,000         | 25,000         | 25,000         | 25,000         | 25,000         | 25,000         |
| Reserves                            | 5,711          | 6,876          | 9,334          | 7,691          | 10,688         | 13,902         | 17,313         | 20,966         |
| <b>Total shareholders' equity</b>   | <b>25,711</b>  | <b>26,876</b>  | <b>29,334</b>  | <b>32,691</b>  | <b>35,688</b>  | <b>38,902</b>  | <b>42,313</b>  | <b>45,966</b>  |
| Tier 1 Sukuk                        | 5,000          | 5,000          | 5,000          | 8,751          | 8,751          | 8,751          | 8,751          | 8,751          |
| <b>Total Equity</b>                 | <b>30,711</b>  | <b>31,876</b>  | <b>34,334</b>  | <b>41,442</b>  | <b>44,438</b>  | <b>47,653</b>  | <b>51,063</b>  | <b>54,716</b>  |
| <b>Total liabilities and equity</b> | <b>173,476</b> | <b>200,436</b> | <b>236,715</b> | <b>276,827</b> | <b>313,227</b> | <b>349,376</b> | <b>385,268</b> | <b>417,229</b> |







| <b>Ratios</b>                        | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>2025e</b> | <b>2026e</b> | <b>2027e</b> | <b>2028e</b> |
|--------------------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| <b>Per Share (SAR)</b>               |             |             |             |             |              |              |              |              |
| EPS                                  | 1.0         | 1.4         | 1.9         | 2.3         | 2.4          | 2.6          | 2.7          | 2.9          |
| BVPS                                 | 10.3        | 10.8        | 11.7        | 13.1        | 14.3         | 15.6         | 16.9         | 18.4         |
| DPS                                  | 0.6         | 0.7         | 0.7         | 1.1         | 1.2          | 1.3          | 1.4          | 1.5          |
| Total income/share                   | 2.7         | 3.2         | 3.9         | 4.4         | 4.8          | 5.2          | 5.6          | 6.1          |
| <b>Valuations</b>                    |             |             |             |             |              |              |              |              |
| M.Cap (SAR mn)                       | 51,923      | 88,328      | 83,568      | 72,375      | 63,700       | 63,700       | 63,700       | 63,700       |
| P/E                                  | 19.9        | 25.6        | 18.0        | 12.9        | 10.6         | 9.9          | 9.3          | 8.7          |
| P/BV                                 | 2.0         | 3.3         | 2.8         | 2.2         | 1.8          | 1.6          | 1.5          | 1.4          |
| Div. yield                           | 2.9%        | 2.0%        | 2.0%        | 3.8%        | 4.7%         | 5.0%         | 5.4%         | 5.7%         |
| <b>Capital Quality</b>               |             |             |             |             |              |              |              |              |
| Equity to total assets               | 14.8%       | 13.4%       | 12.4%       | 11.8%       | 11.4%        | 11.1%        | 11.0%        | 11.0%        |
| Core Tier 1                          | 18.2%       | 15.8%       | 14.0%       | 13.2%       | 12.8%        | 12.5%        | 12.4%        | 12.4%        |
| Tier 1                               | 21.6%       | 18.6%       | 16.3%       | 16.7%       | 16.0%        | 15.4%        | 14.9%        | 14.8%        |
| Total capital                        | 22.8%       | 19.8%       | 17.5%       | 17.7%       | 16.9%        | 16.2%        | 15.7%        | 15.5%        |
| <b>Earning Quality</b>               |             |             |             |             |              |              |              |              |
| NFIM                                 | 3.1%        | 3.1%        | 3.3%        | 3.2%        | 3.1%         | 3.0%         | 2.9%         | 3.0%         |
| NFIM to total income                 | 77.2%       | 76.2%       | 78.7%       | 79.1%       | 79.0%        | 78.9%        | 78.7%        | 79.4%        |
| Fee income to total income           | 16.1%       | 15.2%       | 15.0%       | 14.7%       | 15.2%        | 15.6%        | 16.1%        | 15.8%        |
| Other income to total income         | 6.7%        | 8.6%        | 6.3%        | 6.2%        | 5.8%         | 5.5%         | 5.2%         | 4.8%         |
| Cost to income ratio                 | 35.4%       | 34.7%       | 31.3%       | 30.9%       | 30.1%        | 31.0%        | 31.9%        | 31.3%        |
| Impairment coverage                  | 3.4         | 4.4         | 5.1         | 7.2         | 6.6          | 6.4          | 6.3          | 6.9          |
| ROA                                  | 1.5%        | 1.7%        | 2.0%        | 2.0%        | 1.9%         | 1.8%         | 1.8%         | 1.8%         |
| ROE                                  | 10.1%       | 12.8%       | 15.8%       | 17.2%       | 16.8%        | 16.5%        | 16.1%        | 15.9%        |
| Return on RWA                        | 1.8%        | 2.0%        | 2.2%        | 2.3%        | 2.2%         | 2.1%         | 2.0%         | 2.0%         |
| <b>Asset Quality</b>                 |             |             |             |             |              |              |              |              |
| Cost of risk                         | 1.0%        | 0.7%        | 0.7%        | 0.4%        | 0.5%         | 0.5%         | 0.5%         | 0.5%         |
| NPL                                  | 1.8%        | 1.9%        | 1.6%        | 1.1%        | 1.1%         | 1.1%         | 1.1%         | 1.1%         |
| NPL coverage                         | 177.1%      | 136.3%      | 154.9%      | 172.3%      | 172.7%       | 173.1%       | 173.4%       | 173.4%       |
| Stage 1 ratio                        | 91.2%       | 92.4%       | 92.5%       | 93.5%       | 93.4%        | 93.4%        | 93.4%        | 93.4%        |
| Stage 2 ratio                        | 7.0%        | 5.6%        | 5.9%        | 5.5%        | 5.5%         | 5.5%         | 5.6%         | 5.6%         |
| Stage 3 ratio                        | 1.8%        | 1.9%        | 1.6%        | 1.1%        | 1.1%         | 1.1%         | 1.1%         | 1.1%         |
| Stage 1 coverage                     | 0.5%        | 0.5%        | 0.4%        | 0.4%        | 0.4%         | 0.4%         | 0.4%         | 0.4%         |
| Stage 2 coverage                     | 22.0%       | 19.3%       | 16.2%       | 15.6%       | 15.6%        | 15.7%        | 15.7%        | 15.7%        |
| Stage 3 coverage                     | 62.6%       | 56.8%       | 70.9%       | 55.0%       | 54.9%        | 54.7%        | 54.7%        | 54.7%        |
| Provisions to gross loans            | 3.1%        | 2.6%        | 2.5%        | 1.8%        | 1.8%         | 1.8%         | 1.8%         | 1.8%         |
| <b>Funding</b>                       |             |             |             |             |              |              |              |              |
| Deposits to total funding            | 69.8%       | 72.4%       | 79.4%       | 76.1%       | 76.8%        | 77.3%        | 77.7%        | 77.9%        |
| Market funds to total funding        | 8.8%        | 8.2%        | 3.1%        | 5.0%        | 5.5%         | 5.8%         | 6.1%         | 6.3%         |
| <b>Liquidity</b>                     |             |             |             |             |              |              |              |              |
| Loans to deposits                    | 104.3%      | 100.9%      | 92.4%       | 96.1%       | 96.1%        | 96.1%        | 96.1%        | 96.1%        |
| Investments and cash to total assets | 24.5%       | 24.1%       | 23.6%       | 22.6%       | 22.0%        | 21.6%        | 21.3%        | 21.3%        |

## Key contacts

### Research Team

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## Rating Criteria and Definitions

| Rating  | Rating Definitions  |
|---|---|
|  <b>Strong Buy</b>   | <b>Strong Buy</b> 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%  |
|  <b>Buy</b>          | <b>Buy</b> 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%            |
|  <b>Hold</b>         | <b>Hold</b> 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%            |
|  <b>Neutral</b>      | <b>Neutral</b> 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%   |
|  <b>Sell</b>        | <b>Sell</b> 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%    |
|  <b>Strong Sell</b> | <b>Strong Sell</b> 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% |
| <b>Not rated</b>  | <b>Not rated</b> This recommendation used for stocks which does not form part of Coverage Universe  |

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